FLIP IT TO FIX IT

AN IMMEDIATE, FAIR SOLUTION TO STATE BUDGET SHORTFALLS
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Severe budget deficits now facing the states represent significant hardship and political challenges, but immediate solutions are feasible and readily available. The national recession has produced historic revenue shortfalls marked by the greatest decline in state tax receipts on record, while concurrently increasing the demand for public services.

When the economy is hurting, state governments should be adding jobs and investments, a proven response that keeps money flowing in the economy. Instead, virtually every state has opted to slash vital public investments and layoff public servants. Such moves increase unemployment, harm the nation’s infrastructure and educational systems, and dampen our nascent economic recovery. This is not good policy in the short or long term, and—contrary to popular belief—it is entirely unnecessary.

At the core of the budget crises facing states are regressive state tax structures (comprised of the major state and local taxes) that are unfair, unsound, and unsustainable by design. Fortunately, there is a sensible solution: inverting the state’s current tax structure.

The inversion exercise takes a state’s current distribution of state and local taxes by income quintile (lowest 20 percent, second 20 percent, middle 20 percent, fourth 20 percent, top 20 percent) and flips it at the 50th percentile mark, thereby making a regressive structure progressive.

This resulting progressive tax structure has major benefits to states.

- **It raises significant revenue.** If every state inverted its tax structure, states would raise a combined $490 billion, wiping out deficits with cash to spare to invest in economy-enhancing activities.

- **It is unmatched in its economic efficiency,** which encourages steady and strong economic activity and widespread prosperity over time.

- **It provides commonsense equity,** with wealthy families contributing a greater share of their income in taxes than low- and middle-income families.

To achieve the inverted structure, states must establish, or significantly improve upon, the graduated personal income tax—the backbone of any progressive tax structure. Concurrently, states and localities must significantly reduce their reliance on regressive sales, excise, and property taxes, which fall heavily on low- and middle-income families.

The benefits to inversion are clear and many; there is no rational economic argument against a progressive tax structure for every state. The biggest hurdle in achieving such a model is a lack of political will. State level elected officials simply cannot ignore the fundamental roots of their deficit problems, even if significant legislative or constitutional roadblocks make sensible reform a politically difficult undertaking.
KEY FINDINGS

- Every state has a regressive tax structure that would benefit significantly from a direct inversion into a progressive structure.

- An inverted tax structure for every state would raise a combined $490 billion in new revenue, immediately eliminating state budget deficits.

- A cuts-only approach to state budget deficits is shortsighted—imposing immediate harm on families, while dampening economic recovery and compromising the future competitiveness of the American workforce.

- A progressive tax structure provides commonsense equity, economic efficiency, and adequate revenue to invest in communities and spur economic growth.

- To achieve an inverted, progressive structure, states must establish or improve upon the graduated personal income tax while reducing reliance at the state and local level on regressive sales, property, and excise taxes.
INTRODUCTION

Severe budget deficits now facing the states represent significant hardship and political challenges, but immediate solutions are feasible and readily available. The recession has produced historic revenue shortfalls marked by the greatest decline in state tax receipts on record, while concurrently increasing the demand for public services. When the economy is hurting, state governments should be adding jobs and investment to offset the private sector’s contraction and reluctance to invest. Instead, virtually every state has opted to slash vital public investments and layoff public servants. Such moves increase unemployment, harm the nation’s infrastructure and educational systems, and dampen the nascent economic recovery. This is not good policy in the short or long term, and—contrary to popular belief—it is entirely unnecessary.

One key factor contributing to the states’ fiscal shortfalls is the overwhelmingly upside-down character of state tax systems. Nearly every state’s tax structure (comprised of the major state and local taxes) can be classified as regressive, with low- and middle-income families paying a greater share of their income in taxes than the wealthy. Such a regressive system contributes greatly to the inequality that lies at the heart of the nation’s underperforming economy, and short-changes the development of public structures and human capital on which the future of our nation’s economy depends.

What if there was a solution to state deficits that would raise significant revenue, encourage investment, and create jobs—without cutting vital public services? And what if the revenue required by such a solution could be generated solely by making tax systems as fair as most Americans think they ought to be?

