

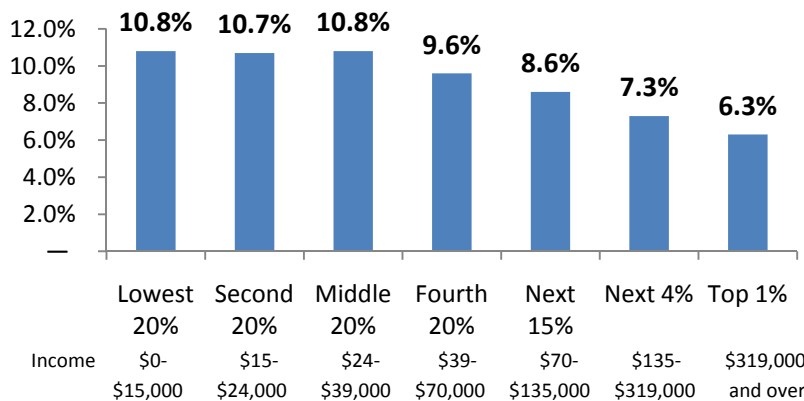


New Data Show Mississippi Low Income Working Families Pay more towards State and Local Taxes than High Income Families **11/24/09**

Key Takeaway: New data show that Mississippi’s lower income taxpayers pay more state and local taxes as a percentage of income than higher income taxpayers. Low-income working taxpayers pay more towards state and local taxes because the state relies heavily on the sales tax and many of Mississippi’s working families are in the same state income tax bracket.

The Institute on Taxation and Economic Policy released new data based on 2007 tax returns that provide estimates of how much taxpayers of different income groups pay in state and local taxes. These estimates include state and local personal and corporate income taxes, sales and excise taxes, and property taxes. The figure below shows that the lowest and middle 20% of earners pay an estimated 10.8% of their income in state and local taxes. The top 1% of earners pay the lowest percentage of their income in taxes at 6.3%.¹

Estimated State and Local Income Taxes Paid as a Percentage of Income for Mississippi Families in 2007



Source: Institute on Taxation and Economic Policy

In Mississippi, low- and moderate-income working families pay more towards state and local taxes because the state relies heavily on the sales tax – a regressive tax. Mississippi’s sales tax is more regressive than most states because the state provides no exemption or rate reduction for grocery purchases. The state’s income tax is technically progressive, meaning that people pay more in taxes as their ability to pay increases; however, the income levels for the top bracket are so low that many of Mississippi’s working families are in the same tax bracket. Reform is needed to update the income tax and the sales tax to make the state’s tax system fairer.

¹ Institute on Taxation and Economic Policy, “Who pays? A Distributional Analysis of Tax Systems in All 50 States” November 2009 available at <http://www.itenpnet.org/whopays3.pdf>.