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STATE INCOME TAX BURDENS ON LOW-INCOME FAMILIES IN 2001

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Summary

Despite years of tax-cutting at the state level, poor families in many states still face a substantial burden as they file personal income taxes for the 2001 tax year. In nearly half of the states that levy income taxes — 19 out of 42 states — two-parent families of four with incomes below the federal poverty line continue to owe income tax. In 17 of those states, poor single-parent families of three also pay income taxes. In addition, about half of the 23 states that don't tax the poor still tax families with incomes just above the poverty line, even though such families typically have difficulty making ends meet.

In some states, families with poverty-level incomes face income tax bills of several hundred dollars. For instance, a two-parent family of four in **Kentucky** with income of $18,104 — the 2001 poverty line for a family that size — owes $596 in income tax, the highest tax on such a family in the country. A single-parent family of three in **Kentucky** with poverty-level income of $14,129 owes $361, second only to the tax on such a family levied in **Alabama** of $388. Such amounts can make a big difference to a struggling family. Other states levying tax of $200 or more on families with poverty-level incomes include **Arkansas, Hawaii, Indiana, Michigan, Montana, Oklahoma, Oregon, Virginia,** and **West Virginia.**

Taxing the incomes of working-poor families runs counter to the efforts by policymakers across the political spectrum to provide more assistance to families seeking to work their way out of poverty. Many states have reduced income taxes on the poor over the last decade, and a narrow majority of states now exempt poor families from the income tax. The federal government has exempted such families since the mid-1980s.

Eliminating all or most state income taxes on working families with poverty-level incomes gives a boost in take-home pay that helps offset higher child care and transportation costs that families incur as they strive to become economically self-sufficient. In other words, relieving state income tax burdens on poor families is making a meaningful contribution toward "making work pay." More than a dozen states go even further; they not only exempt poor families from income taxation, but also provide a tax rebate that can help such families make ends meet.

States that choose to reduce or eliminate tax burdens on low-income families employ a variety of mechanisms to do so. These mechanisms include state Earned Income Tax Credits and other low-income tax credits; no-tax floors; and personal exemptions and standard deductions that are adequate to shield poverty-level income from taxation.

Although many states have made progress in reducing taxes on poor families over the last decade, the advent of the recession appears to have slowed that progress. In 2001 for the first time since the early 1990s, the average state income tax threshold — the income level at which a family of four first begins to owe taxes — failed to increase relative to the poverty line. Progress in 2002 may be similarly modest as state fiscal difficulties preclude many new tax cuts, but two states — **Utah** and **Oklahoma** — already have enacted changes that will lift thresholds for some or all families above the poverty line in 2002. Moreover, if states' fiscal difficulties lead states to consider broad reform of their tax codes, additional states may consider raising income tax thresholds as a fundamental part of any such reform.

Many States Continue to Levy Substantial Income Taxes on Poor Families in 2001

Some 23 states have chosen to exempt poor families of three and four from the income tax. As recently as 1996, the majority of the states with income taxes levied income taxes on families of three or four with poverty-level incomes. Now the reverse is true: a majority of states *exempt* such families from their income taxes. And among those states that continue to tax the poor, many have reduced the burden of those taxes.

Despite this progress, 19 states continue to levy income tax on poor families of four; 17 states continue to levy income tax on poor families of three. Some of these states in the last five years substantially increased the income level at which income tax is first owed and thereby reduced taxes on the poor. Nonetheless, income taxes on the poor in many states remain quite high. Moreover, 30 of the 42 states with an income tax still tax near-poor families of four with incomes just 25 percent above the poverty line.

At a time when states are urging more families to make the transition from welfare to work, continued progress in relieving state income tax burdens is an integral part of that policy agenda. Eliminating all or most state income taxes on working families with poverty-level incomes results in a boost in take-home pay that helps offset higher child care and transportation costs that families incur as they strive to become economically self-sufficient. In other words, relieving state income tax burdens on poor families is making a meaningful contribution toward "making work pay."

This analysis assesses the impact of each state's income tax in 2001 on poor and near-poor families with children.[1] (Forty-two states, counting the **District of Columbia** as a state, levy income taxes.) One important measure of tax burdens on poor families is the income tax threshold — the point at which, as a family's income rises, it first begins to owe income tax. Tables 1a and 1b show the thresholds for a single parent with two children and for a married couple with two children, respectively.

