

# Florida Tax System is Nation's Second Most Regressive

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Low- and middle-income families in Florida pay a far higher share of their income in state and local taxes than do the richest Florida families, according to a new study by the Institute on Taxation & Economic Policy.

“State and local governments are being called upon to take on more and more responsibilities,” said Robert S. McIntyre, ITEP’s tax policy director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. “Unfortunately, when it comes to paying for services, Florida has a very unfair tax system.”

## Florida’s Tax Code: Soak the Poor and Middle Class, Spare the Wealthy

When all Florida taxes are totaled up, the study found that:

- The state and local tax rate on the best off one percent of Florida families—with average incomes of \$946,000—is 3.0% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is a mere 2.7%.
- The average tax rate on families in the middle of the income distribution—those earning between \$24,000 and \$38,000—is 9.9%. After a trivial federal offset, the rate is 9.8%, three times the effective rate on the richest Floridians.
- But the tax rate on the poorest Florida families—those earning less than \$15,000—is the highest of all. At a whopping 14.4% it is more than five times the effective rate on the wealthiest Florida families.

The study found that Florida’s taxes are particularly regressive because the state lacks a broad based income tax and instead relies primarily on an extremely high sales tax to fund public services.

MORE . . .

## Florida Taxes Nation's Second Most Regressive

Florida's tax system earns it the dubious distinction of placing second on the list of the "Terrible Ten" most regressive states in the nation. Even before federal deduction benefits, it asks families in the bottom 20% of the income scale to pay 4.8 times as great a share of their earnings in taxes as do the wealthy. By the same measure, middle-income families in Florida pay 3.0 times as high a share of their income in taxes as the wealthiest families.

"Florida is one of only nine states nationwide that do not have a broad-based personal income tax," McIntyre said. "The lack of a progressive income tax to offset regressive sales and property taxes is the most important factor in making the Florida tax system so regressive. 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 Florida."

## Tax Regressivity Has Worsened Since 1989

The study also examined the impact of changes in the regressivity of Florida taxes since 1989, when the last cycle of state government shortfalls began. The study's findings include:

- Tax burdens rose for low- and middle-income taxpayers; high-income taxpayers saw little change.
- The two main causes of increased tax burdens were rises in regressive consumption taxes and a regressive trend in property taxes.

"Low- and middle-income Florida families saw an unfair tax situation get even worse," said McIntyre. "As lawmakers consider budget-balancing strategies in 2003, they should remember that their past actions have served to shift a greater share of the tax burden onto middle- and low-income taxpayers."

### **Two pages of tables detailing the Florida findings of the study follow**

The Institute on Taxation and Economic Policy is a nonpartisan Washington-based research group. The full *Who Pays?* report is available in PDF format at [www.itepnet.org](http://www.itepnet.org). Printed copies can be ordered by calling ITEP at 202-737-4315.

