TAX FOUNDATION Since 1937

SPECIAL REPORT

February 2011
No. 189

State-Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster than Income

New Jersey's Citizens Pay the Most, Alaska's Least

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Introduction

For nearly two decades the Tax Foundation has published an estimate of the combined state-local tax burden shouldered by the residents of each of the 50 states. For each state, we calculate the total amount paid by the residents in taxes, then divide those taxes by the state's total income to compute a "tax burden." We make this calculation not only for the most recent year but also for earlier years because tax and income data are revised periodically by government agencies.

The goal is to focus not on the tax collectors but on the taxpayers. That is, we answer the question: What percentage of their income are the residents of this state paying in state and local taxes? We are not trying to answer the question: How much money have state and local governments collected? The Census Bureau publishes the definitive comparative data answering t hat question.

Here are some examples of the difference between collections (focusing on the

Key Findings

- *Taxpayers pay taxes not only to the state and local governments where they reside but also to out-of-state governments, both naturally and by design. Nationwide, over a quarter of all state and local taxes are collected from non-residents, and a true measure of the tax burden on the residents of any state must take this into account. This paper attempts to quantify the tax shifting across states and how it affects the distribution of state and local tax burdens.*
- *During fiscal year 2009, in the midst of a national recession, both income and taxes shrank, but taxes fell faster than incomes. The result was that tax burdens decreased from 9.9 percent in 2008 to 9.8 percent in 2009.*
- *In 2009, the residents of New Jersey, New York and Connecticut paid the highest state-local tax burdens in the nation. They're the only three states where taxpayers give up 12 percent or more of their income in state-local taxes, a full percentage point above the next highest state, Wisconsin.*
- *Alaskans, consistently the least taxed in the nation, again paid the least in 2009, just 6.3 percent. The next lowest state, over a full percentage point higher, is Nevada at 7.5 percent.*

tax collector) and burdens (focusing on the taxpayer):

- When Connecticut residents work in New York City and pay income tax there to both the state and the city, the Census Bureau will duly tally those amounts as New York tax collections, but we will count them as part of the tax burden of Connecticut's residents.
- When Illinois and Massachusetts residents own second homes in nearby Wisconsin or Maine, local governments in Wisconsin and Maine will tally those property tax collections, but we will shift those payments back to the states of the taxpayers.
- When people all over the country vacation in Disney World or Las Vegas, tax collectors will tally the receipts from lodging, rental car, restaurant and general sales taxes in Florida and Nevada, but we will use economic tools to tally those payments in the states where the vacationers live.

Every state's economic activity is different, as is every state's tax code. As a result, they vary in their ability to "export their tax burden" — that is, to collect revenue from non-residents. Economists have been studying this phenomenon since at least the 1960s when Charles McLure (1967) estimated that states were extracting between 15 and 35 percent of their tax revenue from non-residents.

Much of this interstate tax collecting occurs through no special effort by state and local legislators or tax collectors. Tourists spend as they travel, and all those transactions are taxed. People who own property out of state naturally pay property tax out of state. And the burden of business taxes is borne by the employees, shareholders and customers of those businesses, wherever they live.

However, many states have made a conscious effort for years to raise taxes on non-residents, and that effort seems to be accelerating. In fact, many campaigns for tax-raising legislation in the last several years have explicitly advertised the preponderance of non-voting, non-resident payers as a reason for resident voters to accept the tax.

This beggar-thy-neighbor effort has been mostly legislative, exemplified by a wave of tax hikes on tourism: hotel rooms, rental cars, restaurant meals, and local sales taxes in resort areas. States and localities have also targeted nonresidents with higher property taxes and, in rare cases, higher income taxes. The effort to soak non-residents has also been administrative, as departments of revenue have pursued non-resident income tax revenue from individuals and corporations with far more zeal than in years past.

In some cases the tax exporting is a wash from the tax collector's perspective. That is, a state collects about the same amount from non-residents as its own residents pay to out-of-state governments. But in many cases there's a significant difference.

By tallying tax payments in the taxpayers' home states, this annual tax burden report allows policymakers, researchers, media, and citizens to go beyond a tally of collections to the question of which states' residents are most burdened by all state and local taxes.

Ranking State-Local Tax Burdens

The 50 state-local tax burdens are mostly very close to each other. This is logical because state and local governments fund similar activities such as public education, transportation, prison systems, and health programs, often under the same federal mandates. Also, tax competition between states might make dramatic differences in the level of taxation between similar, nearby states unsustainable over the long term.

Therefore, it is not surprising to find the state-local tax burdens clumped in the middle of a tight distribution. For example, between the 15th highest (Nebraska) and the 34th highest (Missouri), tax burdens vary only from 9.8 percent to 9.0 percent of income. Among these 20 states with middle-of-the-road tax burdens, then, slight changes in taxes or income could translate into apparently dramatic shifts in rank. However, that still leaves a handful of states where the tax burdens are significantly higher or lower than in much of the country.

In 2009, the residents of three states stand above the rest, paying the highest state-local tax burdens in the nation: New Jersey, New York and Connecticut. They're the only three states where taxpayers give up 12 percent or more of their income in state-local taxes, a full percentage point above the next highest state, Wisconsin.

States Where Residents Bear the Lowest and Highest Tax Burdens

In 2009[1], the residents of three states stand above the rest, paying the highest state-local tax burdens in the nation: New Jersey, New York and Connecticut. They're the only three states where taxpayers give up 12 percent or more of their income in state-local taxes, a full percentage point above the next highest state, Wisconsin.

New Jersey residents are paying the most, 12.2 percent of their income in 2009. New York and Connecticut are next highest at 12.1 and 12.0 percent respectively. Wisconsin, Rhode Island, California, Minnesota, Vermont, Maine, and Pennsylvania round out the top ten.

1 Unless otherwise noted, all years refer to the time period corresponding to the standard state fiscal year (July 1 through June 30), even in those states that follow a non-standard fiscal year.