Methodology

This report takes into account income tax provisions that are broadly available to low-income families and that are not intended to offset some other tax. It does not take into account tax credits or deductions that benefit only families with certain expenses, nor does it take into account provisions that are intended explicitly to offset the burden of a tax other than the income tax. For instance, it does not include the impact of tax provisions that are available only to families with out-of-pocket child care expenses or specific housing costs, because not all families face such costs. It also does not take into account sales tax credits, property tax "circuitbreakers," and similar provisions, because this analysis does not attempt to gauge the burdens of those taxes — only of income taxes. Moreover, such provisions tend to be quite modest and in most cases do not affect greatly tax burdens on low-income families.

- In 17 states, the threshold for a single-parent family of three is less than $14,129, the Census Bureau's official poverty line for a family of three in 2001. In the remaining 25 states with income taxes, the threshold is above the poverty line; in those states, poor families pay no income tax.

- In 19 states, the threshold for a two-parent family of four is below the poverty line for such a family of $18,104. In the remaining 23 states with income taxes, the threshold is above the poverty line.

- Two states, **Alabama** and **Kentucky**, impose income tax on very poor families, those with incomes less than one-half of the poverty line. Those states and eight others **— Hawaii, Indiana, Michigan, Montana, Ohio, Oklahoma, Oregon** and **West Virginia —** tax families of three with full-time minimum wage earnings.

[1] For a more detailed analysis of the changes that individual states have made to their income taxes affecting low-income families since the early 1990s, the reasons why such changes are important, and the ways other states can implement such changes, see Bob Zahradnik, Nicholas Johnson and Michael Mazerov, *State Income Tax Burdens on Low-Income Families in 2000: Assessing the Burden and Opportunities for Relief,* Center on Budget and Policy Priorities, March 2001.

- The state with the highest threshold is **California**, where the threshold is $36,800 for a family of three and $38,800 for a family of four — more than twice the poverty lines for families of those sizes and well above the threshold for any other state.

Why Focus on the Income Tax When Other Taxes Often Are More Burdensome for Poor Families?

In most states, poor families pay more in consumption taxes such as gasoline, sales, and other taxes than they do in income taxes. Property taxes and other taxes and fees also impose substantial burdens on poor families. Nonetheless, income tax burdens on poor families are significant for two primary reasons. First, it is administratively easier for states to target income tax relief to poor families than it is to provide sales or property tax relief to those families; the great majority of the low-income tax relief enacted in the last decade at the state level has been administered through the income tax. Second, policymakers are often concerned about the negative message that high taxes on earnings send to families trying to work their way out of poverty.

States that rely heavily on income taxes for revenue still can exempt poor families from taxation. Of the 10 states that receive their largest share of state tax revenue from personal income taxes, six — **Delaware, Maryland, Massachusetts, Minnesota, New York,** and **Wisconsin** — exempt poor families of three or four from the income tax.

Taxes on Poor Families

Where states tax the wages of poor families, those tax burdens can equal up to several hundred dollars — a substantial amount for a struggling family. These amounts are shown in Tables 2a, 2b, 3a and 3b.

- The average 2001 tax bill for a family with income at the poverty line in the states with below-poverty thresholds is $149 for a family of three and $244 for a family of four. In 11 states, the tax bill for a poor family of four can exceed $200, and in one state — **Kentucky** — it can reach as high as $596.

- By contrast, a majority of states levy no tax until a family's income exceeds the poverty line.

- Eleven states go further. These states offer tax credits that provide refunds to families with no income tax liability. These credits act as a wage supplement and income support, helping support families' work efforts and reduce poverty. The amount of refund for families with income at the poverty line is as high as $1,213 for a family of three in **Vermont** and $1,402 for a family of four in **Minnesota**.

Taxes on Near-poor Families

Many families with earnings just above the poverty line continue to find it difficult to make ends meet. Federal and state governments recognize the challenges faced by families with incomes slightly above the poverty line and have set eligibility for some assistance programs, such as energy assistance, school lunch subsidies, and in many states health care subsidies, at 125 percent of the poverty line ($17,661 for a family of three, $22,630 for a family of four) or above.

