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U.S. CENSUS BUREAU – STATE TAX COLLECTIONS FY 2003 ***Massachusetts' state tax burden ranks 28th; well below FY 1999 level***

On May 20, the U.S. Census Bureau released its FY 2003 data on tax collections for the fifty states. These data, as well as data for FY 1999 through FY 2002, are examined in the accompanying table. These data show that the state tax burden in Massachusetts is low relative to most states.

Principal Findings

- In FY 2003, state taxes in Massachusetts amounted to \$62 per \$1,000 of personal income or 28th in the country. Such states as Arkansas, Kentucky, Mississippi, and Utah all ranked ahead of the Commonwealth. In fact, if Massachusetts had the same tax burden as Mississippi – where state taxes as a share of personal income equaled \$75 per \$1,000 of personal income – then the Commonwealth would have collected an additional \$3.34 billion in taxes in FY 2003.
- The current tax burden in Massachusetts is also significantly lower than the level that obtained in FY 1999. State taxes in Massachusetts that year were \$70 per \$1,000 of personal income. In other words, in five years time, the state tax burden in Massachusetts fell 12 percent.

Personal Income vs. Per Capita

One occasionally-used measure of state tax burden is total state taxes per capita (that is, total taxes divided by the number of residents in the state). Yet, measuring taxes on a per capita basis is fundamentally misleading, as it fails to account for the capacity to pay those taxes. A simplified example, presented in the graphic below, shows why. State A and State B each have 1 million residents; State A has a tax rate of 5 percent and State B has a rate of 8 percent. Personal income in State A totals \$800 million, while in State B it sums to \$400 million. If all income is taxed, then taxes in State A are \$40 million and taxes in State B are \$32 million. Consequently, State A has a per capita tax burden of \$40, while State B has one of \$32. Yet, as a share of personal income, taxes in State A amount to 5 percent, noticeably lower than the 8 percent share in State B. Which state faces a lower tax burden? State B, which has a total tax burden of \$32 million and taxes per capita of \$32, but where taxes as a share of personal income amount to 8 percent, or State A, where the total tax burden may be \$40 million and taxes per capita are \$40, but where taxes are only 5 percent of personal income? The answer is State A, since relative to its total personal income – which, in turn, reflects the size of its economy and, by extension, its ability to bear a particular tax burden – taxes are lower. Thus, the proper way to consider taxes is to compare them to personal income.

		<u>State A</u>	<u>State B</u>
(a)	Population	1 million	1 million
(b)	State Personal Income	\$800 million	\$400 million
(c)	Tax Rate	5%	8%
(d)	Total Taxes [(b)*(c)]	\$40 million	\$32 million
(e)	Per Capita Taxes [(d)/(a)]	\$40	\$32
(f)	Taxes as a Share of Personal Income [(d)/(b)]	5%	8%

Shortcomings

The figures in the accompanying tables suffer from two significant shortcomings.

First, the data on state personal income, which is collected by the Bureau of Economic Analysis (BEA) at the U.S. Commerce Department, do not include income from capital gains. As a result, estimates of total tax burden as a share of personal income are higher than they would be if such income were included.

Second, the figures in the accompanying tables do not include *local* taxes, such as the property tax. Since the responsibility for generating revenue for each level of government varies from state to state, the most accurate way to assess the tax burdens individuals in different states face is to measure those burdens as a combination of state and local taxes. The most recent year for which such data are available from the Census Bureau is FY 2000. In that year, state and local taxes in Massachusetts amounted to \$105 per \$1,000 of personal income, or 30th out of the fifty states.