Table 1

State and Local Tax Burdens by Rank Fiscal Year 2009

State	State-Local Tax Burden	Rank
U.S. Average	9.8%	
New Jersey	12.2%	1
New York	12.1	2
Connecticut	12.0	3
Wisconsin	11.0	4
Rhode Island	10.7	5
California	10.6%	6
Minnesota	10.3	7
Vermont	10.2	8
Maine	10.1	9
Pennsylvania	10.1	10
Massachusetts	10.0%	11
Maryland	10.0	12
Illinois	10.0	13
Arkansas	9.9	14
Nebraska	9.8	15
North Carolina	9.8%	16
Oregon	9.8	17
Ohio	9.7	18
Kansas	9.7	19
Utah	9.7	20
Michigan	9.7%	21
Hawaii	9.6	22
Delaware	9.6	23
Iowa	9.5	24
Indiana	9.5	25
North Dakota	9.5%	26
West Virginia	9.4	27
Idaho	9.4	28
Washington	9.3	29
Kentucky	9.3	30
Florida	9.2%	31
Georgia	9.1	32
Virginia	9.1	33
Missouri	9.0	34
Montana	8.7	35
Mississippi	8.7%	36
Oklahoma	8.7	37
Arizona	8.7	38
Colorado	8.6	39
Alabama	8.5	40
New Mexico	8.4%	41
Louisiana	8.2	42
South Carolina	8.1	43
New Hampshire	8.0	44
Texas	7.9	45
Wyoming	7.8%	46
Tennessee	7.6	47
South Dakota	7.6	48
Nevada	7.5	49
Alaska	6.3	50
Dist. of Columbia	9.6%	(24)

Notes: As a unique state-local entity, D.C. is not included in rankings, but the figure in parentheses shows where it would rank. The local portions of tax collection figures for fiscal year 2009 rely on projections of local government tax revenue
Sources: Tax Foundation calculations using data from multiple sources, primarily Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

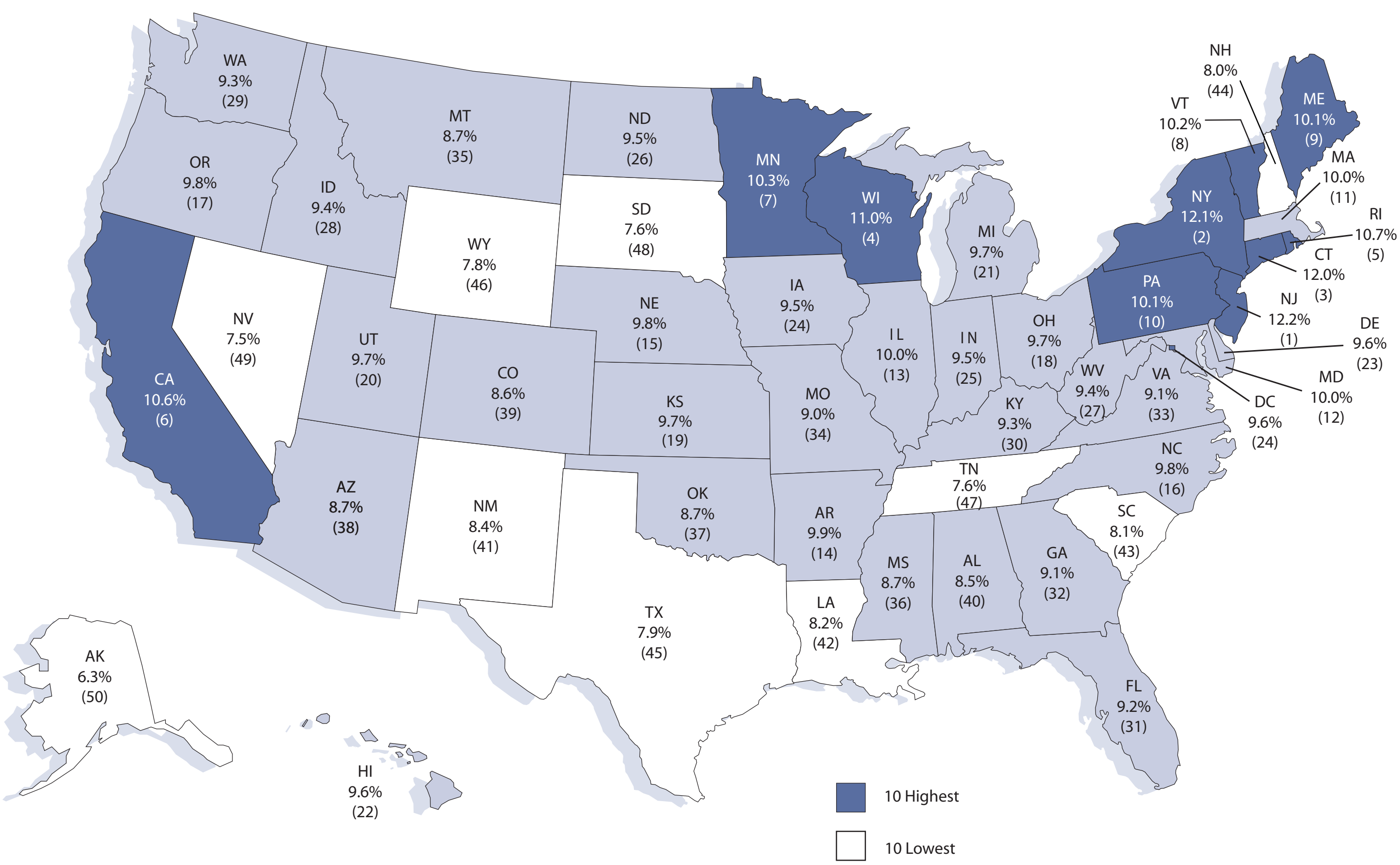
Alaskans, consistently the least taxed in the nation, again paid the least in 2009, just 6.3 percent. The next lowest state, over a full percentage point higher, is Nevada at 7.5 percent. In five states – Nevada, South Dakota, Tennessee, Wyoming and Texas – the residents pay between 7 and 8 percent of their income in state-local taxes. Four other states round out the bottom ten: New Hampshire, South Carolina, Louisiana, and New Mexico. See Table 1 and Figure 1 for percentages and rankings.

Explaining Tax Burdens and "Exported" Taxes

Some states are very good at shifting their tax burdens to non-residents. Alaska is able to export almost 80 percent of its tax collections to residents of other states. There's no state-level general sales tax in Alaska, and no individual income tax. But because Alaska has such a large oil industry, it is able to raise over 70 percent of its tax revenue from taxes on oil extraction. While taxpayers in 43 states are busy filing income tax returns in April, Alaskans are instead receiving checks from a multi-billion-dollar reserve fund built up from years of large severance taxes on oil extraction. Of course, the burden of Alaska's oil taxes does not fall mostly on Alaska residents. The tax is levied on oil producers and passed on to the consumers of oil and oil-based products nationwide in the form of higher prices.

Figure 1

State and Local Tax Burdens and Ranks
Fiscal Year 2009



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Resource-rich states are only the most dramatic examples of tax exporting. Major tourist destinations like Nevada and Florida are able to lower their residents' burden to the state by taxing tourists, who are likely to be non-residents. Nationwide, over a quarter of all state and local taxes are collected from non-residents. As a result, the residents of all states pay surprisingly high shares of their total tax burden out of state. Table 2 includes the per-capita dollar amounts of income and tax that are divided to compute each state's burden as well as the breakdown of in-state and out-of-state payments.