A majority of states, however, continue to levy income tax on families with incomes at 125 percent of the poverty line. Some 30 states, for instance, tax the incomes of such families of four, with the tax bill exceeding $500 in eight states — **Alabama, Arkansas, Hawaii, Indiana, Iowa, Kentucky, Oregon,** and **Virginia.** Some 24 states tax the incomes of families of three with income at 125 percent of the poverty line. See tables 4a and 4b.

Comparing Income Tax Thresholds in Poor States with Those in Wealthier States

Relieving income taxes on poor families can appear to be a greater challenge for states with low per-capita incomes and higher poverty rates than it is for wealthier states, because poorer states generally have more potential beneficiaries of such tax relief and a smaller overall tax base to absorb the loss of revenue. Yet both high-income states and low-income states have been able to exempt poor families from the income tax. In fact, of the 26 states that exempt from taxation the income of a single-parent family of three with income at or below the poverty line, 11 have per capita incomes below the U.S. median, including three of the nation's six poorest states: **Idaho, New Mexico,** and **Mississippi.**

Little Improvement in Income Tax Thresholds Since Last Year

States made little progress in the 2001 tax year in reducing taxes on poor families.

- The number of states that tax families of four remains steady at 19.
- The average threshold among all states has changed little, and the average threshold among those states that tax the poor has actually fallen from 73 percent to 71 percent of the federal poverty line.
- The average tax levied in those 19 states on a family of four with poverty-level income rose, in inflation-adjusted terms, from $234 in 2000 to $244 in 2001 — an increase of about 4 percent.

This lack of progress is partially, but not entirely, due to the economic slowdown that began in early 2001. Although the slowdown dampened the ability of states to finance tax cuts in general, states still implemented some $1.3 billion in personal income tax cuts, including large tax cuts in several states that still tax the poor — **Hawaii, Michigan, Oklahoma** and **Oregon**. Among those tax cuts, only the new state Earned Income Tax Credit for working-poor families in **Oklahoma** for 2002 will substantially affect income tax thresholds; the others will not.

Most but Not All States Have Made Substantial Progress since the Early 1990s

Over the last decade, states generally have improved their tax treatment of working poor families. From 1991 to 2000, for example, the number of states levying income tax on poor families of four declined from 24 to 19. And among those remaining 19 states, many reduced taxes on poor families. From 1994 to 2001 the average income tax for a family of four at the poverty line fell by about 12 percent in inflation-adjusted terms, and the average threshold rose from about 60 percent of the federal poverty line to 73 percent. Tables 5 and 6 show changes over time.

States have used a variety of mechanisms to reduce income taxes on poor families. Nearly all states offer personal exemptions and/or standard deductions, which reduce the amount of income subject to taxation for all families including those with low incomes; in a number of states, these provisions by themselves are sufficient to lift the income tax threshold above the poverty line. In addition, many states have enacted provisions targeted to low- and moderate-income families. Some 16 states offer Earned Income Tax Credits, which are tax credits for working-poor families, mostly those with children.[2] Other states offer other types of low-income tax credits, such as **New Mexico**'s "Low-Income Comprehensive Tax Rebate." Finally, a few states have "no-tax floors," which set a dollar level below which families owe no tax but do not affect tax liability for families above that level.

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[2] A full description of current state EITCs and policy issues relating to them may be found in Nicholas Johnson, *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2001*, Center on Budget and Policy Priorities, December 2001.

Future Changes in Income Tax Thresholds

This report shows income tax thresholds for tax year 2001. As a part of legislation enacted in 2001 and in previous years, some states have adopted changes to their income tax systems that will lead to increased thresholds in 2002 and beyond. These changes will exempt poor families from taxation in Utah and also will raise the threshold above the poverty line for families of three in Oklahoma.

- In **Georgia**, the exemption for dependents is scheduled to increase from $2,700 to $3,000 in tax year 2003. The threshold will remain below the poverty line.

- **Illinois'** state Earned Income Tax Credit, which has a substantial impact on the threshold and reduces tax burdens by up to $200, is scheduled to expire after 2002. If it does so, the threshold will fall from its current level of about 80 percent of the poverty line to less than 45 percent of the poverty line.

- **Maryland, New Jersey,** and **New York**, all of which have thresholds above the poverty line already, are each phasing in increases to their state EITCs through 2003. In addition, Maryland is increasing its personal exemption in 2002, and New York is increasing its standard deduction for married couples in 2002 and again in 2003. These changes will improve the income-tax treatment of low- and moderate-income families in each of those states over the next two years.

