



NEW REPORT: TEXAS TAXES ON BOTTOM 20 PERCENT OF INCOME EARNERS FIFTH HIGHEST IN THE NATION

Texas' Tax System Also Nation's Fifth Most Regressive

Austin, Texas—The Center for Public Policy Priorities (CPPP) today highlighted a new national study showing that Texas taxes on the bottom 20 percent of income earners are the fifth highest in the nation. The study, published today by the Institute on Taxation & Economic Policy (ITEP), shows low- and middle-income Texans pay a far higher share of their income in state and local taxes than do the richest families in Texas, making it the fifth most regressive state tax system. CPPP emphasized that Texas should work toward a tax system where families at all income levels pay similar percentages of their income to support state and local public services.

“Texas’ bottom 20 percent of income earners pay 12.2 percent of their income in state and local taxes. That’s a higher percentage of income than similar households pay in all but four other states in the nation. We need to start seriously considering a tax system that requires people at all income levels pay their fair share, rather than letting the state’s tax burden fall disproportionately on the families who can least afford it,” CPPP Senior Fiscal Analyst Dick Lavine said.

Who Pays? A Distributional Analysis of the Tax Systems in All 50 States concludes that Texas has the fifth most regressive state/local tax system of any state. (A regressive system requires low- and moderate-income families to pay a much higher percentage of their income in taxes than do higher-income families.) According to the study, Texas families with the lowest income pay a portion of their income 3.7 times the portion paid by the one percent of families earning the highest incomes.

Texas’s Tax Code: Poor Pay More

Who Pays? found that:

- Texas families earning less than \$18,000—the poorest fifth of Texas non-elderly taxpayers—pay 12.2 percent of their income in Texas state and local taxes.
- Middle-income Texas taxpayers—those earning between \$31,000 and \$51,000—pay 8.5 percent of their income in Texas state and local taxes.
- But the richest Texas taxpayers—with incomes exceeding \$463,000 per year—pay only 3.3 percent of their income in Texas state and local taxes.

Texas Sales Taxes Hit Low-Income Families Hardest

Texas relies on the sales tax for more than half of all state tax revenue – a pattern typical of regressive tax systems. Since low- and moderate-income Texans tend to spend all of their income each year to support their families, the sales tax takes a much greater percentage of their income than it does from higher-income families, who can afford to save some of their income or spend it on services that are not subject to the sales tax.

“Texas is one of only nine states nationwide that do not have a broad-based personal income tax. The lack of a progressive income tax to offset regressive sales and excise taxes, as well as property taxes, is the most important factor in making the Texas tax system so regressive. Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in tax should rise as income grows, not fall sharply as is the case in Texas,” ITEP Executive Director Matthew Gardner said.

Who Pays? A Distributional Analysis of the Tax Systems in All 50 States can be found at <http://www.itepnet.org/whopays3.pdf>. State fact sheets can also be found at <http://www.itepnet.org/whopays.htm>.

The Center for Public Policy Priorities (CPPP) is a nonprofit, nonpartisan policy institute dedicated to improving the economic and social conditions of low- and moderate-income Texans. You can learn more about CPPP at <http://www.cppp.org>.

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