Table 2

State and Local Tax Burdens
Fiscal Year 2009

State	State-Local Tax Burden	Rank	Taxes Paid to Home State (per capita)	Taxes Paid to Other States (per capita)	Total Taxes Paid (per capita)	Income (per capita)	Income Rank
US Average	9.8%		$3,057	$1,103	$4,160	$42,539	
Alabama	8.5%	40	$2,029	$938	$2,967	$34,911	44
Alaska	6.3	50	1,893	1,080	2,973	46,841	9
Arizona	8.7	38	2,177	964	3,140	36,228	39
Arkansas	9.9	14	2,392	889	3,281	33,238	47
California	10.6	6	3,874	1,037	4,910	46,366	12
Colorado	8.6%	39	$2,776	$1,234	$4,011	$46,716	11
Connecticut	12.0	3	5,151	2,106	7,256	60,310	1
Delaware	9.6	23	2,432	1,658	4,091	42,688	18
Florida	9.2	31	2,713	1,184	3,897	42,146	19
Georgia	9.1	32	2,411	939	3,350	36,738	37
Hawaii	9.6%	22	$3,356	$1,043	$4,399	$45,725	14
Idaho	9.4	28	2,227	1,049	3,276	34,973	43
Illinois	10.0	13	3,418	1,177	4,596	46,079	13
Indiana	9.5	25	2,501	895	3,396	35,767	42
Iowa	9.5	24	2,657	1,031	3,688	38,688	28
Kansas	9.7%	19	$2,697	$1,214	$3,911	$40,302	26
Kentucky	9.3	30	2,227	833	3,059	32,959	48
Louisiana	8.2	42	2,034	1,002	3,037	37,109	34
Maine	10.1	9	2,870	963	3,832	37,835	31
Maryland	10.0	12	3,798	1,419	5,218	52,130	5
Massachusetts	10.0%	11	$3,868	$1,448	$5,316	$53,029	4
Michigan	9.7	21	2,713	853	3,565	36,880	35
Minnesota	10.3	7	3,520	1,131	4,651	45,220	15
Mississippi	8.7	36	1,863	815	2,678	30,689	50
Missouri	9.0	34	2,378	1,047	3,425	37,853	30
Montana	8.7%	35	$2,111	$1,105	$3,216	$36,784	36
Nebraska	9.8	15	2,842	1,118	3,960	40,349	24
Nevada	7.5	49	1,988	1,323	3,311	44,241	16
New Hampshire	8.0	44	2,185	1,581	3,765	46,828	10
New Jersey	12.2	1	4,814	1,937	6,751	55,303	2
New Mexico	8.4%	41	$2,079	$918	$2,997	$35,780	41
New York	12.1	2	4,914	1,243	6,157	51,055	6
North Carolina	9.8	16	2,649	934	3,583	36,650	38
North Dakota	9.5	26	2,707	1,185	3,892	41,088	21
Ohio	9.7	18	2,781	871	3,652	37,600	32
Oklahoma	8.7%	37	$2,266	$993	$3,259	$37,464	33
Oregon	9.8	17	2,732	1,029	3,761	38,527	29
Pennsylvania	10.1	10	3,100	1,089	4,190	41,672	20
Rhode Island	10.7	5	3,290	1,358	4,647	43,372	17
South Carolina	8.1	43	1,845	896	2,742	33,954	46
South Dakota	7.6%	48	$1,842	$1,199	$3,042	$40,082	27
Tennessee	7.6	47	1,851	902	2,752	36,157	40
Texas	7.9	45	2,248	949	3,197	40,498	23
Utah	9.7	20	2,355	994	3,349	34,596	45
Vermont	10.2	8	2,932	1,249	4,181	41,061	22
Virginia	9.1%	33	$3,157	$1,235	$4,392	$48,210	7
Washington	9.3	29	3,141	1,267	4,408	47,361	8
West Virginia	9.4	27	2,211	823	3,034	32,299	49
Wisconsin	11.0	4	3,418	1,009	4,427	40,321	25
Wyoming	7.8	46	2,332	1,873	4,205	53,931	3
Dist. of Columbia	9.6%	(24)	$4,089	$1,986	$6,076	$63,492	(1)

Notes: As a unique state-local entity, D.C. is not included in rankings, but the figures in parentheses shows where it would rank. The local portions of tax collection figures for fiscal year 2009 rely on projections of local government tax revenue.

Sources: Tax Foundation calculations using data from multiple sources, primarily Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

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The last decade saw a steady growth in tax burdens, from 9.4 percent in 2000 to 9.9 percent in 2008. However, according to the latest data, 2009 marks the first time national tax burdens have fallen since 2000. This happened because, while both incomes and taxes shrank in 2009 as the economy struggled with recession, taxes shrank faster than incomes. The largest percentage point drops in tax burdens were in the District of Columbia, Maryland, and New Mexico, where the taxpayers' burdens dropped by 1.1, 0.8, and 0.7 percentage points between 2008 and 2009, respectively. A majority of state residents' tax burdens shrank, most inching down two- to five-tenths of a percentage point, similar to the national average, which fell from 9.9 percent to 9.8 percent. Still, many individual states bucked the national trend and saw an increase in their 2009 tax burden.

New Jersey, New York and Connecticut occupy the top three spots on the list in 2009, as they have since 2005. This is mainly because these states have settled on high levels of spending that require high levels of taxation. Also, in the case of New Jersey and Connecticut, relatively high tax payments to out-of-state governments add to already high in-state tax payments. This is at least partially due to the fact that they are high-income states with high levels of capital gains. High levels of capital gains will result in residents paying an increased share of other states' business taxes.

On the flip side, states whose residents pay the least are those that have either committed themselves to frugality and efficiency or where the governments can collect a large fraction of their revenue from non-residents. New Hampshire, with the seventh-lowest tax burden, has no special revenue source from non-residents, but the citizens' approval of limited government spending has kept the tax burden low.

All six states where the tax burden is lower than New Hampshire's either have an ability to extract substantial revenue from out of state or are simply willing to do without a major revenue source. Of those states with unique revenue sources, Alaska and Wyoming have taxes on oil and coal that produce substantial revenue from out-of-state consumers. Nevada has a massive tourism industry that enables the government to collect much of its sales, hotel, restaurant, and rental car tax revenue from visitors.

An interesting observation is that there is no tax on wage income in six of the seven lowest taxed states. Similarly, Nevada (49th) and Wyoming (46th) do without a corporate income tax. Alaska (50th) and New Hampshire (44th) have no wage income taxes or state level sales taxes, though Alaska allows local governments to levy a sales tax.[2] While this is an interesting correlation, it does not answer the question of whether levying fewer types of taxes leads to lower tax burdens, or whether a political demand for lower taxes leads to fewer types of taxes being levied. Also worth considering is the possibility that opting to not levy a personal income tax causes a state to rely more on other forms of taxation that might be more exportable.

Nationwide, over a quarter of all state and local taxes are collected from non-residents. As a result, the residents of all states pay surprisingly high shares of their total tax burden out of state.