- The threshold in **Massachusetts** will rise further above the poverty line in 2002 due to an increase in the dependent deduction.

- **North Carolina**'s standard deduction for married couples will increase by $500 in 2002 and another $500 in 2003. The change will not lift North Carolina's threshold above the poverty line.

- **Oklahoma** will offer a state EITC set at 5 percent of the federal credit beginning in 2002. This credit will reduce or eliminate income taxes for low- and moderate-income working families with children. For a single-parent family of three, the new income tax threshold will be above the poverty line. The new EITC also will provide refunds to many families with incomes below the poverty line.

- For the 2002 tax year, **Utah** will implement a no-tax floor to exempt from income taxation families with incomes up to, and slightly above, the poverty line.

- Changes in the federal Earned Income Tax Credit and the federal standard deduction for married filers enacted in June 2001 will increase thresholds in those states that piggyback on those provisions of the federal tax code. The EITC increase will take effect in tax year 2002, with additional increases in 2005 and 2008, and the standard deduction increase will be phased in from 2005 to 2009. (Those increases are in addition to the normal inflation adjustments of federal income tax provisions.) Some 16 states piggyback on the federal EITC, and 11 states piggyback on the federal standard deduction.

A Few States Tax the Incomes of the Poor More Heavily than in the Early 1990s

A smaller number of states stand out for their lack of progress in reducing income tax burdens on the poor.

- The **Alabama** threshold remains at $4,600, the lowest in the nation and the same level — in non-inflation adjusted terms — that it has been since the 1960s. Because the threshold has not changed while the cost of living and the poverty line have increased, the threshold as a percentage of the poverty line has fallen from 33 percent to 25 percent since 1991.

  Over the last ten years, the **Alabama** tax burden on families with incomes at the poverty has risen. The income tax on a family of four with income at the poverty line in 2001 is $463, compared with $348 seven years ago — an 11 percent increase after adjusting for inflation.

- In **Arkansas, Iowa, Louisiana, Ohio, Oklahoma, Virginia,** and **West Virginia,** as in **Alabama**, the income taxes on families of four with poverty-level incomes have risen since 1994 even after taking inflation into account. As Table 6 shows, the increase in inflation-adjusted terms has been as much as 52 percent in **Oklahoma**, 44 percent in **Louisiana**, 41 percent in **Virginia**, and 27 percent in **Arkansas**.[3] In each of these states, the reason for the tax increase is that personal exemptions, credits, or other features designed to protect the incomes of low-income families from taxation have eroded due to inflation.

- In **Kentucky, Louisiana, Ohio** and **West Virginia**, as in **Alabama**, the income tax threshold is further below the poverty line than it was in 1991. In **Kentucky**, for instance, the threshold for a family of four has fallen from 36 percent of the poverty line in 1991 to 30 percent.

[3] Beginning in tax year 2002, Oklahoma is implementing a state Earned Income Tax Credit that eliminates this tax increase.

Table 1A
State Income Tax Thresholds for Single-Parent Families of Three, 2001

Poverty line (estimated): $14,129

Rank	State	Threshold	Rank	State	Threshold
1	Alabama	$4,600	18	Mississippi	$14,400
2	Kentucky	5,000	19	Virginia	14,600
3	Montana	8,000	20	Delaware	14,700
4	Indiana	9,000	21	Idaho	15,400
5	Hawaii	9,500	22	North Dakota	15,800
6	Oklahoma	9,600	22	Nebraska	15,800
7	Michigan	9,900	24	Iowa	17,500
8	West Virginia	10,000	25	South Carolina	18,300
8	Ohio	10,000	26	New Mexico	18,400
10	Louisiana	11,000	26	Wisconsin	18,500
11	Georgia	12,100	28	Connecticut	19,100
12	Illinois	12,700	29	District of Columbia	19,600
12	Missouri	12,700	30	New Jersey	20,000
14	Arkansas	13,000	31	Arizona	20,100
14	Oregon	13,000	32	Kansas	20,500
16	Utah	13,200	33	Maine	21,100
17	North Carolina	13,900	34	Massachusetts	21,300
			35	Pennsylvania	23,500
			36	New York	23,700
			37	Colorado	25,100
			38	Rhode Island	25,200
			39	Maryland	25,600
			40	Vermont	26,300
			41	Minnesota	26,400
			42	California	36,800
Average Threshold 2001		**$10,400**	**Average Threshold 2001**		**$20,700**
Amount Below Poverty		**$3,729**	**Amount Above Poverty**		**$6,571**

Note: A threshold is the lowest income level at which a family has state income tax liability. In this table thresholds are rounded to the nearest $100. The 2001 poverty line is a Census Bureau estimate based on the actual 2000 line adjusted for inflation. The threshold calculations include earned income tax credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account.

