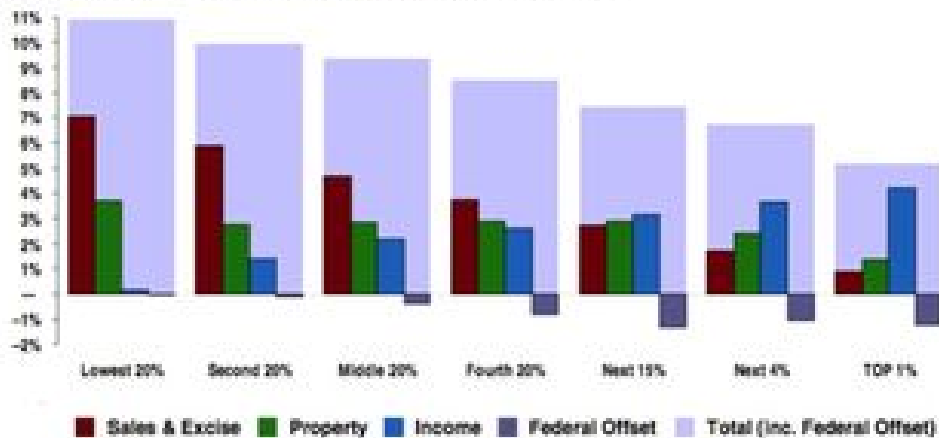


Tax cuts help just who'd you expect

By Charlie Quimby
December 02, 2009

State & Local Taxes in 2007, All States

State and local taxes imposed on own residents, as shares of income



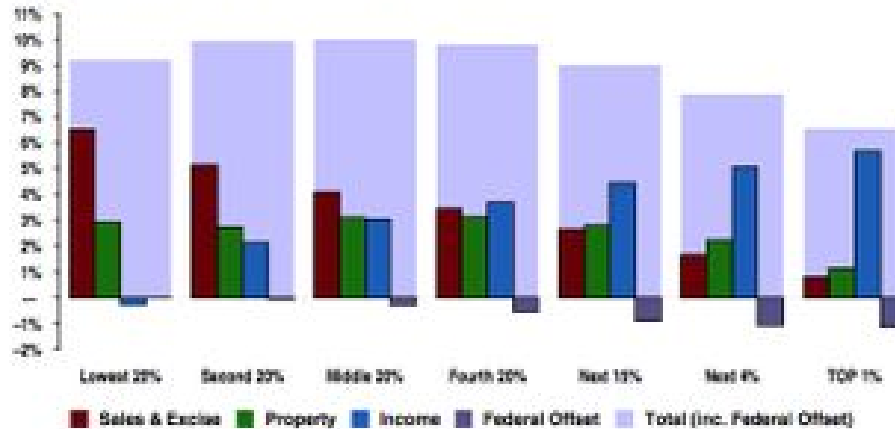
A new study from the Institute on Taxation and Economic Policy [breaks down](#) who among "non-elderly households" is paying what taxes at the state and local level.

The report shows what we've been saying here for years - that when all forms of taxes (not just income taxes) are taken into account, the wealthiest taxpayers pay the lowest overall effective rate.

Minnesota

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



The Minnesota report [\[PDF\]](#) reflects our state's more progressive tax system with a less stair-stepped chart, but it still shows the top-earning households paying a lower share of income in state and local taxes.

As [Sam Pizzigati](#) of the Campaign for America's Future writes:

Now you could argue that none of this [non-proportional taxpaying] matters. The Tax Revolvers, after all, didn't claim that their tax cutting and capping would have low- and middle-income people paying taxes at a lower rate than the rich. They claimed, instead, that massive tax cuts, taken as an amorphous whole, would help just about everybody get considerably richer.

That hasn't happened, as Brookings Institution researchers Barry Bosworth and Rosanna Smart document in a paper [just published](#) by the Boston College Center for Retirement Research, with funding support from Social Security.

In fact, says Pizzigati,

[L]ow- and middle-income households under age 50 [...] have actually lost all the wealth they had gained since 1983, the first year with Federal Reserve family wealth data available.

Back then in 1983, the bottom third - by income - of U.S. families under age 50 had an average \$24,000 in net worth to their names, as measured in year 2000 dollars. The housing bubble helped boost this bottom-third average net worth to \$27,000 in 2007.

Today, in the wake of that bubble's collapse, researchers Bosworth and Smart put average bottom-third net worth at just \$17,000, in those same year 2000 dollars.

Middle-income households under age 50, meanwhile, held an average net worth of \$50,000 in 1983. The current net worth of this middle third, after adjusting for inflation: \$45,000.

Only the top third of households has greater net worth today than in 1983 - substantially greater, even after the market collapse.

In terms of wealth creation, tax cuts going back to the Reagan era have benefited those who pay a smaller proportion of their income in taxes.