

Liberal group raps state tax regressivity

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NASHVILLE -- The Tennessee and Alabama tax systems are among the nation's worst when it comes to favoring the rich over the poor and middle class, according to a study by a Washington-based research organization.

The Institute on Taxation and Economic Policy, a liberal-leaning group, ranked Tennessee No. 4 and Alabama No. 10 in terms of having the most "regressive" tax structures.

Regressive tax systems take larger percentages of incomes for state and local taxes from poorer people than from richer. The Tennessee and Alabama rankings landed both states on the Institute's "Terrible 10" list of most regressive states.

Georgia did not make the list of the 10 worst, but the group said Georgia state and local taxes are also "typically regressive."

While doing better than the poorest Tennesseans and Alabamians, middle-class taxpayers also paid more as a percentage of income than their wealthier peers, the study found.

"Virtually every state has a regressive tax system," said Matthew Gardner, lead author of the report, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States."

"But these 10 states stand out for the extraordinary degree to which they have shifted the cost of funding public investments to their very poorest residents," he said.

Tennessee's problems, according to the Institute and Tennesseans for Fair Taxation, which lobbies for tax equity, is that it relies too heavily on sales taxes and other consumption-based taxes. The state also has no broad-based income tax.

Chattanooga Grant Law, a member of Tennesseans for Fair Taxation, said in the group's news release that it is long past time to redesign "our current, highly regressive system of taxation" in Tennessee.

State Sen. Dewayne Bunch, R-Cleveland scoffed at the assertion that Tennessee tax system is among the nation's worst.

"The actions of citizens across the country moving to Tennessee don't back up that claim," said Sen. Bunch, who had not seen the report. "Whether you're going to start a company or whether it's Volkswagen or whether it's just somebody wanting to start a small company with two or three employees, they're all coming to Tennessee" and other low-tax states.

The report states:

* Tennesseans making less than \$17,000 pay on average pay 11.7 percent of their income on state and local taxes. Those making \$29,000 to \$47,000 paid 10.8 percent while those making \$155,000 to \$414,000 on average paid 4.5 percent.

Those making \$414,000 or more on average paid 3.3 percent of their income on state and local taxes.

* In Alabama, the 20 percent of people making less than \$16,000 paid 10.2 percent of their incomes on state and local taxes versus 4.8 percent paid by the 1 percent of residents who made \$384,000.



File photo

[PDF: Distributional analysis of tax systems](#)

* In Georgia, those making less than \$16,000 on average paid 11.7 percent of their income on state and local taxes. The top 1 percent of residents making \$433,000 or more typically paid 6.9 percent of their income on taxes.

The study excluded the elderly.

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