

New Hampshire Taxes Hit Poor & Middle Class Far Harder than the Wealthy

Low- and middle-income families in New Hampshire pay a far higher share of their income in state and local taxes than do the richest New Hampshire 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, New Hampshire has a very unfair tax system.”

New Hampshire’s Tax Code: Soak the Poor and Middle Class, Spare the Wealthy

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

- The state and local tax rate on the best off one percent of New Hampshire families—with average incomes of over \$1 million—is 2.4% before accounting for the tax savings from federal itemized deductions. After the federal offset, the effective tax rate is a mere 1.9%.
- The average tax rate on families in the middle of the income distribution—those earning between \$34,000 and \$55,000—is 5.8%. After the federal offset, the rate is 5.4%, more than twice the effective rate the richest pay.
- But the tax rate on the poorest New Hampshire families—those earning less than \$20,000—is the highest of all. At 8.1% it is over four times the effective rate of the wealthiest New Hampshire taxpayers.

The study found that New Hampshire’s taxes are particularly regressive because the state lacks a broad based income tax and instead relies primarily on regressive property taxes to fund public services.

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Tax Regressivity Has Grown Since 1989

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

- Tax burdens rose substantially on low-income families, stayed about the same for those in the middle, and fell on the very well off.
- Regressive excise tax hikes and a regressive trend in property taxes both contributed to the overall regressive change.

"Property taxes have risen for the low- and middle-income taxpayers in New Hampshire families, while the well off actually saw their effective burdens decline," 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 New Hampshire 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.

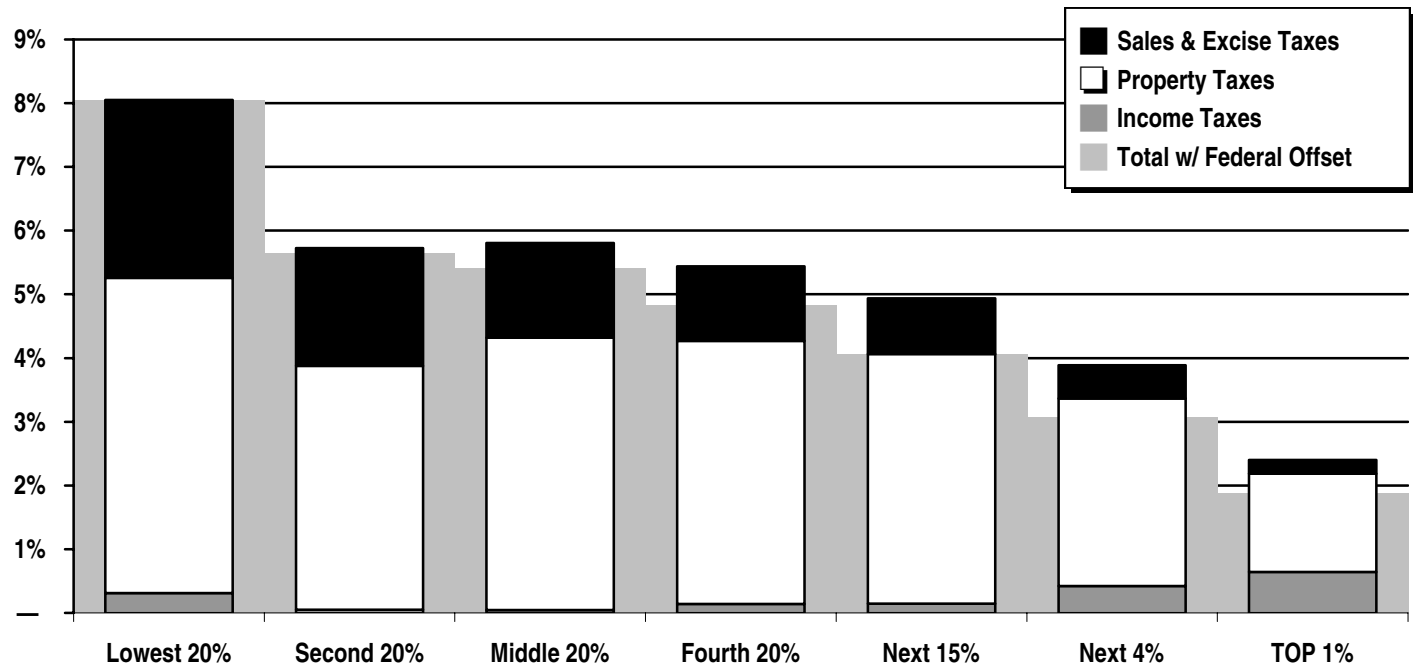
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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New Hampshire