Not every state with an infusion of non-resident money uses it to lighten the tax load of its own residents. Vermont and Maine have the largest shares of vacation homes in the country, and they collect a large fraction of their property tax revenue on those properties, mostly from residents of Connecticut, Massachusetts and other New England states. Nevertheless, they rank eighth and ninth highest in this burden study. Sales taxes in the District of Columbia are another example; a large fraction is paid by Marylanders and Virginians who work in the nation's capital and pay D.C.'s sales and meals taxes.[3]

Another important factor that affects a state's ability to foist its tax burden onto non-residents is the question of who ultimately bears the economic burden of taxes on businesses. Businesses bear the legal burden of business taxes, but the ultimate economic

2 The average local sales tax rate in Alaska is 1.12%. See *Tax Foundation Fiscal Fact,* No. 258, "Ranking State and Local Sales Taxes," by Kail Padgitt, at http://www.taxfoundation.org/publications/show/27023.html, for a description of the calculation of how the average local rate is calculated.

3 The District of Columbia is prohibited by Congress from taxing the wages of nonresident commuters

burden of the tax is passed onto a combination of consumers in the form of higher prices, employees in the form of lower wages, and shareholders in the form of smaller returns. In this study, we assume that most business taxes are borne by consumers but some are borne by shareholders and workers. In many cases, a substantial fraction of those who bear the burden are non-residents.

Table 3

State and Local Tax Burdens by State
Selected Fiscal Years 1977-2009

	1977	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009
US	10.4%	9.4%	9.7%	9.8%	10.1%	9.4%	9.6%	9.7%	9.8%	9.9%	9.8%
Alabama	9.0%	8.4%	8.7%	8.7%	8.8%	8.5%	8.5%	8.6%	8.7%	8.8%	8.5%
Alaska	11.0	7.8	5.9	5.5	5.4	4.8	5.5	5.4	5.9	6.1	6.3
Arizona	10.3	9.2	9.4	9.8	9.6	8.6	8.7	8.7	9.3	9.2	8.7
Arkansas	8.3	8.2	8.5	8.5	9.1	9.0	9.6	10.0	10.0	9.8	9.9
California	11.8	10.3	10.2	10.3	10.4	10.2	10.3	10.5	10.8	11.0	10.6
Colorado	10.3%	9.1%	9.4%	9.5%	9.2%	8.6%	8.5%	8.6%	8.6%	8.7%	8.6%
Connecticut	10.9	9.6	10.0	10.2	11.8	10.8	11.3	11.3	11.2	11.9	12.0
Delaware	9.8	9.4	9.2	8.5	9.1	8.4	9.1	9.5	9.7	9.8	9.6
Florida	9.0	7.9	8.1	8.4	9.2	8.3	8.4	8.4	8.8	9.1	9.2
Georgia	9.3	8.9	9.1	9.6	9.5	9.1	9.1	9.4	9.3	9.3	9.1
Hawaii	10.0%	9.8%	9.3%	9.7%	10.1%	9.5%	9.5%	10.0%	10.0%	9.9%	9.6%
Idaho	10.3	9.5	9.8	10.2	10.2	9.9	9.6	9.6	9.6	9.8	9.4
Illinois	10.4	9.7	9.7	9.8	9.9	9.1	9.5	9.6	9.5	9.7	10.0
Indiana	8.5	7.6	8.6	8.8	8.9	8.2	9.3	9.3	9.1	9.4	9.5
Iowa	10.3	9.7	9.8	10.1	10.5	9.1	9.1	9.1	9.1	9.2	9.5
Kansas	9.4%	8.7%	9.1%	9.4%	9.9%	9.2%	9.3%	9.5%	9.4%	9.6%	9.7%
Kentucky	9.6	8.9	9.1	9.5	10.5	9.6	9.8	9.7	9.7	9.8	9.3
Louisiana	7.7	7.3	8.0	7.8	7.8	8.0	8.4	8.1	8.5	8.7	8.2
Maine	10.1	9.8	10.2	10.5	10.8	10.6	10.1	10.7	10.3	10.6	10.1
Maryland	11.0	10.3	10.2	10.4	10.7	10.1	10.1	10.3	10.6	10.8	10.0
Massachusetts	12.1%	11.0%	10.3%	10.5%	10.8%	9.7%	10.3%	10.2%	9.9%	10.2%	10.0%
Michigan	10.4	9.7	10.4	9.7	9.8	9.4	9.5	9.5	9.4	9.6	9.7
Minnesota	11.0	9.9	10.8	10.5	10.7	9.9	9.9	10.3	10.1	10.3	10.3
Mississippi	9.3	8.5	8.6	8.6	9.1	8.7	8.3	8.6	8.8	8.8	8.7
Missouri	9.2	8.6	8.8	9.1	9.7	8.9	9.1	9.2	9.2	9.3	9.0
Montana	9.7%	8.7%	9.0%	9.2%	9.3%	8.5%	8.4%	8.8%	8.6%	8.7%	8.7%
Nebraska	10.8	9.8	9.3	9.5	10.0	9.2	9.9	10.0	9.9	9.7	9.8
Nevada	8.3	7.0	7.5	7.5	7.7	6.9	7.4	7.5	7.4	7.5	7.5
New Hampshire	8.8	7.7	7.6	7.9	8.7	7.3	7.6	7.6	7.5	7.7	8.0
New Jersey	12.4	11.0	11.0	11.0	11.8	10.7	11.4	11.6	11.8	12.3	12.2
New Mexico	8.8%	8.3%	8.4%	9.8%	9.7%	9.5%	8.0%	8.9%	9.1%	9.1%	8.4%
New York	13.2	12.0	12.3	12.1	12.7	11.6	12.0	11.9	11.6	11.9	12.1
North Carolina	9.7	9.2	9.3	9.6	9.9	9.2	9.7	10.0	10.0	10.1	9.8
North Dakota	11.5	9.6	9.1	9.4	9.8	9.0	8.3	8.9	9.2	8.7	9.5
Ohio	8.9	8.4	9.6	9.7	10.3	9.9	10.6	10.3	10.1	10.2	9.7
Oklahoma	8.5%	7.8%	8.6%	9.1%	9.5%	9.1%	9.0%	9.0%	8.8%	8.7%	8.7%
Oregon	11.1	10.1	11.0	10.8	10.6	9.7	9.6	10.0	9.7	9.5	9.8
Pennsylvania	10.3	9.7	10.0	9.7	10.3	9.5	10.3	10.3	10.3	10.5	10.1
Rhode Island	11.3	10.5	10.6	10.5	11.4	10.8	10.8	10.8	10.4	10.6	10.7
South Carolina	9.0	8.7	9.0	9.2	9.0	8.6	8.6	8.5	8.8	8.3	8.1
South Dakota	9.1%	8.1%	7.8%	7.7%	7.7%	6.9%	7.3%	7.2%	7.3%	7.2%	7.6%
Tennessee	8.2	7.3	7.6	7.5	7.5	6.9	7.4	7.5	7.6	7.7	7.6
Texas	7.9	7.0	7.4	8.0	8.2	7.1	7.5	7.5	7.6	7.6	7.9
Utah	10.2	9.9	10.2	10.1	10.3	9.9	9.9	10.1	10.0	10.0	9.7
Vermont	11.6	9.8	10.2	10.2	10.4	9.7	10.8	10.8	10.4	10.5	10.2
Virginia	9.8%	9.1%	9.2%	9.5%	9.7%	9.4%	9.3%	9.4%	9.6%	9.6%	9.1%
Washington	9.6	8.6	9.0	9.3	9.9	8.5	9.2	9.2	9.2	9.4	9.3
West Virginia	9.7	9.3	10.3	9.2	9.3	9.2	9.2	9.3	9.3	9.5	9.4
Wisconsin	12.6	11.1	12.0	11.4	11.8	11.1	10.7	10.7	10.5	10.7	11.0
Wyoming	7.8	7.0	7.2	6.3	6.4	6.3	6.7	6.9	6.8	7.2	7.8
Dist of Columbia	11.5%	12.0%	11.7%	11.4%	11.0%	11.2%	11.0%	10.6%	10.4%	10.7%	9.6%

