

Nevada Taxes Hit Poor & Middle Class Far Harder than the Wealthy

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

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

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

- The wealthiest one percent of Nevada taxpayers—with average incomes of \$1.2 million—pay only 2.0% of their income in Nevada state and local taxes. After accounting for tax savings from federal itemized deductions the effective rate becomes just 1.8%.
- Middle-income Nevada taxpayers earning between \$27,000 and \$42,000 pay 6.3% of their income in state and local taxes, more than three times the rate on the very wealthy.
- Nevada families earning less than \$17,000—the poorest fifth of Nevada non-elderly taxpayers—pay 8.3% of their income in state and local taxes, more than four times the rate levied on the best off Nevadans.

“The lack of a progressive personal income tax to offset regressive sales and property taxes is the most important factor in making the Nevada tax system so regressive,” 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 sharply as is the case in Nevada.”

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Nevada Taxes Among Nation's Most Regressive

The study found that Nevada's tax system burdens the middle and lower incomes far more than it does its wealthiest citizens, placing it on the list of "Terrible Ten" most regressive states. Even before taking account of tax savings from federal itemized deductions, Nevada asks poor families—those in the bottom 20% of the income scale—to pay 4.2 times as great a share of their earnings in taxes as do the wealthy. By the same measure, middle-income families in Nevada pay 3.2 times as high a share of their income in taxes as the wealthiest families.

"Nevada 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 Nevada tax system so regressive. And the lack of diversity in Nevada's tax structure means that lawmakers have few choices available when increased revenues are necessary—a critical constraint in the current fiscal situation."

Tax Regressivity has Grown since 1989

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

- Tax burdens have risen at least slightly on all Nevada income groups.
- The biggest tax increases fell on those in the middle of the income scale.

"Nevada lawmakers continue to levy the highest tax burden on those least able to afford it," 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 Nevada 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.

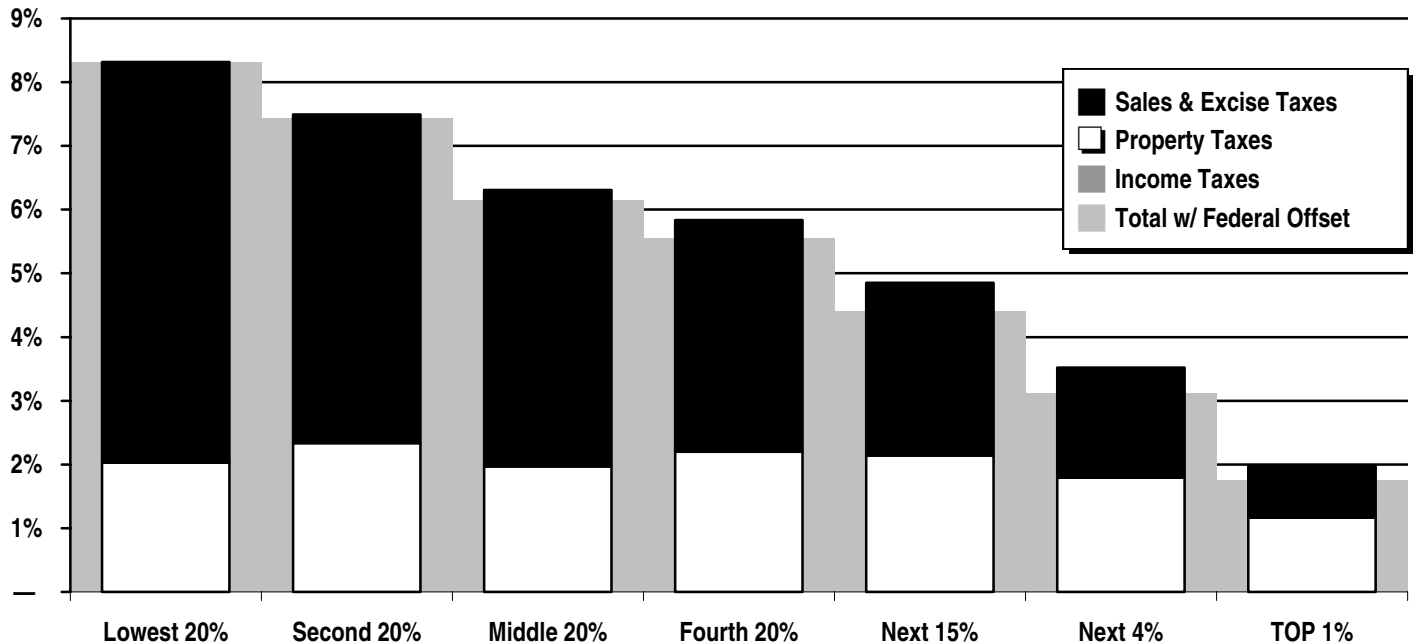
The findings published in the study detail state and local taxes paid by non-elderly couples and individuals. The study includes all major state and local taxes: personal and corporate income taxes, property taxes, and sales and excise taxes.