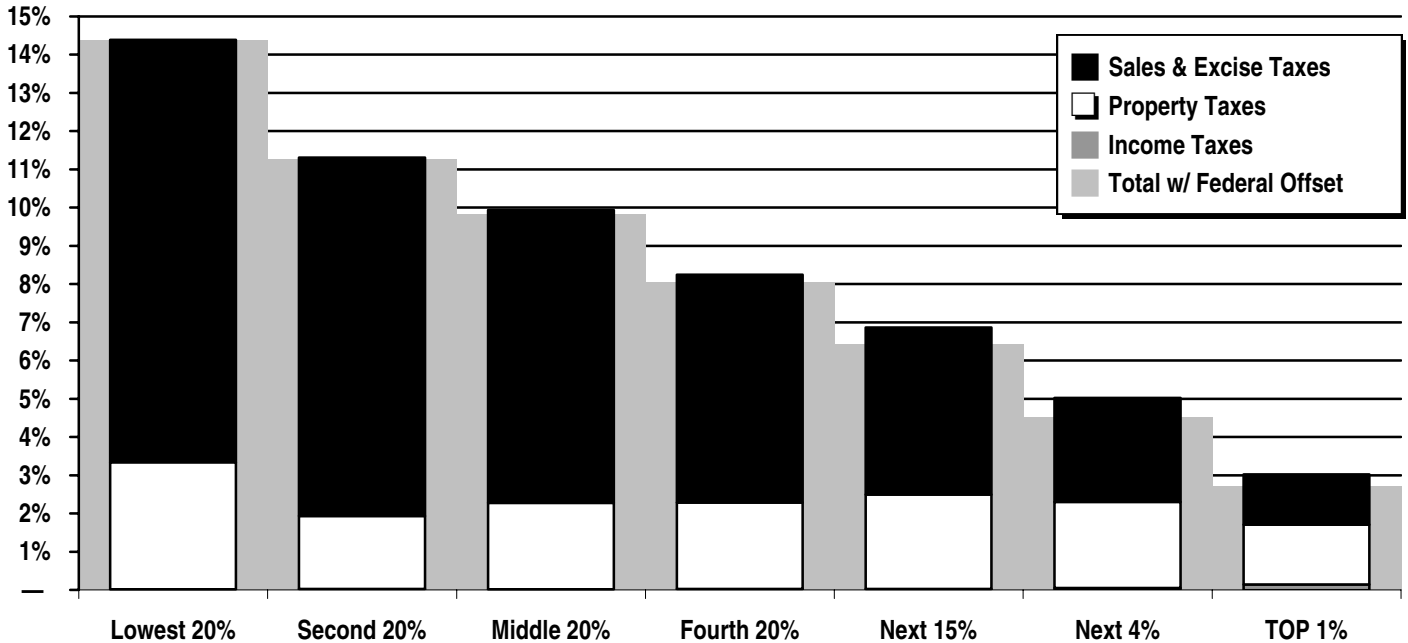
*Who Pays?* examines the tax systems of all 50 states and the District of Columbia, using the Institute on Taxation & Economic Policy Microsimulation Tax Model. The ITEP Model is similar in methodology and data sources to the elaborate computer models used by the U.S. Treasury and the congressional Joint Committee on Taxation, except that the ITEP Model adds state-by-state estimating capabilities.

The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

# Florida

## State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$24,000	\$24,000 – \$38,000	\$38,000 – \$64,000	\$64,000 – \$133,000	\$133,000 – \$289,000	\$289,000 or more
Average Income in Group	\$9,200	\$19,200	\$30,000	\$49,600	\$86,900	\$188,000	\$946,000
<b>Sales &amp; Excise Taxes</b>	<b>11.1%</b>	<b>9.4%</b>	<b>7.7%</b>	<b>6.0%</b>	<b>4.4%</b>	<b>2.7%</b>	<b>1.3%</b>
General Sales—Individuals	4.2%	3.8%	3.3%	2.6%	2.0%	1.3%	0.6%
Other Sales & Excise—Ind.	3.1%	2.3%	1.8%	1.3%	0.9%	0.5%	0.2%
Sales & Excise on Business	3.8%	3.2%	2.6%	2.0%	1.5%	0.9%	0.5%
<b>Property Taxes</b>	<b>3.3%</b>	<b>1.9%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>1.6%</b>
Property Taxes on Families	3.1%	1.8%	2.1%	2.0%	2.1%	1.9%	0.9%
Other Property Taxes	0.2%	0.2%	0.2%	0.2%	0.3%	0.4%	0.7%
<b>Income Taxes</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>TOTAL TAXES</b>	<b>14.4%</b>	<b>11.3%</b>	<b>9.9%</b>	<b>8.2%</b>	<b>6.9%</b>	<b>5.0%</b>	<b>3.0%</b>
Federal Deduction Offset	-0.0%	-0.0%	-0.1%	-0.2%	-0.4%	-0.5%	-0.3%
<b>TOTAL AFTER OFFSET</b>	<b>14.4%</b>	<b>11.3%</b>	<b>9.8%</b>	<b>8.0%</b>	<b>6.4%</b>	<b>4.5%</b>	<b>2.7%</b>

Note: Table shows 2002 tax law at 2000 income levels.