Note: The local portions of tax collection figures for fiscal year 2009 rely on projections of local government tax revenue.
Sources: Tax Foundation calculations using data from multiple sources, primarily Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

Finally, some states have large numbers of residents employed out of state and paying individual income taxes to the states where they work. When a metropolis attracts workers from nearby states, a large portion of wage income in a state can be earned by border-crossing commuters. On the other hand, some states have reciprocity agreements, saving each other the trouble by agreeing to tax their own residents no matter where they work. But in cases where the commuting is lopsided, states rarely pass up the chance to collect from non-residents.

Table 4

State-Local Tax Burden Rankings by State
Selected Fiscal Years 1977-2009

	1977	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009
Alabama	39	37	36	38	42	39	37	38	40	36	40
Alaska	12	43	50	50	50	50	50	50	50	50	50
Arizona	18	25	22	17	30	35	34	37	28	33	38
Arkansas	46	39	40	41	37	31	18	17	14	17	14
California	5	7	14	10	14	7	9	8	4	4	6
Colorado	21	27	21	25	35	36	36	39	41	39	39
Connecticut	13	20	15	12	4	3	3	3	3	2	3
Delaware	26	22	27	40	39	40	32	23	21	19	23
Florida	37	41	42	42	36	41	39	42	36	34	31
Georgia	33	28	30	23	32	26	30	26	27	30	32
Hawaii	24	14	25	22	19	19	21	18	15	16	22
Idaho	17	21	18	13	18	10	20	22	23	20	28
Illinois	16	16	19	16	24	28	22	21	24	22	13
Indiana	44	45	38	37	41	42	26	29	34	28	25
Iowa	20	18	17	14	12	29	31	32	33	32	24
Kansas	32	32	29	30	23	25	25	25	25	23	19
Kentucky	30	29	31	27	11	16	16	20	20	18	30
Louisiana	50	46	43	45	45	43	40	43	43	42	42
Maine	23	13	12	6	7	6	11	6	9	8	9
Maryland	11	6	13	9	9	8	12	10	5	5	12
Massachusetts	4	3	8	7	6	15	8	13	17	12	11
Michigan	15	17	7	20	26	20	23	24	26	24	21
Minnesota	10	9	5	5	8	12	15	11	11	11	7
Mississippi	34	35	37	39	38	33	41	40	39	37	36
Missouri	35	34	35	35	28	32	29	30	31	31	34
Montana	27	31	33	33	34	38	38	36	42	41	35
Nebraska	14	12	24	26	20	22	14	16	18	21	15
Nevada	45	48	47	48	46	48	47	45	47	47	49
New Hampshire	42	44	45	44	43	44	44	44	46	44	44
New Jersey	3	4	3	3	3	5	2	2	1	1	1
New Mexico	41	38	41	18	29	18	43	35	35	35	41
New York	1	1	1	1	1	1	1	1	2	3	2
North Carolina	28	24	23	24	21	23	17	15	13	14	16
North Dakota	7	19	28	29	25	30	42	34	32	40	26
Ohio	40	36	20	19	16	11	7	9	12	13	18
Oklahoma	43	42	39	36	31	27	33	33	37	38	37
Oregon	9	8	4	4	10	14	19	19	19	27	17
Pennsylvania	19	15	16	21	15	17	10	12	10	10	10
Rhode Island	8	5	6	8	5	4	4	5	7	7	5
South Carolina	38	30	32	32	40	34	35	41	38	43	43
South Dakota	36	40	44	46	47	46	48	48	48	48	48
Tennessee	47	47	46	47	48	47	46	46	44	45	47
Texas	48	49	48	43	44	45	45	47	45	46	45
Utah	22	10	11	15	17	9	13	14	16	15	20
Vermont	6	11	10	11	13	13	5	4	8	9	8
Virginia	25	26	26	28	27	21	24	27	22	25	33
Washington	31	33	34	31	22	37	27	31	30	29	29
West Virginia	29	23	9	34	33	24	28	28	29	26	27
Wisconsin	2	2	2	2	2	2	6	7	6	6	4
Wyoming	49	50	49	49	49	49	49	49	49	49	46
Dist of Columbia	(7)	(2)	(3)	(2)	(6)	(2)	(4)	(8)	(8)	(7)	(24)

Note: As a unique state-local entity, D.C. is not included in rankings, but the figures in parentheses shows where it would rank.
Sources: Tax Foundation calculations using data primarily from Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

Despite the importance of non-resident collections and the increasing efforts to boost them, the driving force behind a state's long-term rise or fall in the tax burden rankings is usually internal, and most often a result of deliberate policy choices regarding tax and spending levels.

Historical Trends

Nationally, state-local tax burdens have fallen from 10.4 percent to 9.8 percent since 1977. In general, over that time period taxes have grown at a slower rate than incomes, leading to slowly declining national average state and local tax burdens. However, there have been periods of rising and falling tax burdens. Most recently, from 2001 to 2008 taxes grew faster than incomes, leading to a rising national average tax burden. However, that trend reversed when the recession hit. In 2009 both income and taxes shrank, but taxes fell faster than incomes, causing tax burdens to decrease.