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 \$20,000	\$20,000 – \$34,000	\$34,000 – \$55,000	\$55,000 – \$84,000	\$84,000 – \$159,000	\$159,000 – \$474,000	\$474,000 or more
Average Income in Group	\$11,700	\$27,000	\$44,000	\$68,100	\$110,000	\$227,000	\$1,079,000
Sales & Excise Taxes	2.8%	1.8%	1.5%	1.2%	0.9%	0.5%	0.2%
General Sales—Individuals	—	—	—	—	—	—	—
Other Sales & Excise—Ind.	2.4%	1.5%	1.2%	1.0%	0.7%	0.4%	0.2%
Sales & Excise on Business	0.4%	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%
Property Taxes	4.9%	3.8%	4.3%	4.1%	3.9%	2.9%	1.5%
Property Taxes on Families	4.7%	3.8%	4.2%	4.0%	3.8%	2.7%	1.1%
Other Property Taxes	0.2%	0.1%	0.1%	0.1%	0.1%	0.3%	0.5%
Income Taxes	0.3%	0.0%	0.0%	0.1%	0.1%	0.4%	0.6%
Personal Income Tax	0.3%	0.0%	0.0%	0.1%	0.1%	0.3%	0.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
TOTAL TAXES	8.1%	5.7%	5.8%	5.4%	4.9%	3.9%	2.4%
Federal Deduction Offset	-0.0%	-0.1%	-0.4%	-0.6%	-0.9%	-0.8%	-0.5%
TOTAL AFTER OFFSET	8.1%	5.6%	5.4%	4.8%	4.1%	3.1%	1.9%

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

New Hampshire Tax Trends

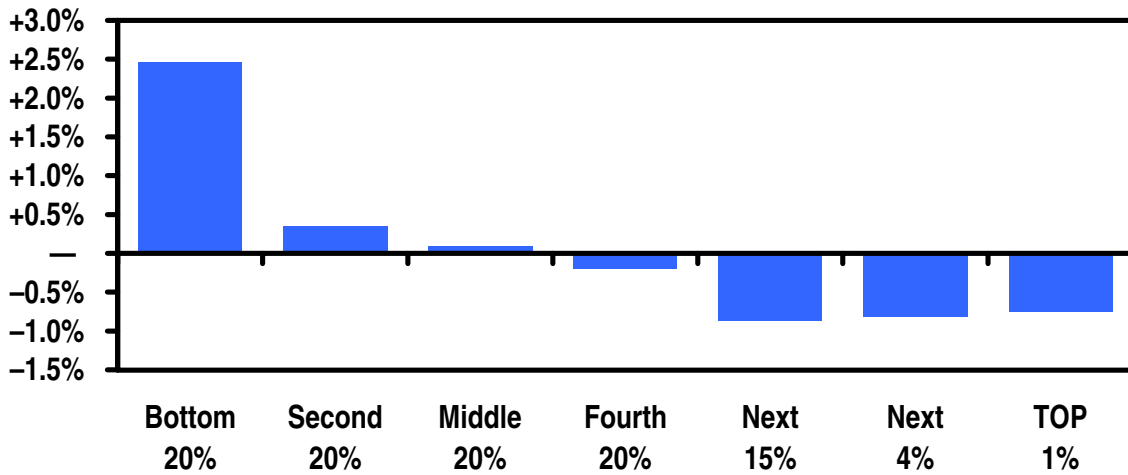
Progressive Features

- ✓ No statewide sales tax

Regressive Features

- ✗ No broad-based personal income tax
- ✗ Heavy reliance on property tax

Changes in Taxes as Shares of Income, 1989 – 2002

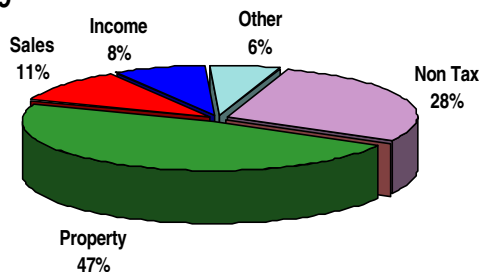


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.5%	+0.2%	+0.1%	+0.1%	+0.0%	+0.0%	-0.0%
Property	+1.8%	+0.2%	+0.2%	-0.2%	-0.9%	-0.9%	-0.6%
Income	+0.2%	-0.1%	-0.1%	+0.1%	-0.0%	-0.0%	-0.1%
Federal Offset	+0.0%	+0.0%	-0.1%	-0.1%	+0.0%	+0.1%	-0.0%
Overall Change	+2.5%	+0.4%	+0.1%	-0.2%	-0.9%	-0.8%	-0.7%

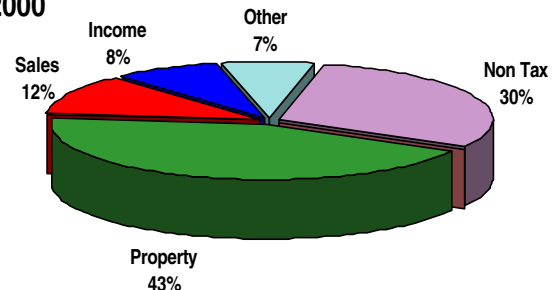
New Hampshire relies heavily on property taxes to pay for government services which makes New Hampshire one of the most regressive states. Changes to the property tax including low income tax relief and a statewide cut to 5.8 were largely undone by economic conditions driving home values. Adding a regressive 31 cent hike in the cigarette tax affected low-income residents the most.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census