

# CONNECTICUT'S TAX BURDEN: A CLOSER LOOK



Taxes are again at the forefront of Connecticut's policy debate. Critics insist that the state's tax burden is excessive, and that our taxes are above and beyond what is paid in other states. A closer look at the data, however, points otherwise.

## MEASURING THE TAX BURDEN:

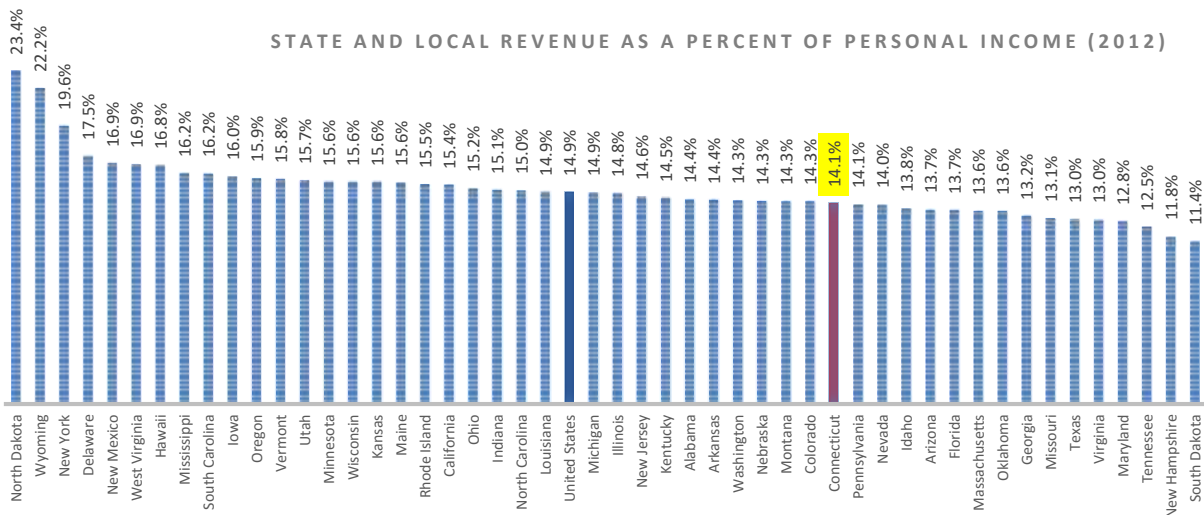


In order to compare taxation levels between states accurately it is necessary to take into consideration their economic differences. Wealthier states will have more affluent individuals, more productive workers and larger incomes allowing them to raise more money with less effort. Revenue and spending are going to appear larger in absolute terms, but taxpayers will actually be carrying a smaller tax burden.

To compare taxes and revenues, consequently, we can not just look at marginal rates. We need to look what percentage of the income of the state residents is collected by state and local governments, and what is the share of those governments in the larger economy.

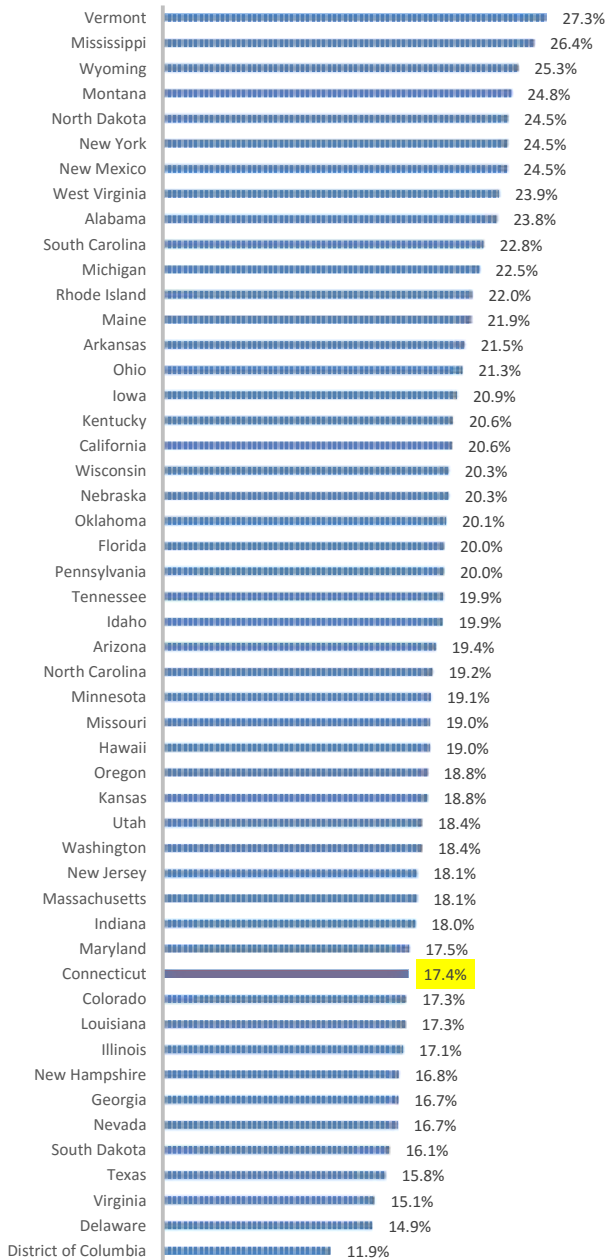
## A WEALTHY STATE WITH AN AVERAGE TAX BURDEN:

Instead of looking at marginal tax rates, we will compare the revenue of state and local governments as a share of personal income. This metric allows us to compare the effort of each state to fund public services, not just how much money they raise. How does Connecticut stack up?



If we look at state and local government revenues taking into account the wealth of state, Connecticut's tax burden is below the national average. The state was ranked 35<sup>th</sup> in 2012 in state and local revenue as percentage of personal income.

## STATE AND LOCAL GOVERNMENT AND THE SIZE OF THE ECONOMY:



Is state government too big? If we compare local and state revenues to the Gross State Product (GSP), the overall size of the state's economy, the numbers suggest otherwise.

Connecticut ranks **39<sup>th</sup>** nationwide in overall size of state and local government compared to the state economy. At 17.4%, the share of the economy collected as revenue between state and local governments is **below the 19.5% national average.**

Many "low tax" states actually have fairly large public sectors. In some cases, this is due to resource extraction (oil and gas revenues). In many others, a low income per capita paired with considerable federal transfers towards state programs increase the share of government in the economy..

Connecticut, in any case, stands as a fairly unremarkable, prosperous state. Our budget woes are many, but they are not due to an oversized public sector.

### FAMILY ECONOMIC SUCCESS COALITION

Sources: Census Bureau 2012 state and local fiscal data. GSP and personal income data from the Bureau of Economic Analysis. Alaska figures excluded due to high oil revenues.