Some states' taxpayers are paying the same share of their income now as they were three decades ago, but some have paid steadily more and others less. The tax burden in every state changes as years pass for a variety of reasons, including changes in tax law, state economies, and population, both in state and out of state. Similarly, the ranking is likely to change over time. See Tables 3 and 4.[4]

States Where the Tax Burden Has Fallen

Once again, Alaska is the extreme example. Before the Trans-Alaska Pipeline was finished in 1977, the taxpayers in Alaska paid 11 percent of their income in state and local taxes. By 1980, with oil tax revenue pouring in, Alaska repealed its personal income tax and started sending out checks instead. The tax burden plummeted, and now Alaskans are the least taxed, with a burden of 6.3 percent.

These are some of the other states where the burdens have dropped the most:

- From 1977 to the present, South Dakota's tax burden has dropped 1.5 percentage points, from 9.1 percent to 7.6 percent, making it the third-lowest taxed state in 2009.
- The tax burden in Arizona has dropped from 10.3 percent to 8.7 percent. Most of the change came in the wake of a property tax limitation in 1980, and it now ranks 38th nationally.
- Colorado has dropped from 10.3 percent to 8.6 percent since 1977. It levies every major tax, but the rate on each is among the lowest in the country. Spending discipline in the form of a so-called TABOR (Taxpayer Bill of Rights) may have helped the state keep tax rates low. It ranks 39th in 2009.
- North Dakota's burden has fallen two percentage points since 1977, from 11.5 percent to 9.5 percent. Its burden was even lower in 2005, at 8.3 percent, but it has risen in the last few years and now ranks 26th.
- Massachusetts' tax burden dropped just over two percentage points since 1977, from 12.1 percent to 10 percent. Still, it ranks fairly high, at 11th.

States Where the Tax Burden Has Risen

While the overall trend has been slowly shrinking tax burdens, some states have seen an increase. Since 1977 Arkansas taxpayers have gone from some of the least taxed at 8.3 percent to some of the more heavily taxed, with a burden of 9.9 percent.

Some other states where the taxpayers' burdens have risen:

4 A full list of the historical state-local tax burdens for every year from 1977 to 2009 is available on the Tax Foundation's website. To view the burdens for all states by year, go to http://www.taxfoundation.org/taxdata/show/336.html. To view historical burdens sorted by state, go to http://www.taxfoundation.org/taxdata/show/335.html.

- Connecticut taxpayers' burden has risen 1.1 percentage points, from 10.9 percent in 1977, 13th highest at that time, to 12 percent in 2009, putting the state in third place.
- Since 1977 the burden on Ohio's taxpayers has risen from 8.9 percent to 9.7 percent, now ranking 18th.
- Indiana taxpayers have seen their burden rise from 8.5 percent to 9.5 percent since 1977, and their state now ranks 25th.
- Maine is an interesting case. The burden on Maine's taxpayers increased from 10.1 percent in 1977, reaching over 11 percent in 1998, but has since dropped back to its 1977 level of 10.1 percent. However, while their burden is the same as in 1977, their ranking has risen 14 places over the same time period, from 23rd to ninth, as burdens have fallen around the nation. It seems that Maine has risen in the rankings simply by standing still.

Recent Trends in Tax Collections

Although final tax revenue data are not complete for fiscal year 2009 (ending June 30, 2009 in most states), total collections appear to have decreased 4.3 percent from 2008. Fiscal year 2009 was the peak of the recession, and as a result of the shrinking economy, state and local tax collections took a big hit. Corporate income tax collections, always the most volatile major tax source, are estimated to have fallen in 2009 for the second year in a row. After strong growth earlier in the decade, and while other tax revenue was still rising, corporate income tax revenue fell by 4.7 percent in 2008. In 2009 it fell again, this time by 18.8 percent, and most other revenue sources did the same.

Individual income tax revenue and sales tax revenue also fell in 2009 by 14.7 percent and 6.1 percent respectively. The only major source of revenue that continued to grow in 2009 was property taxes, which increased by 10.9 percent even as home values struggled for stability around much of the country.

The only other time since 1977 that total tax collections have fallen is 2002. Following that contraction in revenue, state and

Table 5

U.S. Total State and Local Tax Collections by Major Tax Source, Compared to Income Growth Fiscal Years 2005 – 2009

	2005	2006		2007		2008		2009	
Major Tax Sources	Total	Total	Annual Increase	Total	Annual Increase	Total	Annual Increase	Total	Annual Increase
Property Taxes	$ 335.8 billion	$ 359.0 billion	6.9%	$ 389.3 billion	8.5%	$ 410.8 billion	5.5%	$ 455.4 billion	10.9%
Sales Taxes (General and Selective)	$ 384,3 billion	$ 411,7 billion	7.1%	$ 439,2 billion	6.7%	$ 448,6 billion	2.1%	$ 421,2 billion	-6.1%
Individual Income Taxes	$ 243.0 billion	$ 269.5 billion	10.9%	$ 290.7 billion	7.9%	$ 304.9 billion	4.9%	$ 260.2 billion	-14.7%
Corporate Income Taxes	$ 43.6 billion	$ 53.7 billion	23.2%	$ 60.4 billion	12.5%	$ 57.6 billion	-4.7%	$ 46.8 billion	-18.8%
Total Taxes	$ 1,106.7 billion	$ 1,203.3 billion	8.7%	$ 1,291.3 billion	7.3%	$ 1,339.0 billion	3.7%	$ 1,281.9 billion	-4.3%
Total Income	$ 11,426.5 billion	$ 12,331.0 billion	7.9%	$ 13,139.7 billion	6.6%	$ 13,420.2 billion	2.1%	$ 13,003.7 billion	-3.1%

Note: The local portions of tax collection figures for fiscal year 2009 rely on projections of local government tax revenue.
Sources: US Census Bureau, state government websites, Rockefeller Institute, and Tax Foundation calculations.

local officials enjoyed annual revenue growth between 7 percent and 9 percent for four years until 2008 when revenue growth slowed significantly to 3.7 percent. The 2009 revenue crash was a shock to those state and local officials who had come to expect 8 percent annual revenue growth.