Table 1. State Tax Collections, FY 1999-2003

All figures in current dollars

	FY 2003				FY 2002				FY 2001				FY 2000				FY 1999			
	Total Taxes (in \$1,000's)	Personal Income (in \$M, corrected for state FY's)	Total Taxes Per \$1,000 of Personal Income	Rank	Total Taxes (in \$1,000's)	Personal Income (in \$M, corrected for state FY's)	Total Taxes Per \$1,000 of Personal Income	Rank	Total Taxes (in \$1,000's)	Personal Income (in \$M, corrected for state FY's)	Total Taxes Per \$1,000 of Personal Income	Rank	Total Taxes (in \$1,000's)	Personal Income (in \$M, corrected for state FY's)	Total Taxes Per \$1,000 of Personal Income	Rank	Total Taxes (in \$1,000's)	Personal Income (in \$M, corrected for state FY's)	Total Taxes Per \$1,000 of Personal Income	Rank
United States	546,694,430	9,021,568	\$ 60.60		534,063,430	8,793,628	\$ 60.73		559,679,125	8,598,155	\$ 65.09		539,655,337	8,109,583	\$ 66.55		499,943,213	7,607,013	\$ 65.72	
Alabama	6,416,351	117,342	\$ 54.68	38	6,509,765	113,614	\$ 57.30	35	6,747,707	109,599	\$ 61.57	33	6,438,438	104,678	\$ 61.51	38	6,032,234	99,701	\$ 60.50	38
Alaska	1,069,319	21,366	\$ 50.05	46	1,089,504	20,593	\$ 52.91	43	1,428,698	19,418	\$ 73.58	17	1,423,287	18,141	\$ 78.46	14	905,135	17,292	\$ 52.34	47
Arizona	8,691,761	145,969	\$ 59.55	34	8,477,321	140,813	\$ 60.20	30	8,360,376	135,424	\$ 61.73	32	8,100,737	127,050	\$ 63.76	32	7,542,735	117,192	\$ 64.36	30
Arkansas	5,145,554	64,779	\$ 79.43	5	5,226,050	62,915	\$ 83.07	5	4,986,747	60,499	\$ 82.43	7	4,870,561	57,426	\$ 84.82	7	4,608,936	54,949	\$ 83.88	7
California	79,198,255	1,171,574	\$ 67.60	16	77,755,376	1,141,410	\$ 68.12	16	90,453,746	1,130,108	\$ 80.04	8	83,807,959	1,049,729	\$ 79.84	12	72,387,698	967,331	\$ 74.83	16
Colorado	6,636,190	153,119	\$ 43.34	50	6,923,171	150,845	\$ 45.90	49	7,566,919	149,185	\$ 50.72	47	7,075,047	136,405	\$ 51.87	47	6,568,185	123,206	\$ 53.31	45
Connecticut	9,508,645	148,151	\$ 64.18	25	9,032,787	146,083	\$ 61.83	26	9,895,673	145,045	\$ 68.22	24	10,171,242	135,783	\$ 74.91	18	9,623,591	126,769	\$ 75.91	14
Delaware	2,125,504	26,244	\$ 80.99	4	2,173,600	25,564	\$ 85.03	2	2,105,921	24,696	\$ 85.28	4	2,132,131	23,316	\$ 91.44	3	2,030,789	21,965	\$ 92.46	2
Florida	26,905,405	506,292	\$ 53.14	43	24,815,964	487,157	\$ 50.94	45	24,938,748	469,092	\$ 53.16	45	24,817,263	440,133	\$ 56.39	45	23,798,564	413,626	\$ 57.54	44
Georgia	13,411,632	250,208	\$ 53.60	41	13,772,147	243,363	\$ 56.59	36	14,368,505	235,475	\$ 61.02	35	13,511,275	221,432	\$ 61.02	39	12,461,790	205,845	\$ 60.54	37
Hawaii	3,569,824	37,944	\$ 94.08	1	3,420,671	36,099	\$ 94.76	1	3,507,770	34,813	\$ 100.76	1	3,334,743	33,588	\$ 99.28	1	3,166,663	32,048	\$ 98.81	1
Idaho	2,344,344	34,734	\$ 67.50	17	2,271,075	33,527	\$ 67.74	17	2,558,098	32,161	\$ 79.54	9	2,377,251	30,267	\$ 78.54	13	2,171,127	28,140	\$ 77.15	13
Illinois	22,148,339	419,377	\$ 52.77	44	22,460,190	412,917	\$ 54.39	41	23,150,229	407,197	\$ 56.85	44	22,788,799	386,466	\$ 58.97	42	21,211,263	367,468	\$ 57.72	43