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Nevada

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 \$17,000	\$17,000 – \$27,000	\$27,000 – \$42,000	\$42,000 – \$67,000	\$67,000 – \$125,000	\$125,000 – \$297,000	\$297,000 or more
Average Income in Group	\$11,000	\$21,200	\$33,600	\$53,500	\$87,000	\$178,000	\$1,186,000
Sales & Excise Taxes	6.3%	5.2%	4.3%	3.6%	2.7%	1.7%	0.8%
General Sales—Individuals	3.4%	3.0%	2.6%	2.3%	1.7%	1.2%	0.6%
Other Sales & Excise—Ind.	1.3%	0.8%	0.7%	0.6%	0.4%	0.2%	0.0%
Sales & Excise on Business	1.6%	1.3%	1.0%	0.8%	0.6%	0.4%	0.2%
Property Taxes	2.0%	2.3%	2.0%	2.2%	2.1%	1.8%	1.2%
Property Taxes on Families	2.0%	2.3%	1.9%	2.1%	2.0%	1.6%	0.7%
Other Property Taxes	0.1%	0.0%	0.0%	0.1%	0.1%	0.2%	0.5%
Income Taxes	—	—	—	—	—	—	—
Personal Income Tax	—	—	—	—	—	—	—
Corporate Income Tax	—	—	—	—	—	—	—
TOTAL TAXES	8.3%	7.5%	6.3%	5.8%	4.9%	3.5%	2.0%
Federal Deduction Offset	-0.0%	-0.1%	-0.2%	-0.3%	-0.4%	-0.4%	-0.2%
TOTAL AFTER OFFSET	8.3%	7.4%	6.1%	5.6%	4.4%	3.1%	1.8%

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

Nevada Tax Trends

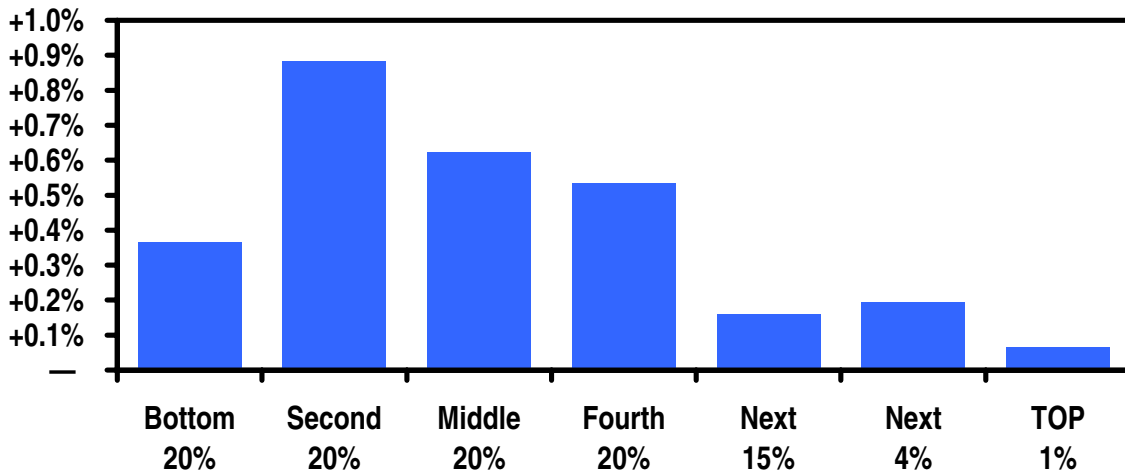
Progressive Features

- ✓ Groceries exempt from sales tax

Regressive Features

- ✗ No income tax
- ✗ Heavy reliance on sales taxes

Changes in Taxes as Shares of Income, 1989 – 2002

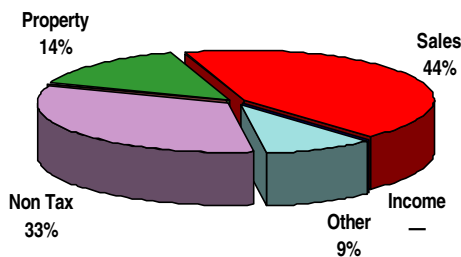


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+0.0%	+0.1%	+0.1%	+0.1%	+0.1%	+0.1%	+0.0%
Property	+0.4%	+0.8%	+0.6%	+0.5%	+0.2%	+0.2%	+0.1%
Income	—	—	—	—	—	—	—
Federal Offset	+0.0%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Overall Change	+0.4%	+0.9%	+0.6%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

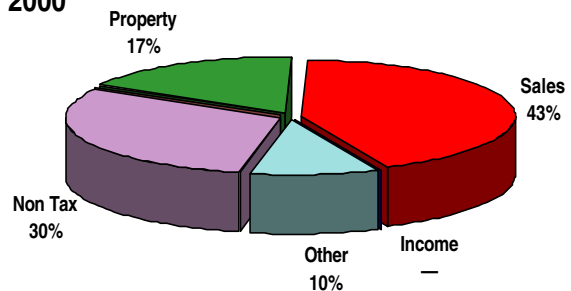
Nevada general sales taxes were increased at both the state and local levels in the 1990s but the pressure of this regressive change was offset by the inflationary erosion of excise taxes.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census