Table 6

State and Local Tax Collections Per Capita Fiscal Year 2009

State	Total State and Local Tax Collections (per capita)	Rank	Taxes Collected from Residents (per capita)	Rank	Taxes Collected from Non-Residents (per capita)	Rank
U.S. Average	$4,194		$3,057		$1,137	
Alabama	$2,822	49	$2,029	44	$793	45
Alaska	9,213	1	1,893	46	7,321	1
Arizona	3,253	42	2,177	40	1,076	30
Arkansas	3,267	41	2,392	30	875	39
California	4,693	10	3,874	4	819	44
Colorado	$3,879	24	$2,776	19	$1,103	29
Connecticut	6,434	4	5,151	1	1,283	21
Delaware	4,603	13	2,432	28	2,170	4
Florida	3,837	26	2,713	21	1,124	26
Georgia	3,284	40	2,411	29	873	40
Hawaii	$4,969	8	$3,356	10	$1,613	10
Idaho	2,991	47	2,227	36	764	47
Illinois	4,422	16	3,418	8	1,004	33
Indiana	3,614	32	2,501	27	1,113	28
Iowa	4,019	22	2,657	25	1,362	16
Kansas	$4,226	18	$2,697	24	$1,528	13
Kentucky	3,099	45	2,227	37	873	41
Louisiana	3,765	29	2,034	43	1,731	8
Maine	4,439	15	2,870	16	1,570	11
Maryland	4,466	14	3,798	6	668	49
Massachusetts	$5,014	7	$3,868	5	$1,147	24
Michigan	3,708	30	2,713	22	995	34
Minnesota	4,658	11	3,520	7	1,138	25
Mississippi	3,084	46	1,863	47	1,221	23
Missouri	3,230	43	2,378	31	852	43
Montana	$3,674	31	$2,111	41	$1,563	12
Nebraska	4,190	19	2,842	17	1,348	18
Nevada	3,787	28	1,988	45	1,799	6
New Hampshire	3,874	25	2,185	39	1,689	9
New Jersey	6,055	5	4,814	3	1,241	22
New Mexico	$3,522	34	$2,079	42	$1,443	15
New York	6,884	3	4,914	2	1,970	5
North Carolina	3,401	36	2,649	26	753	48
North Dakota	5,359	6	2,707	23	2,652	3
Ohio	3,800	27	2,781	18	1,019	32
Oklahoma	$3,389	38	$2,266	34	$1,123	27
Oregon	3,391	37	2,732	20	659	50
Pennsylvania	4,063	21	3,100	14	963	36
Rhode Island	4,638	12	3,290	11	1,348	17
South Carolina	2,795	50	1,845	49	950	38
South Dakota	$3,291	39	$1,842	50	$1,449	14
Tennessee	2,907	48	1,851	48	1,056	31
Texas	3,544	33	2,248	35	1,296	20
Utah	3,223	44	2,355	32	868	42
Vermont	4,720	9	2,932	15	1,788	7
Virginia	$3,949	23	$3,157	12	$792	46
Washington	4,099	20	3,141	13	958	37
West Virginia	3,510	35	2,211	38	1,299	19
Wisconsin	4,386	17	3,418	9	968	35
Wyoming	7,808	2	2,332	33	5,476	2
Dist of Columbia	$8,028	(2)	$4,089	(4)	$3,939	(3)

Notes: As a unique state-local entity, D.C. is not included in rankings, but the figures in parentheses shows where it would rank. The local portions of tax collection figures rely on projections.
Sources: Tax Foundation calculations using data from multiple sources, primarily Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

Conclusion

When measuring the burden imposed on a given state's residents by all state and local taxes, one cannot merely look at collections figures for the governments located within that state. There is a significant amount of tax shifting across states, and the shifting is not uniform.

This paper attempts to measure the amount of shifting and how it affects the distribution of state and local tax burdens across states. It is not an endorsement of policies that attempt to export tax burdens. From the perspectives of the economy and political efficiency, states can create myriad problems when they blatantly shift tax burdens to residents of other jurisdictions, the value of services provided to non-residents being necessarily small compared to the tax payments.

Methodology

The state and local tax burden estimates for FY 2009 presented in this paper use the most recent data available as of January 2011 from the Census Bureau, and December 2010 from the Bureau of Economic Analysis. For all major tax and income categories (except local property taxes), data was available on a state-by-state basis through fiscal year 2009.

This geographic determination of who bears the tax burden is similar to the work done by such organizations as the Congressional Budget Office and the Urban-Brookings Tax Policy Center when they measure tax burdens by income group. In both cases, researchers start with official data on who wrote checks for how much, but then attempt to account for how those legal payers shift the burden to others, possibly someone in another income group or in another state.

Why shouldn't tax collections reported by state and local governments and published by the Census Bureau's Government Finances Division be compared to income to determine the tax burden? Simply because the true tax burden of each state's residents must include the substantial taxes they pay directly or indirectly to out-of-state governments.

Alaska provides the best example. According to the Census Bureau, Alaska's state and local tax collections are among the nation's highest. If those tax collections are compared to Alaskans' income, the burden appears much higher than in many other states. However this is not an accurate measure of the tax burden faced by Alaskan taxpayers.

Alaskans pay no state-level tax on income and there is no state level sales tax, though there is a local option sales tax with rates that can range from 1 to 7 percent. But Alaska does have a special, prodigious source of revenue: severance taxes on oil extraction. In fact, Alaska is able to raise over 70 percent of its tax revenue from taxes on oil extraction, and the state's residents actually get checks at tax time from a reserve fund of billions in oil tax revenue.

This study assumes the economic burden of those Alaskan oil taxes falls not primarily on Alaskans but rather on consumers across the country when they fill up their gas tanks or heat their homes. Therefore, to correctly portray how low the Alaskan residents' tax burden is, we allocate Alaska's oil severance tax to other U.S. states based on oil and gas consumption. Once this allocation is made, Alaskans' tax burden falls from among the nation's highest to the lowest. Taxes levied on mineral extraction in other states have similar but less dramatic effects.

In addition to allocating severance taxes to other states, this study also allocates taxes on corporate income, commercial and residential property, tourism, and non-resident personal income away from the state of collection to the state of the taxpayers' residences.

Tax burden measurements such as these are important, and they should not be confused with tax collections, which are the best measure of the size of government in a state. Total revenue figures from the Census Bureau are the best source for collection data.

Table 7 shows how the Tax Foundation estimates of state and local tax burdens differ from a popular "tax burden" measure published by the Federation of Tax Administrators (FTA). Operating, naturally, from the tax collector's perspective, the FTA divides tax collections for each state by the state's personal income (BEA measure). But tax collections per capita is not an accurate measure of the residents' tax burden because a significant fraction of total collections comes from people out of state. In other words, much of the tax revenue in each state's coffers was not paid out of the state residents' personal income, so it wasn't their burden.

The reason the FTA and Tax Foundation series show tax burdens of a different magnitude is that the FTA uses a narrower definition of income. The Tax Foundation's definition, outlined below and in great detail in *Tax Foundation Working Paper* No. 4,[5] includes much income that BEA excludes from its definition of "personal income."

Each year state and local governments and federal agencies publish more complete data on public finances, and each year the Tax Foundation improves its estimates of the state-local burden in each state by quantifying more precisely the portion of the tax burden that goes into the coffers of other state and local governments. For this reason, the entire historical

5 Gerald Prante, *Tax Foundation Working Paper,* No. 4, "Tax Foundation State and Local Tax Burden Estimates for 2008: An In-Depth Analysis and Methodological Overview," August 2008, http://www.taxfoundation.org/files/wp4.pdf.