Source: Center on Budget and Policy Priorities

Table 1B
State Income Tax Thresholds for Two-Parent Families of Four, 2001

Poverty line (estimated): $18,104

Rank	State	Threshold
1	Alabama	$4,600
2	Kentucky	5,500
3	Indiana	9,500
4	Montana	9,800
5	West Virginia	10,000
6	Hawaii	11,300
7	Ohio	12,500
8	Michigan	12,800
9	Louisiana	13,400
9	Oklahoma	13,400
11	Illinois	14,300
11	Missouri	14,300
13	Oregon	15,100
14	Georgia	15,300
15	Arkansas	15,600
16	Utah	16,300
17	North Carolina	17,000
18	Iowa	17,500
19	Virginia	17,700
Average Threshold 2001		**$12,900**
Amount Below Poverty		**$5,204**

Rank	State	Threshold
20	Nebraska	$19,500
21	District of Columbia	19,600
21	Mississippi	19,600
23	North Dakota	19,700
24	New Jersey	20,000
25	Delaware	20,300
26	Idaho	20,800
27	New Mexico	21,300
28	Kansas	21,500
29	Wisconsin	21,600
30	South Carolina	22,100
31	Massachusetts	22,700
32	Maine	23,500
33	Arizona	23,600
34	Connecticut	24,100
35	New York	24,900
36	Maryland	26,300
37	Rhode Island	26,800
38	Vermont	27,600
39	Minnesota	27,700
40	Colorado	28,700
41	Pennsylvania	30,000
42	California	38,800
Average Threshold 2001		**$23,900**
Amount Above Poverty		**$5,796**

Note: A threshold is the lowest income level at which a family has state income tax liability. In this table thresholds are rounded to the nearest $100. The 2001 poverty line is a Census Bureau estimate based on the actual 2000 line adjusted for inflation. The threshold calculations include Earned Income Tax Credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account.

Source: Center on Budget and Policy Priorities

Table 2A
State Income Tax at Poverty Line for
Single-Parent Families of Three, 2001

	State	Income	Tax
1	Alabama	$14,129	$388
2	Kentucky	14,129	361
3	Hawaii	14,129	294
4	Indiana	14,129	276
5	West Virginia	14,129	245
6	Montana	14,129	179
7	Michigan	14,129	178
8	Oklahoma	14,129	139
9	Louisiana	14,129	125
10	Oregon	14,129	86
11	Ohio	14,129	72
12	Illinois	14,129	54
13	Georgia	14,129	48
14	Missouri	14,129	26
15	Utah	14,129	22
16	Arkansas	14,129	20
17	North Carolina	14,129	14
18	Virginia	14,129	0
18	South Carolina	14,129	0
18	Maine	14,129	0
18	California	14,129	0
18	Pennsylvania	14,129	0
18	Mississippi	14,129	0
18	Rhode Island	14,129	0
18	Iowa	14,129	0
18	Nebraska	14,129	0
18	Idaho	14,129	0
18	Connecticut	14,129	0
18	Arizona	14,129	0
18	Delaware	14,129	0
18	North Dakota	14,129	0
32	New Mexico	14,129	(75)
33	Kansas	14,129	(357)
34	Wisconsin	14,129	(381)
35	Maryland	14,129	(428)
36	New Jersey	14,129	(568)
37	Massachusetts	14,129	(569)
38	District of Columbia	14,129	(616)
39	Colorado	14,129	(679)
40	New York	14,129	(882)
41	Minnesota	14,129	(1,002)
42	Vermont	14,129	(1,213)

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Table 2B
State Income Tax at Poverty Line for Two-Parent Families of Four, 2001