# Florida Tax Trends

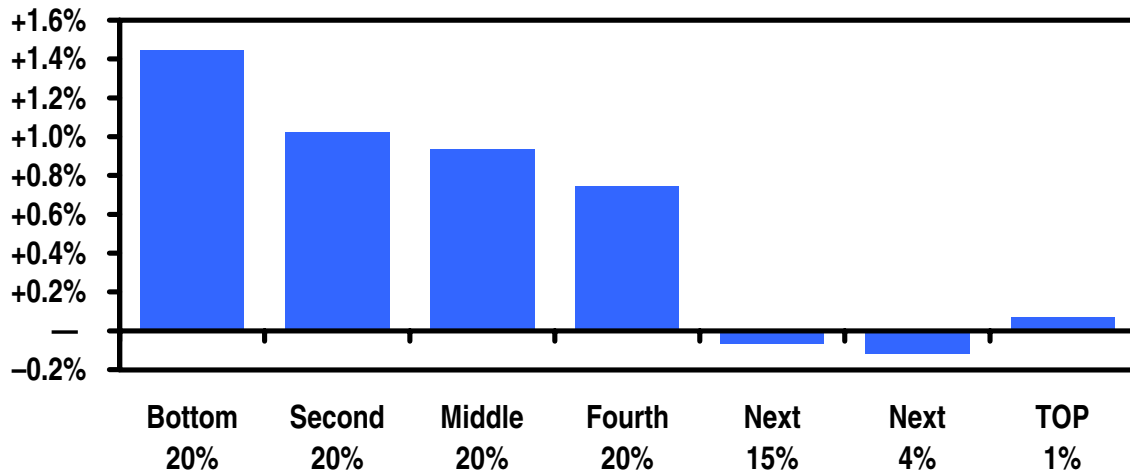
## Progressive Features

- ✓ Homestead exemption
- ✓ Groceries exempt from sales tax

## Regressive Features

- ✗ No income tax
- ✗ High sales tax reliance

## Changes in Taxes as Shares of Income, 1989 – 2002

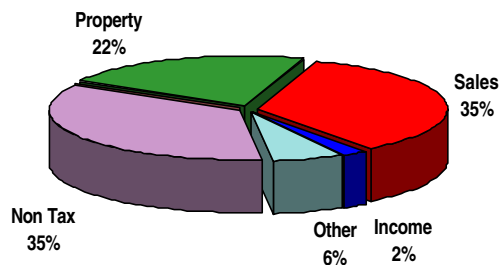


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
<b>Sales &amp; Excise</b>	+0.9%	+0.8%	+0.6%	+0.5%	+0.3%	+0.2%	+0.1%
<b>Property</b>	+0.5%	+0.2%	+0.3%	+0.3%	-0.3%	-0.3%	+0.0%
<b>Income</b>	-0.0%	+0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
<b>Federal Offset</b>	-0.0%	-0.0%	-0.0%	-0.0%	-0.1%	+0.0%	-0.0%
<b>Overall Change</b>	+1.4%	+1.0%	+0.9%	+0.7%	-0.1%	-0.1%	+0.1%

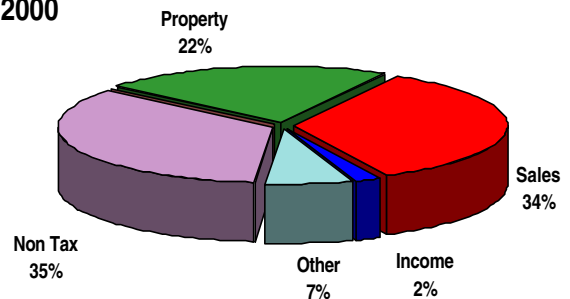
Florida is eliminating its progressive intangibles tax. Higher excise taxes worsened Florida's already regressive tax structure.

## Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census