Table 7

Comparing Tax Burden Measures: Tax Foundation and the Federation of Tax Administrators Fiscal Year 2009

	Tax Foundation's Tax Burden Measure		FTA's "Tax Burden" Method	
State	Taxes Paid by Residents Divided by Their Income	Rank	Taxes Collected by Governments from Residents and Non-Residents Divided by Residents' Income	Rank
US Average	9.8%	–	10.4%	–
Alabama	8.5%	40	8.4%	49
Alaska	6.3	50	21.0	1
Arizona	8.7	38	9.5	35
Arkansas	9.9	14	10.1	29
California	10.6	6	10.7	16
Colorado	8.6%	39	9.1%	43
Connecticut	12.0	3	11.5	10
Delaware	9.6	23	11.3	11
Florida	9.2	31	9.9	30
Georgia	9.1	32	9.5	36
Hawaii	9.6%	22	11.7%	8
Idaho	9.4	28	9.2	41
Illinois	10.0	13	10.4	24
Indiana	9.5	25	10.5	23
Iowa	9.5	24	10.7	18
Kansas	9.7%	19	10.9%	13
Kentucky	9.3	30	9.6	33
Louisiana	8.2	42	10.4	25
Maine	10.1	9	12.0	6
Maryland	10.0	12	9.2	42
Massachusetts	10.0%	11	9.8%	31
Michigan	9.7	21	10.6	19
Minnesota	10.3	7	10.9	14
Mississippi	8.7	36	10.1	28
Missouri	9.0	34	8.8	46
Montana	8.7%	35	10.6%	20
Nebraska	9.8	15	10.7	17
Nevada	7.5	49	9.4	37
New Hampshire	8.0	44	8.9	44
New Jersey	12.2	1	11.8	7
New Mexico	8.4%	41	10.5%	22
New York	12.1	2	14.2	3
North Carolina	9.8	16	9.7	32
North Dakota	9.5	26	13.4	4
Ohio	9.7	18	10.5	21
Oklahoma	8.7%	37	9.4%	39
Oregon	9.8	17	9.3	40
Pennsylvania	10.1	10	10.1	27
Rhode Island	10.7	5	11.1	12
South Carolina	8.1	43	8.6	48
South Dakota	7.6%	48	8.6%	47
Tennessee	7.6	47	8.3	50
Texas	7.9	45	9.4	38
Utah	9.7	20	10.1	26
Vermont	10.2	8	12.1	5
Virginia	9.1%	33	8.9%	45
Washington	9.3	29	9.6	34
West Virginia	9.4	27	10.8	15
Wisconsin	11.0	4	11.6	9
Wyoming	7.8	46	16.2	2
Dist of Columbia	9.6%	(24)	12.0%	(6)

Notes: As a unique state-local entity, D.C. is not included in Tax Foundation rankings, but the figures in parentheses shows where it would rank. The local portions of tax collection figures rely on projections.

The figures presented here as the "FTA Method" are calculations by the Tax Foundation using 2009 data or projections thereof, replicating the methodology that the Federation of Tax Administrators uses each year to calculate each state's tax burden. The most recent year FTA has published is 2008.

Sources: Tax Foundation calculations using data from multiple sources, primarily Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

series of state-local burden estimates is revised each year.

This year's study includes two modest methodological changes. The first is that we now allocate consumption taxes based on disposable income rather than personal income as we have in the past. This is a more accurate method of allocating consumption taxes, but the difference is only slight.

The other change relates to travel data that is used to allocate various tourism-related taxes. The Tax Foundation is dedicated to using the most up to date data available, but sometimes certain data sources are not available on an annual basis. Because of this, as is sometimes necessary when performing detailed economic analysis, we must impute the missing years using various economic tools. In this year's study we improved our method of imputing tourism data. These changes only had slight effects on most states, but those states with larger tourism industries, such as Florida and Nevada, were affected more.

What Is a Tax?

The tax burden estimates include those items defined as a state and local tax by the Bureau of Economic Analysis, which is essentially equivalent to the Census Bureau's definition of a tax (codes T01, T09, etc.) plus special assessments. Note that this includes licenses such as occupational and business licenses, as well as motor vehicle licenses. The time frame for the estimates is the standard state fiscal year, July 1 through June 30, not the calendar year as in previous reports in this series. Data from the few states that use a different fiscal calendar have been adjusted to the standard July 1 – June 30 fiscal year.

No measure of the tax burden is perfect. Our tax exporting estimates do not account for the federal deductibility of state and local taxes paid within the federal individual and corporate tax codes. Essentially, payers of high state and local taxes get a large deduction on their federal tax returns, and that money is then made up with payments from people who have a small state-local tax deduction. This disproportionately favors high-income individuals because of the progressivity of the federal individual income tax.

Despite the importance of non-resident collections and the increasing efforts to boost them, the driving force behind a state's long-term rise or fall in the tax burden rankings is usually internal, and most often a result of deliberate policy choices regarding tax and spending levels.

Another component of an ideal tax burden study would be compliance costs and economic efficiency losses. Neither is included here. Also, the tax burden estimates presented here do not weigh the value of the government services provided with tax revenue. This is the norm in such studies. No organization that regularly estimates tax burdens at either the federal or state/local level attempts to account for the compliance and economic costs (i.e. dead-weight loss or excess burden) of taxation, or the value of government services provided that are financed by those tax dollars.

What Is Income?

The definition of income used in this study is a hybrid between the Bureau of Economic Analysis's calculation of "personal income" and the income concept used by the Congressional Budget Office in its annual "Effective Federal Tax Rates" study.

The income measure used here adds to personal income the following: capital gains realizations, pension and life insurance distributions, corporate income taxes paid, and taxes on production and imports less subsidies. It subtracts from personal income the non-fungible portion of Medicare and Medicaid, as well as the estimated Medicare benefits that are provided via supplementary contributions (the same for veterans' life insurance). This measure also subtracts the initial contributions to pension income and life insurance from employers, as well as the annual investment income of life insurance carriers and pensions (much of which is imputed by BEA) that is included in personal income.

Note that some small fraction of income is still double-counted over a lifetime, most notably the contributions of individual employees to pension and life insurance funds. Also, there is a timing problem with respect to the corporate income taxes paid and the fact that capital gains realizations are used as opposed to retained earnings (accrued capital gains). In Tax Freedom Day, we used the latter; but in this study, due to systematic movements across geographies over life-cycles (e.g. Arizona, Florida, etc.) and the fact that we are only looking at state and local taxes where the corporate income tax is relatively minor compared to the federal government, we use capital gains realizations.

For more methodological discussion, see *Tax Foundation Working Paper,* No. 4, at www.taxfoundation.org/files/wp4.pdf.

TAX FOUNDATION Since 1937

SPECIAL REPORT (ISSN 1068-0306) is published at least 6 times yearly by the Tax Foundation, an independent 501(c)(3) organization chartered in the District of Columbia.

The Tax Foundation, a nonprofit, nonpartisan research and public education organization, has monitored tax and fiscal activities at all levels of government since 1937.

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