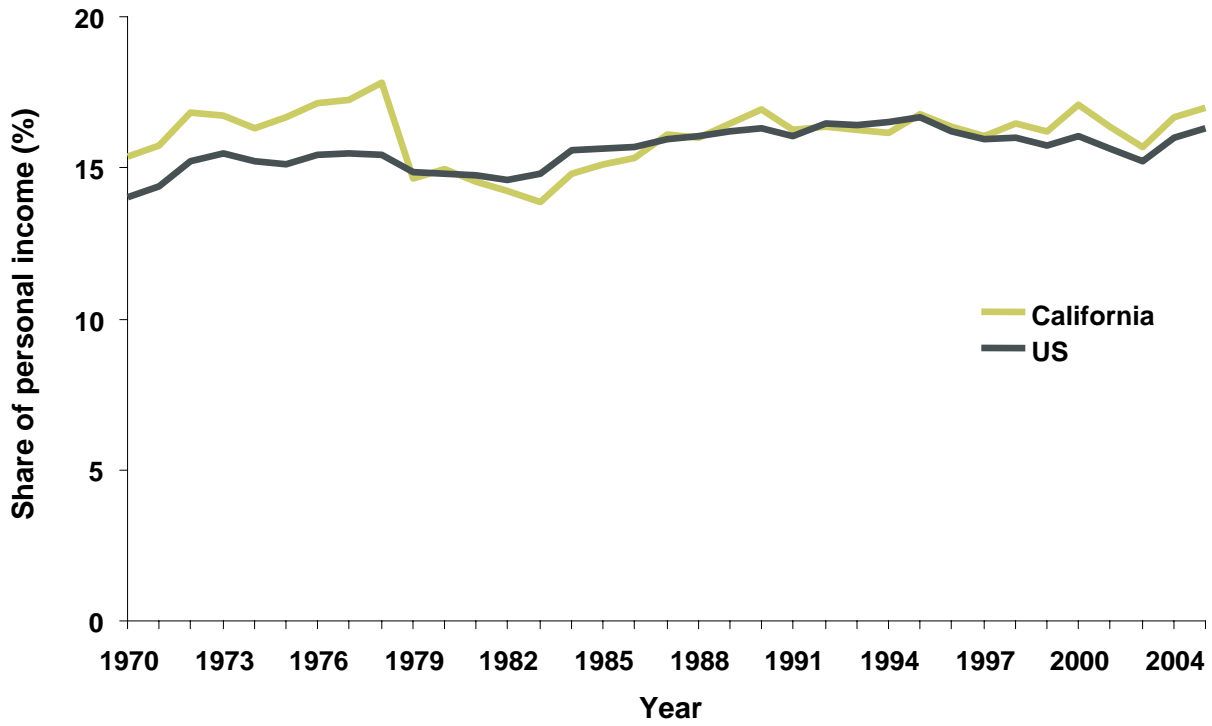


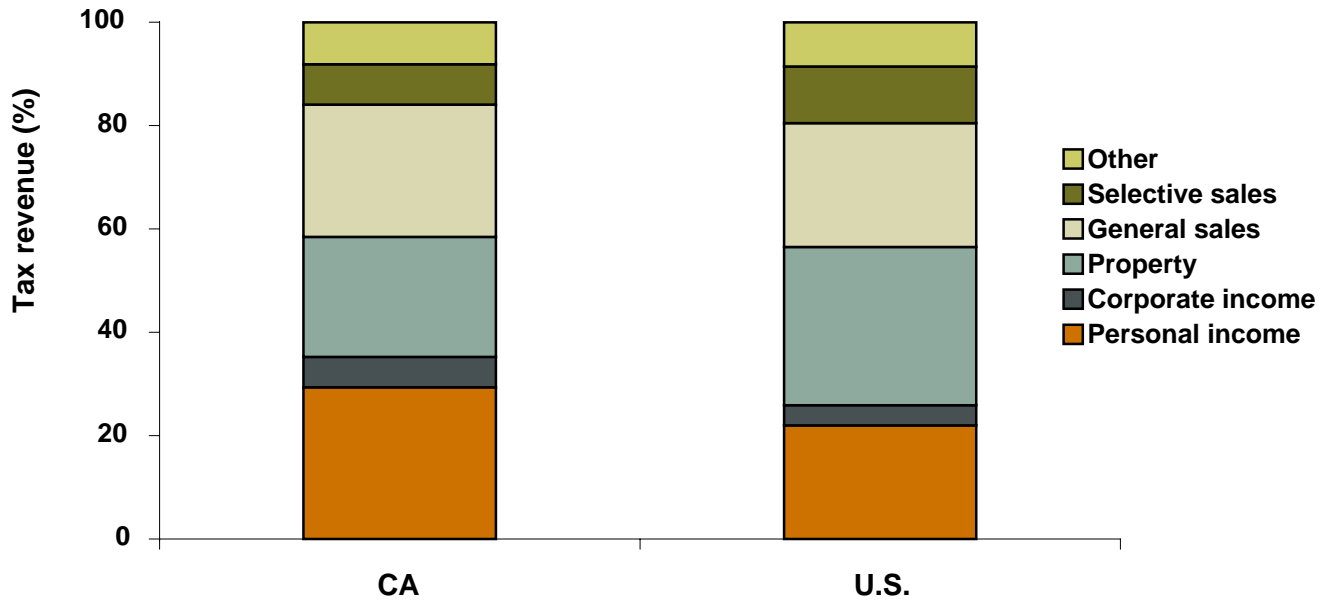
- **CALIFORNIA'S STATE AND LOCAL TAX BURDEN IS HIGHER THAN THE NATIONAL AVERAGE ...**
In 2005, the latest year for which comprehensive data are available, California's state and local governments collected \$4,055 per capita in taxes, compared to \$3,698 in the nation as a whole. Comparable figures for other large states were \$5,752 in New York, \$3,849 in Illinois, \$3,369 in Florida, and \$3,015 in Texas. By this metric, California ranked 13th in the nation.
- **... AS IS THE STATE'S OVERALL REVENUE BURDEN.**
State and local governments also collect general revenues from fees, charges, special assessments, and other miscellaneous sources. Taking all of these together—taxes and general revenues—California's combined revenue burden in 2005 was \$5,961 per capita, compared to \$5,338 in the nation as a whole. In terms of its overall revenue burden, California ranked 9th in the nation.
- **CALIFORNIA'S REVENUE BURDEN IS CLOSER TO AVERAGE AFTER ACCOUNTING FOR ITS HIGHER INCOME.**
As a high-income state, California has a larger base of economic activity and resources to tax. When we consider state and local revenues as a share of personal income, California's U.S. ranking drops to 18th. In 2005, state and local general revenues represented 17% of personal income in California, compared to 16.3% in the nation as a whole, 19.5% in New York, 16.1% in Florida, 15% in Texas, and 14.8% in Illinois.
- **CALIFORNIA'S REVENUE BURDEN USED TO BE MUCH HIGHER THAN THE NATIONAL AVERAGE.**