	State	Income	Tax
1	Kentucky	$18,104	$596
2	Alabama	18,104	463
3	Hawaii	18,104	422
4	Indiana	18,104	378
5	Virginia	18,104	365
6	Arkansas	18,104	326
7	West Virginia	18,104	306
8	Oregon	18,104	296
9	Oklahoma	18,104	252
10	Montana	18,104	239
11	Michigan	18,104	223
12	Illinois	18,104	156
13	Louisiana	18,104	143
14	Ohio	18,104	136
15	Missouri	18,104	89
16	Georgia	18,104	70
17	North Carolina	18,104	68
18	Iowa	18,104	61
19	Utah	18,104	43
20	Nebraska	18,104	0
20	Maine	18,104	0
20	California	18,104	0
20	Mississippi	18,104	0
20	Rhode Island	18,104	0
20	Delaware	18,104	0
20	South Carolina	18,104	0
20	Arizona	18,104	0
20	North Dakota	18,104	0
20	Connecticut	18,104	0
20	Pennsylvania	18,104	0
20	Idaho	18,104	0
32	New Mexico	18,104	(60)
33	Kansas	18,104	(186)
34	District of Columbia	18,104	(191)
35	Maryland	18,104	(203)
36	Wisconsin	18,104	(401)
37	Massachusetts	18,104	(442)
38	New Jersey	18,104	(443)
39	Colorado	18,104	(595)
40	New York	18,104	(629)
41	Vermont	18,104	(943)
42	Minnesota	18,104	(1,402)

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Table 3A
State Income Tax at Minimum Wage for Single-Parent Families of Three, 2001

	State	Income*	Tax
1	Alabama	$10,712	$218
2	Kentucky	10,712	208
3	West Virginia	10,712	143
4	Indiana	10,712	116
5	Hawaii**	10,920	89
6	Oklahoma	10,712	63
7	Montana	10,712	59
8	Oregon**	13,520	38
9	Michigan	10,712	34
10	Ohio	10,712	11
11	Arizona	10,712	0
11	Arkansas	10,712	0
11	California**	13,000	0
11	Connecticut**	13,312	0
11	Delaware**	12,792	0
11	Idaho	10,712	0
11	Illinois	10,712	0
11	Iowa	10,712	0
11	Louisiana	10,712	0
11	Maine	10,712	0
11	Mississippi	10,712	0
11	Missouri	10,712	0
11	Nebraska	10,712	0
11	North Carolina	10,712	0
11	North Dakota	10,712	0
11	Pennsylvania	10,712	0
11	Rhode Island**	12,792	0
11	South Carolina	10,712	0
11	Utah	10,712	0
11	Virginia	10,712	0
31	Georgia	10,712	(21)
32	New Mexico	10,712	(100)
33	Kansas	10,712	(401)
34	Colorado	10,712	(472)
35	Wisconsin	10,712	(561)
36	Massachusetts**	14,040	(572)
37	New Jersey	10,712	(601)
38	Maryland	10,712	(608)
39	District of Columbia**	12,792	(736)
40	Minnesota	10,712	(1,002)
40	New York	10,712	(1,002)
42	Vermont**	13,000	(1,283)

* Income for full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/ week).
** These nine states had a minimum wage higher than the federal minimum wage in all or part of 2000.
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Table 3B
State Income Tax at Minimum Wage for Two-Parent Families of Four, 2001

	State	Income*	Tax
1	Kentucky	$10,712	$193
2	Alabama	10,712	178
3	West Virginia	10,712	83
4	Indiana	10,712	82
5	Montana	10,712	19
6	Arizona	10,712	0
6	Arkansas	10,712	0
6	California**	13,000	0
6	Connecticut**	13,312	0
6	Delaware**	12,792	0
6	Idaho	10,712	0
6	Illinois	10,712	0
6	Iowa	10,712	0
6	Louisiana	10,712	0
6	Maine	10,712	0
6	Michigan	10,712	0
6	Mississippi	10,712	0
6	Missouri	10,712	0
6	Nebraska	10,712	0
6	North Carolina	10,712	0
6	North Dakota	10,712	0
6	Ohio	10,712	0
6	Oklahoma	10,712	0
6	Oregon**	13,520	0
6	Pennsylvania	10,712	0
6	Rhode Island**	12,792	0
6	South Carolina	10,712	0
6	Utah	10,712	0
6	Virginia	10,712	0
30	Hawaii**	10,920	(12)
31	Georgia	10,712	(32)
32	New Mexico	10,712	(130)
33	Kansas	10,712	(401)
34	Colorado	10,712	(472)
35	Wisconsin	10,712	(561)
36	Massachusetts**	14,040	(572)
37	New Jersey	10,712	(601)
38	Maryland	10,712	(641)
39	District of Columbia**	12,792	(736)
40	Minnesota	10,712	(1,002)
40	New York	10,712	(1,002)
42	Vermont**	13,000	(1,283)

* Income for full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/week).
** These nine states had a minimum wage higher than the federal minimum wage in all or part of 2000.