Indiana	11,216,456	175,384	\$ 63.95	26	10,200,590	170,237	\$ 59.92	32	10,115,870	167,505	\$ 60.39	38	10,104,353	160,547	\$ 62.94	36	9,736,077	152,282	\$ 63.93	32
Iowa	5,059,449	83,729	\$ 60.43	31	5,006,251	81,254	\$ 61.61	27	5,158,780	79,157	\$ 65.17	29	5,185,394	75,771	\$ 68.44	25	4,868,494	72,510	\$ 67.14	25
Kansas	5,008,411	79,725	\$ 62.82	27	4,808,361	77,753	\$ 61.84	25	4,986,955	75,896	\$ 65.71	28	4,848,235	72,418	\$ 66.95	28	4,589,475	68,957	\$ 66.56	27
Kentucky	8,318,707	106,000	\$ 78.48	7	7,974,690	102,827	\$ 77.55	8	7,850,908	100,231	\$ 78.33	10	7,694,610	95,375	\$ 80.68	10	7,356,834	89,585	\$ 82.12	9
Louisiana	7,447,533	114,994	\$ 64.76	20	7,356,936	111,545	\$ 65.96	20	7,197,380	106,206	\$ 67.77	25	6,512,382	100,779	\$ 64.62	30	6,491,235	97,395	\$ 66.65	26
Maine	2,697,275	36,914	\$ 73.07	13	2,626,830	35,581	\$ 73.83	10	2,668,938	34,093	\$ 78.29	11	2,661,080	32,221	\$ 82.59	9	2,540,581	30,320	\$ 83.79	8
Maryland	10,980,324	201,067	\$ 54.61	39	10,821,276	194,392	\$ 55.67	38	10,785,695	186,793	\$ 57.74	41	10,354,447	174,357	\$ 59.39	41	9,501,164	162,366	\$ 58.52	41
Massachusetts	15,610,825	252,493	\$ 61.83	28	14,822,592	249,631	\$ 59.38	33	17,225,270	246,976	\$ 69.74	23	16,152,874	228,385	\$ 70.73	22	14,731,769	209,712	\$ 70.25	22
Michigan	22,748,159	304,415	\$ 74.73	11	21,864,052	298,153	\$ 73.33	12	22,263,902	294,537	\$ 75.59	14	22,756,403	291,485	\$ 78.07	15	21,856,552	274,918	\$ 79.50	12
Minnesota	13,403,699	170,260	\$ 78.73	6	12,936,369	164,754	\$ 78.52	7	13,534,585	161,505	\$ 83.80	6	13,338,532	152,110	\$ 87.69	5	12,481,688	143,231	\$ 87.14	6
Mississippi	4,947,396	65,913	\$ 75.06	10	4,728,905	63,683	\$ 74.26	9	4,749,481	61,340	\$ 77.43	13	4,711,594	58,447	\$ 80.61	11	4,573,823	55,749	\$ 82.04	11
Missouri	8,627,396	163,829	\$ 52.66	45	8,728,932	159,534	\$ 54.72	39	8,837,196	155,363	\$ 56.88	43	8,571,548	147,811	\$ 57.99	44	8,563,594	140,486	\$ 60.96	35
Montana	1,487,019	23,150	\$ 64.23	24	1,442,731	22,227	\$ 64.91	22	1,495,810	21,188	\$ 70.60	21	1,410,760	20,031	\$ 70.43	23	1,345,730	19,155	\$ 70.26	21
Nebraska	3,347,700	51,779	\$ 64.65	21	2,992,522	49,844	\$ 60.04	31	3,037,408	48,363	\$ 62.80	31	2,981,047	46,399	\$ 64.25	31	2,662,103	44,171	\$ 60.27	39
Nevada	4,129,137	67,902	\$ 60.81	30	3,945,329	64,753	\$ 60.93	29	3,832,227	62,619	\$ 61.20	34	3,717,255	59,061	\$ 62.94	35	3,430,007	54,577	\$ 62.85	33
New Hampshire	1,959,211	43,822	\$ 44.71	49	1,897,021	42,852	\$ 44.27	50	1,755,620	42,185	\$ 41.62	50	1,696,085	39,417	\$ 43.03	50	1,070,803	36,166	\$ 29.61	50
New Jersey	19,936,266	341,991	\$ 58.29	36	18,328,814	335,838	\$ 54.58	40	19,253,297	329,394	\$ 58.45	40	18,147,604	308,110	\$ 58.90	43	16,926,417	288,844	\$ 58.60	40
New Mexico	3,607,156	46,784	\$ 77.10	8	3,628,055	45,054	\$ 80.53	6	4,002,246	41,915	\$ 95.49	2	3,743,178	39,160	\$ 95.59	2	3,454,440	37,516	\$ 92.08	3
