

## **Census Data Reveal Fundamental Tax Mismatch in Texas** Texas is a Low Tax State, But Not for Families Living in Poverty

Recently released data from the Census Bureau confirms that overall Texas could be considered a “low tax state.” However, families living near or below the poverty line generally do not experience Texas as a low tax state -- instead, they pay more than their fair share of state and local taxes.

### **A Low Tax State With Above Average Property and Sales Taxes**

Texas state and local taxes are 9<sup>th</sup> lowest in the nation as a share of personal income. At 9.7 percent of personal income, Texas’s taxes were well below the national average in 2008. Texas doesn’t levy a broad-based personal income tax. Texas’s property taxes are just 10 percent above the national average. Texas sales and excise taxes, by contrast, were 22 percent above the national average. However, the state’s reliance on one tax in particular is dramatically above the national average, the state ranks 13<sup>th</sup> highest in terms of sales and excise taxes as a share of income. This heavy reliance on regressive sales and excise taxes means that Texas isn’t a low tax state for everyone.

### **A High Tax State for Low Income Taxpayers**

Texas tax laws actually redistribute income away from ordinary families and towards the richest Texans. A November 2009 report by the Institute on Taxation and Economic Policy<sup>1</sup> found that the poorest twenty percent of Texans paid, on average, 12.2 percent of their income in taxes, while the wealthiest one percent of taxpayers paid an average of only 3 percent of their income in state and local taxes. In fact, taxes paid by the poorest 20 percent of non-elderly Texans (those with an average income of \$11,200) are 5<sup>th</sup> highest in the nation. By this same measure, the taxes paid by Texans in the second quintile, with average incomes of \$24,500, were 17<sup>th</sup> highest in the nation.

The primary reason for this mismatch is that the Texas tax system is extremely imbalanced in its reliance on the “big three” taxes (income, sales, and property). Because Texas does not have a personal income tax, the state’s tax system relies far too heavily on sales and property taxes. “With poverty rates on the rise, the Texas tax system is actually pushing families further into poverty.” said Meg Wiehe, ITEP’s State Tax Policy Director. “Reforming the unfair tax system to achieve greater fairness should be a top priority for state lawmakers.”

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<sup>1</sup> Who Pays? A Distributional Analysis of the Tax Systems in All 50 State, 3<sup>rd</sup> Edition. (Institute on Taxation and Economic Policy, 2009). [http://www.itepnet.org/state\\_reports/whopays.php](http://www.itepnet.org/state_reports/whopays.php)