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Table 4A
State Income Tax at 125% of Poverty Line for
Single-Parent Families of Three, 2000

	State	Income	Tax
1	Kentucky	$17,661	$592
2	Hawaii	17,661	567
3	Alabama	17,661	563
4	Virginia	17,661	483
5	Oregon	17,661	424
6	Indiana	17,661	396
7	Arkansas	17,661	394
8	West Virginia	17,661	366
9	Michigan	17,661	326
10	Montana	17,661	297
11	Oklahoma	17,661	279
12	Louisiana	17,661	265
13	North Carolina	17,661	227
14	Illinois	17,661	198
15	Georgia	17,661	187
16	Ohio	17,661	177
17	Delaware	17,661	143
18	Utah	17,661	141
19	Missouri	17,661	131
20	Mississippi	17,661	98
21	Nebraska	17,661	66
22	Idaho	17,661	51
23	North Dakota	17,661	49
24	Iowa	17,661	16
25	Arizona	17,661	0
25	California	17,661	0
25	Connecticut	17,661	0
25	Maine	17,661	0
25	Pennsylvania	17,661	0
25	Rhode Island	17,661	0
25	South Carolina	17,661	0
32	New Mexico	17,661	(20)
33	Wisconsin	17,661	(79)
34	Maryland	17,661	(139)
35	Kansas	17,661	(158)
36	District of Columbia	17,661	(248)
37	Massachusetts	17,661	(330)
38	New Jersey	17,661	(457)
39	Colorado	17,661	(496)
40	New York	17,661	(554)
41	Vermont	17,661	(888)
42	Minnesota	17,661	(1,276)

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Table 4B
State Income Tax at 125% of Poverty Line for
Two-Parent Families of Four, 2001

	State	Income	Tax
1	Kentucky	$22,630	$922
2	Hawaii	22,630	756
3	Oregon	22,630	749
4	Alabama	22,630	673
5	Virginia	22,630	591
6	Arkansas	22,630	563
7	Indiana	22,630	531
8	Iowa	22,630	530
9	Oklahoma	22,630	493
10	West Virginia	22,630	486
11	Michigan	22,630	413
12	Montana	22,630	410
13	District of Columbia	22,630	388
14	Illinois	22,630	339
15	North Carolina	22,630	338
16	Ohio	22,630	292
17	Louisiana	22,630	285
17	Missouri	22,630	285
19	Georgia	22,630	282
20	New Jersey	22,630	247
21	Utah	22,630	229
22	Delaware	22,630	115
23	Nebraska	22,630	110
24	Mississippi	22,630	91
25	Wisconsin	22,630	86
26	North Dakota	22,630	72
27	Kansas	22,630	67
28	New Mexico	22,630	59
29	Idaho	22,630	41
30	South Carolina	22,630	13
31	Arizona	22,630	0
31	California	22,630	0
31	Connecticut	22,630	0
31	Maine	22,630	0
31	Maryland	22,630	0
31	Pennsylvania	22,630	0
31	Rhode Island	22,630	0
38	Massachusetts	22,630	(5)
39	New York	22,630	(211)
40	Colorado	22,630	(410)
41	Vermont	22,630	(516)
42	Minnesota	22,630	(784)

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Table 5
Tax Threshold for a Family of Four, Selected Years, 1991-2001