In 1978, California's general revenues as a share of personal income were about 15% higher than in the nation as a whole. By the next year (following the passage of Proposition 13), they were 2% below average, and they remained below average throughout the early 1980s. California's revenue burden kept pace with the nation through most of the late 1980s and early 1990s but rose above the national average again in the late 1990s (see figure).
- **COMPARED TO OTHER STATES, CALIFORNIA RELIES ON MORE VOLATILE SOURCES OF INCOME.**
California relies on personal and corporate income taxes for 35% of its total tax revenues, compared to 26% in the nation as a whole (see figure). Property taxes provide about a quarter of state and local revenue in California, compared to 30% in the United States overall.
- **CALIFORNIA'S TAX SYSTEM IS HIGHLY PROGRESSIVE.**
California's income tax rates increase as a household's income increases, with a top rate of 9.3% that begins at \$43,000 of taxable income for individuals (\$86,000 for married couples filing jointly). There is also a surcharge of 1% on taxable incomes over \$1 million to fund mental health programs. In 2005, the top 14% of taxpayers (those earning above \$100,000) paid 83% of the income tax.
- **THE FEDERAL ALTERNATIVE MINIMUM TAX AFFECTS CALIFORNIANS MORE THAN OTHERS.**
California taxpayers are more likely than taxpayers in other states to be subject to the Alternative Minimum Tax (AMT). In 2004, 5.8% of California taxpayers were subject to the AMT, compared to 2.8% in the rest of the nation. This is because Californians have higher average incomes and are more likely to deduct state and local taxes from their federal tax returns.



California and U.S. Revenue Burden



State and Local Tax Revenue, FY 2005-06



Source: Urban-Brookings Tax Policy Center, State and Local Government Finance Data Query System. (Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, and Census of Governments.)