

The Truth-O-Meter Says:



Says taxes paid by the poorest residents of Texas are above the national average.

[Paul Krugman](#) on Monday, February 28th, 2011 in an op-ed column.

Paul Krugman says poorest 40 percent of Texans pay more in Texas than national average



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New York Times columnist Paul Krugman sees Texas as a model for how things might be going wrong across the nation and in his [latest blast](#), posted online Feb. 27, he pokes at the state's reputedly low taxes.

Texas taxes "are low, at least if you're in the upper part of the income distribution," Krugman writes. He adds, parenthetically, that "taxes on the bottom 40 percent of the population are actually above the national average."

It's undisputed that the two major Texas state and local taxes--sales and property--impose a greater burden on low-income Texans. According to the Texas State Comptroller's latest [study](#) of tax incidence, issued last month, Texas households earning \$29,223 or less are expected to spend 6 percent of their income in general sales taxes and 5.3 percent of their income on school property taxes in 2013. The report says households earning more than \$29,223 are likely to spend on average no more than 3.4 percent of their income on each of the two taxes.

The left-leaning Austin-based Center on Public Policy Priorities wrote in 2009: "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."

Yet do the state's poorest residents also pay higher taxes than the national average?

By e-mail, Krugman told us he based his statement on an analysis released Nov. 18, 2009 by the Institute on Taxation and Economic Policy, a research arm of Washington-based Citizens for Tax Justice, which says it advocates for fair taxation of middle- and low-income families.

The study says the 20 percent of Texas families earning less than \$18,000 a year spend 12.2 percent of their income on state and local taxes, while the next-wealthiest 20 percent of families, earning \$18,000 to \$31,000, spend 10.2 percent of income on the taxes, which largely consist of sales and property taxes. Nationally, the poorest 20 percent and next-poorest 20 percent of families spend an average of 10.9 percent and 10 percent of income, respectively, on state and local taxes, the study says.

Conversely, the study says, the 60 percent of Texas families that earned \$31,000 or more put less of their income into state and local taxes than the national average. Texas households in the top 20 percent of income, earning \$89,000 or more, paid 5.8 percent of their income or less, while such households nationally paid 8.8 percent or less.

Texas is among 10 states with "particularly regressive" tax systems, the study says. One result is that low-income families "pay almost six times as much of their earnings in taxes as do the wealthy" and "middle-income families in these states pay up to three-and-a-half times as high a share of their income as the wealthiest families."

We reached Matt Gardner, the institute's director. He said the study drew on data from the Internal Revenue Service, U.S. Bureau of Labor Statistics and the Census Bureau's American Community Survey. He said it was methodologically improved from earlier attempts by the institute to gauge who bears the brunt of state and local taxes.

Next, we shared the methodological details that Gardner aired with Billy Hamilton, a former deputy state comptroller of Texas. Hamilton, who was involved in the state's past studies of tax incidence, said: "It sounds like what they did is very logical."

Gardner said Krugman's comparison accurately tracks the study. We noticed that the difference between what the second-poorest 20 percent of Texas households pays and the national average looks small; the Texans paid only .2 percent more. Based on a \$30,000 annual income, that's \$60 more. Though measurable, "it's not a huge difference," Gardner said.

Footnote: Krugman's statement might not have applied to both subsets of lower-income Texans in the past. The institute's previous studies, based on different methodologies and 1995 and 2002 tax payments, similarly showed the poorest 20 percent of Texans paying more than counterparts nationally. But the next-to-poorest 20 percent of Texans paid less of their incomes to state and local taxes than residents in the same income group nationally, Gardner said.

We rate Krugman's statement True.