

Mississippi Taxes Hit Poor & Middle Class Much Harder than the Wealthy

Low- and middle-income families in Mississippi pay a much higher share of their income in state and local taxes than do the richest Mississippians, 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, Mississippi has an unfair tax system.”

Mississippi’s Tax Code: Tax the Poor & Middle Class More Than the Wealthy

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

- The state and local tax rate on the best off one percent of Mississippi families—with average incomes of \$509,000—is 6.9% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is a mere 5.3%.
- The tax rate on families in the middle of the income distribution—those earning between \$19,000 and \$29,000—is 9.8%, three quarters more than the effective rate the richest pay.
- But the tax rate on the poorest Mississippi families—those earning less than \$11,000—is the highest of all. At 10% it is also more than three quarters higher than the effective rate of the wealthiest Mississippians.

“Mississippi’s income tax fails to offset the extreme regressivity of its sales and excise taxes, giving the state an unfair, regressive tax system,” McIntyre said. “Taxes ought to be based on people’s ability to pay them, which means that the share of income paid in taxes should rise as income grows, not fall as is the case in Mississippi.”

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Burdens Risen Since 1989

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

- Mississippi has done nothing to expand or even maintain the progressivity of its income tax.
- Hiking regressive sales and excise taxes over the decade has resulted in the largest tax increases falling on moderate- and middle-income families.

"Mississippi's reliance on regressive sales and excise taxes ensures the it will remain a state where low- and middle-income taxpayers pay far higher effective rates than the wealthy," 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 low-income taxpayers."

Two pages of tables detailing the Mississippi 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. 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.

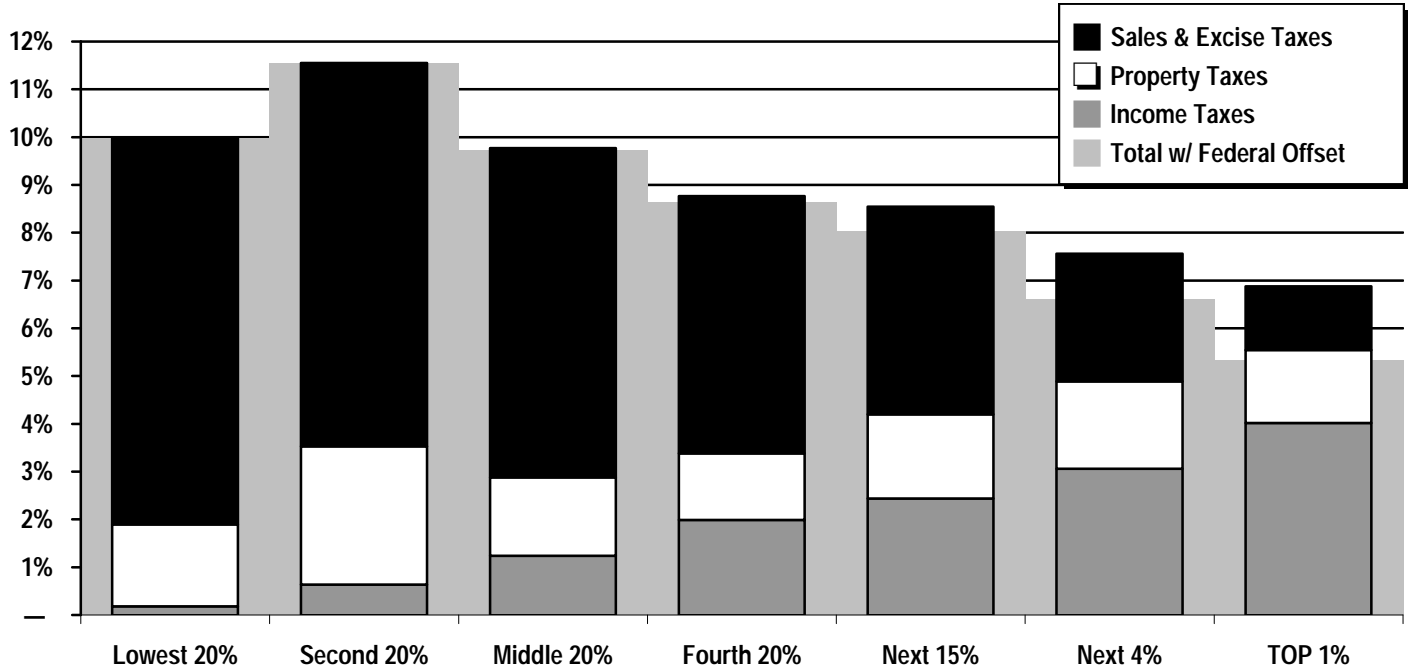
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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Mississippi