	1991	1994	1997	2000	2001	Change 1991-2001
Alabama	$4,600	$4,600	$4,600	$4,600	$4,600	$0
Arizona	15,000	15,800	20,000	23,600	23,600	8,600
Arkansas	10,700	10,700	10,700	15,600	15,600	4,900
California	20,900	22,600	23,800	36,800	38,800	17,900
Colorado	14,300	16,200	17,500	27,900	28,700	14,400
Connecticut	24,100	24,100	24,100	24,100	24,100	0
Delaware	8,600	8,600	12,700	20,300	20,300	11,700
District of Columbia	14,300	16,200	17,500	18,600	19,600	5,300
Georgia	9,000	11,100	13,100	15,300	15,300	6,300
Hawaii	6,300	6,300	6,100	11,000	11,300	5,000
Idaho	14,300	16,200	17,500	20,100	20,800	6,500
Illinois	4,000	4,000	4,000	14,000	14,300	10,300
Indiana	4,000	4,000	8,500	9,500	9,500	5,500
Iowa	9,000	15,300	16,500	17,400	17,500	8,500
Kansas	13,000	13,000	13,000	21,100	21,500	8,500
Kentucky	5,000	5,000	5,000	5,400	5,500	500
Louisiana	11,000	11,000	12,300	13,000	13,400	2,400
Maine	14,100	14,800	17,500	23,100	23,500	9,400
Maryland	15,800	19,400	22,900	25,200	26,300	10,500
Massachusetts	12,000	12,000	17,400	20,600	22,700	10,700
Michigan	8,400	8,400	10,000	12,800	12,800	4,400
Minnesota	15,500	19,000	21,600	26,800	27,700	12,200
Mississippi	15,900	15,900	15,900	19,600	19,600	3,700
Missouri	8,900	9,700	10,200	14,100	14,300	5,400
Montana	6,600	7,200	8,800	9,500	9,800	3,200
Nebraska	14,300	16,200	17,900	18,900	19,500	5,200
New Jersey	5,000	7,500	7,500	20,000	20,000	15,000
New Mexico	14,300	16,300	17,500	21,000	21,300	7,000
New York	14,000	16,900	22,300	23,800	24,900	10,900
North Carolina	13,000	13,000	17,000	17,000	17,000	4,000
North Dakota	14,700	16,500	18,000	19,000	19,700	5,000
Ohio	10,500	10,500	12,000	12,700	12,500	2,000
Oklahoma	10,000	10,900	12,200	13,000	13,400	3,400
Oregon	10,100	10,900	14,000	14,800	15,100	5,000
Pennsylvania	9,800	15,300	20,600	28,000	30,000	20,200
Rhode Island	17,400	21,100	24,400	25,900	26,800	9,400
South Carolina	14,300	16,800	20,200	21,400	22,100	7,800
Utah	12,200	13,600	14,900	15,800	16,300	4,100
Vermont	17,400	21,100	24,400	26,800	27,600	10,200
Virginia	8,200	8,200	8,200	17,100	17,700	9,500
West Virginia	8,000	8,000	10,000	10,000	10,000	2,000
Wisconsin	14,400	16,400	17,000	20,700	21,600	7,200
Average	**$11,736**	**$13,102**	**$14,983**	**$18,474**	**$18,967**	**$7,231**
Federal Poverty Line	**$13,924**	**$15,141**	**$16,400**	**$17,603**	**$18,104**	**$4,180**
Average as % poverty	**84%**	**87%**	**91%**	**105%**	**105%**	**+ 20%**

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Table 6
State Income Tax at the Poverty Line for Families of Four
In States with Below-Poverty Thresholds in 2001

	1994	2000	2001	Change 94-01	Percent change after inflation, 94-01*
Oklahoma	$139	$232	$252	$113	52%
Louisiana	83	133	143	60	44%
Virginia	217	341	365	148	41%
Arkansas	214	311	326	112	27%
West Virginia	215	290	306	91	19%
Alabama	348	443	463	115	11%
Ohio	107	113	136	29	6%
Iowa	0	23	61	61	n/a
Kentucky	499	575	596	97	-0%
Utah	37	47	43	6	-3%
Montana	211	233	239	28	-5%
Hawaii	406	420	422	16	-13%
Indiana	379	360	378	(1)	-17%
Oregon	331	278	296	(35)	-25%
Michigan	301	202	223	(78)	-38%
Missouri	147	80	89	(58)	-49%
Georgia	116	55	70	(46)	-50%
North Carolina	128	37	68	(60)	-56%
Illinois	334	145	156	(178)	-61%
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Average	$222	$227	$244	22	-8%

Notes: Dollar amounts shown are nominal amounts.
* "Percent change after inflation" shows the percentage change adjusted for the 19.5 percent change in the cost of living from 1994 to 2001 as measured by the Consumer Price Index.

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