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Report: Poor Texans shoulder heavy tax burden

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AUSTIN – Texas' low-income residents bear heavier tax burdens than their counterparts in all but four other states, a new study shows.

The bottom fifth of Texas earners pay just over 12 percent of their income to state and local governments – more than three times the share of income that the state's richest taxpayers fork over, according to a report issued Wednesday by the nonpartisan Institute on Taxation and Economic Policy.

One of the reasons is that Texas is one of the few states without a personal income tax, the group says.

"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," said Matthew Gardner, the institute's executive director.

Its board of directors includes former Clinton administration Labor Secretary Robert Reich and liberal economics commentator Robert Kuttner.

Dick Lavine, senior fiscal analyst for the Austin-based Center for Public Policy Priorities, which advocates for low- and middle-income Texans, said the study should be a wake-up call.

"We need to start seriously considering a tax system that requires people at all income levels pay their fair share," said Lavine, a former tax-policy researcher for the Texas House.

Former House Appropriations Committee Chairman Talmadge Heflin criticized the study as misguided because it praises Delaware, New York and Vermont, which he said are way behind Texas in economic health.

"The data show emphatically that people want to live and do business in states with low overall taxes and no personal income tax," said Heflin, a Houston Republican now with the conservative Texas Public Policy Foundation.

He said Texas has it right – the best way to improve people's lives "is by having a job, not by the government redistributing wealth."

The institute's study said the media and elected officials often refer to states such as Texas as "low-tax" states without considering who benefits the most within those states.

In Texas, the study found that state and local taxes eat 12.2 percent of incomes of the bottom 20 percent of earners – families with less than \$18,000 of income.

For the middle 20 percent of earners, those making between \$31,000 and \$51,000, the state-local tax bite was 8.5 percent. And the top 1 percent, who make \$463,000 or more, pay just 3.3 percent of income in state and local taxes.

"No-income-tax states like Washington, Texas and Florida do, in fact, have average to low taxes overall," the study said. "Can they also be considered 'low-tax' states for poor families? Far from it."

By the numbers: Tax burdens

Texas ranks among the states with the highest tax burden for its poorest residents. Here's a look at the five states that rank highest in the percentage of income that the poorest fifth of residents pay in state and local taxes:

Washington	17.3%
Florida	13.5%
Illinois	13%
Arizona	12.5%
Texas	12.2%
Here are the percentages the bottom fifth pay in taxes for some of Texas' neighbors:	
Arkansas	12.1%
New Mexico	10.8%
Oklahoma	9.9%
SOURCE: Institute on Taxation and Economic Policy	