New York	40,558,349	687,125	\$ 59.03	35	43,262,137	679,412	\$ 63.68	24	44,858,302	671,516	\$ 66.80	26	41,735,841	627,223	\$ 66.54	29	38,700,774	601,244	\$ 64.37	29
North Carolina	15,848,650	233,220	\$ 67.96	15	15,537,366	227,909	\$ 68.17	15	15,599,964	223,031	\$ 69.95	22	15,315,386	211,007	\$ 72.58	19	14,436,294	198,478	\$ 72.74	19
North Dakota	1,177,727	17,594	\$ 66.94	19	1,117,299	16,727	\$ 66.80	19	1,164,353	16,268	\$ 71.57	19	1,172,373	15,547	\$ 75.41	17	1,106,499	14,885	\$ 74.34	17
Ohio	20,651,597	337,809	\$ 61.13	29	20,130,415	328,865	\$ 61.21	28	19,617,950	323,530	\$ 60.64	37	19,676,365	313,362	\$ 62.79	37	18,178,726	299,611	\$ 60.67	36
Oklahoma	5,905,884	91,910	\$ 64.26	23	6,052,680	89,460	\$ 67.66	18	6,341,714	86,717	\$ 73.13	18	5,840,022	80,687	\$ 72.38	20	5,417,232	75,661	\$ 71.60	20
Oregon	5,701,691	102,475	\$ 55.64	37	5,163,687	100,005	\$ 51.63	44	5,892,963	98,058	\$ 60.10	39	5,945,675	93,398	\$ 63.66	33	5,341,403	87,527	\$ 61.03	34
Pennsylvania	23,187,248	388,690	\$ 59.65	33	22,135,537	378,224	\$ 58.52	34	22,571,889	370,019	\$ 61.00	36	22,466,906	353,446	\$ 63.57	34	21,588,754	336,652	\$ 64.13	31
Rhode Island	2,256,654	33,591	\$ 67.18	18	2,127,609	32,389	\$ 65.69	21	2,246,605	31,400	\$ 71.55	20	2,034,909	29,639	\$ 68.66	24	1,895,196	28,020	\$ 67.64	24
South Carolina	6,353,115	106,312	\$ 59.76	32	5,748,585	103,232	\$ 55.69	37	6,415,080	100,182	\$ 64.03	30	6,381,391	95,200	\$ 67.03	27	6,161,205	89,428	\$ 68.90	23
South Dakota	1,009,888	21,266	\$ 47.49	47	976,596	20,393	\$ 47.89	47	977,469	19,950	\$ 49.00	48	927,245	18,977	\$ 48.86	48	870,663	17,888	\$ 48.67	49
Tennessee	8,811,612	162,486	\$ 54.23	40	7,797,681	157,248	\$ 49.59	46	8,043,347	152,086	\$ 52.89	46	7,739,590	144,884	\$ 53.42	46	7,197,491	137,029	\$ 52.53	46
Texas	29,098,584	638,474	\$ 45.58	48	28,662,395	623,769	\$ 45.95	48	29,422,936	609,058	\$ 48.31	49	27,424,142	566,591	\$ 48.40	49	25,675,587	523,112	\$ 49.08	48
Utah	3,950,720	57,725	\$ 68.44	14	3,925,382	56,497	\$ 69.48	14	4,072,968	54,605	\$ 74.59	16	3,978,697	51,545	\$ 77.19	16	3,653,782	48,196	\$ 75.81	15
Vermont	1,558,712	18,650	\$ 83.58	2	1,518,479	18,026	\$ 84.24	3	1,552,739	17,376	\$ 89.36	3	1,483,155	16,306	\$ 90.96	4	1,388,345	15,189	\$ 91.40	4
Virginia	12,969,165	243,027	\$ 53.37	42	12,781,149	235,573	\$ 54.26	42	13,085,329	227,996	\$ 57.39	42	12,648,035	212,402	\$ 59.55	40	11,562,735	198,338	\$ 58.30	42
Washington	12,960,220	200,670	\$ 64.58	22	12,628,567	195,203	\$ 64.69	23	12,679,410	190,447	\$ 66.58	27	12,567,383	183,670	\$ 68.42	26	12,337,555	168,873	\$ 73.06	18
West Virginia	3,589,366	43,465	\$ 82.58	3	3,551,756	42,357	\$ 83.85	4	3,422,875	40,545	\$ 84.42	5	3,343,266	38,602	\$ 86.61	6	3,302,046	37,099	\$ 89.01	5
Wisconsin	12,184,852	165,985	\$ 73.41	23	11,813,831	160,789	\$ 73.47	11	11,768,235	156,585	\$ 75.16	15	12,575,192	149,467	\$ 84.13	8	11,627,782	141,675	\$ 82.07	10
Wyoming	1,217,154	15,836	\$ 76.86	9	1,094,402	15,224	\$ 71.89	13	1,124,292	14,499	\$ 77.54	12	963,650	13,541	\$ 71.17	21	811,648	12,590	\$ 64.47	28