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 \$11,000	\$11,000 – \$19,000	\$19,000 – \$29,000	\$29,000 – \$53,000	\$53,000 – \$96,000	\$96,000 – \$228,000	\$228,000 or more
Average Income in Group	\$7,000	\$15,100	\$24,100	\$40,400	\$69,000	\$131,000	\$509,000
Sales & Excise Taxes	8.1%	8.0%	6.9%	5.4%	4.3%	2.7%	1.3%
General Sales—Individuals	4.8%	5.0%	4.2%	3.5%	2.9%	1.8%	0.9%
Other Sales & Excise—Ind.	1.2%	1.0%	0.9%	0.6%	0.4%	0.3%	0.1%
Sales & Excise on Business	2.1%	2.1%	1.8%	1.3%	1.0%	0.6%	0.4%
Property Taxes	1.7%	2.9%	1.6%	1.4%	1.8%	1.8%	1.5%
Property Taxes on Families	1.6%	2.7%	1.6%	1.2%	1.4%	1.2%	0.6%
Other Property Taxes	0.1%	0.1%	0.1%	0.2%	0.3%	0.6%	0.9%
Income Taxes	0.2%	0.6%	1.2%	2.0%	2.4%	3.1%	4.0%
Personal Income Tax	0.1%	0.5%	1.2%	1.9%	2.4%	3.0%	3.8%
Corporate Income Tax	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%
TOTAL TAXES	10.0%	11.6%	9.8%	8.8%	8.5%	7.6%	6.9%
Federal Deduction Offset	—	-0.0%	-0.0%	-0.1%	-0.5%	-1.0%	-1.5%
TOTAL AFTER OFFSET	10.0%	11.5%	9.7%	8.6%	8.0%	6.6%	5.3%

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

Mississippi Tax Trends

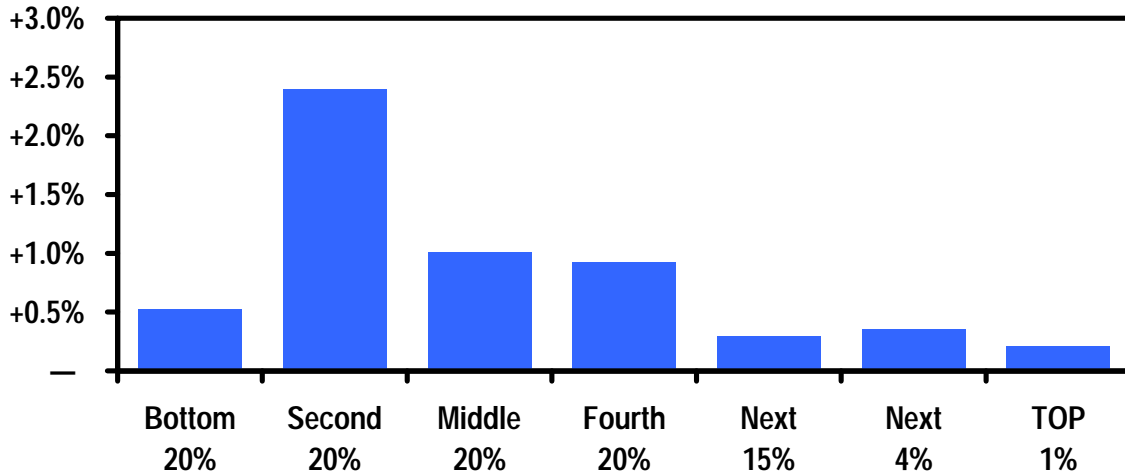
Progressive Features

- ✓ Homestead credit

Regressive Features

- ✗ Virtually flat tax
- ✗ Sales tax one of the highest in the nation
- ✗ Sales tax applies to groceries

Changes in Taxes as Shares of Income, 1989 – 2002

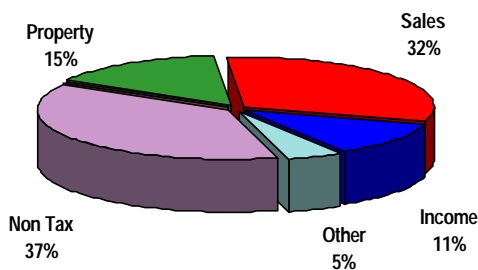


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.4%	+0.7%	+0.6%	+0.6%	+0.5%	+0.3%	+0.1%
Property	-0.1%	+1.3%	-0.0%	-0.1%	-0.4%	-0.0%	-0.0%
Income	+0.1%	+0.4%	+0.4%	+0.5%	+0.3%	+0.3%	+0.5%
Federal Offset	—	-0.0%	+0.0%	-0.0%	-0.1%	-0.1%	-0.4%
Overall Change	+0.5%	+2.4%	+1.0%	+0.9%	+0.3%	+0.4%	+0.2%

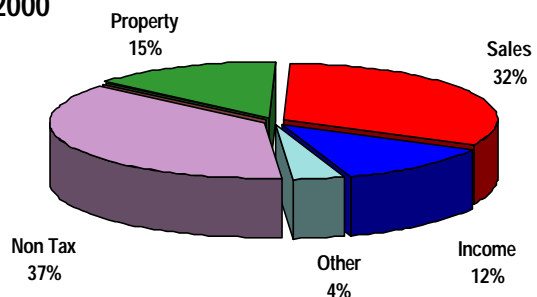
Inflation eroded the value of the personal exemption and standard deduction and caused "bracket creep" for those in middle incomes. The elimination of the state income tax deduction and the adoption of the itemized deduction phase-out raised the rates on all itemizers. The state also hiked the regressive sales tax 1%.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census