There is a commonsense solution, toward which every state can aim their reform efforts, that achieves these goals while raising enough revenue to offset most of the budget cuts being proposed and already implemented: the inversion of each state’s tax structure. It is
accomplished by taking each state’s current distribution of state and local taxes and flipping it, with a pivot point at dead center (the 50th percentile). In this inverted state and local tax model, the wealthiest 20 percent pay the state and local tax share of income currently imposed on the least wealthy 20 percent, and vice-versa, with the fourth quintile\(^2\) also trading places with the second.

In most states the resulting distribution embodies the kind of tax structure many people mistakenly assume that we already have—where the effective tax rate rises gradually with income. And since the inversions would collectively generate an estimated $490 billion in new annual revenue, it would provide an immediate solution to the deficits facing nearly every state, while also preserving and creating jobs and stimulating economic recovery. It also achieves greater economic soundness and a more sustainable fiscal policy in both the medium- and long-term because a progressive tax structure is unmatched in its economic efficiency, which encourages steady and strong economic activity and widespread prosperity.
Fiscal year 2012 is shaping up to be one of the states’ most challenging budget years on record. Gimmicks have been exhausted, fingers have been placed in multiple dikes, and helpful federal recovery efforts have begun to taper off. At the beginning of this year, the Center for Budget and Policy Priorities reported that 44 states and the District of Columbia were projecting budget shortfalls totaling $112 billion. While economic freefall has been halted, the nascent recovery remains fragile. Thus, it is alarming to see states poised to stifle further recovery by pursuing additional budget cuts. Such cuts are economically unsound fiscal policy because they impose significant short- and long-term damage to general prosperity and to the health and well-being of all residents.

- At least 25 states have proposed deep cuts in health care. Many of the proposed cuts would undermine the quality of healthcare for children, elderly, and low-income families, leading to increased use of emergency rooms and nursing homes, which is both inefficient and significantly more costly.

- At least 20 states have proposed major cuts in higher education. A growing body of research consistently concludes that public higher education institutions are beneficial to the students who attend and help power state economies. State colleges and universities contribute significantly to in-state purchasing of goods and services, contributions to state GDP, and job creation. A study in Virginia, for example, found that every dollar spent by the state on higher education produced more than $13 in job-creating economic activity. In the long-term, the vitality of our public higher-education institutions plays a crucial role in providing a skilled and educated workforce to advance American competitiveness.

- At least 21 states have proposed deep cuts in pre-kindergarten and/or K-12 spending. The importance of preschool programs is well-documented; children who participate in preschool programs have higher earnings, are more likely to graduate from high school and hold a job, and commit fewer crimes. Furthermore, a landmark long-term study on the effects of early interventions for disadvantaged children documented a return to society of more than $16 for every tax dollar invested in early care and education programs.

Deep cuts to public structures and services weaken communities—and thus affect everyone. The negative impacts, however, are especially felt by middle- and low-income families who rely on early childhood education.

SIGNIFICANCE
programs, healthcare, and public K-12 and higher education. But beyond the irreversible harm felt by many residents, it should be made crystal clear: deep cuts to state services help no one, reducing overall economic activity and the already anemic pace of economic recovery.9

With so much at stake—including the well-being of the most vulnerable populations, the future competitiveness of the American workforce, and the nation’s ability to rebound from the recession—it is disturbing that state budgets are unsustainable by design, relying disproportionately on low- and middle-income residents for revenue. According to the Institute on Taxation and Economic Policy’s 2009 report, *Who Pays?*, when the major state and local taxes (income, sales, excise, property) are combined, nearly every state tax structure can be regarded as regressive. This means the tax structure takes a greater share of income from middle- and low-income families than from the wealthy.

The graph below averages the major state and local taxes for all states to show the current average distribution in the U.S..

As illustrated above, on the state and local level, low- and middle-income people are contributing a greater share of their income in taxes than the nation’s wealthiest individuals. This upside-down structure is inherently unfair and is in direct opposition to Adam Smith’s first canon of sound taxation: “The subjects of every state ought to contribute towards the support of government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.”10

More significantly, this regressive structure is a major reason that states are grappling with such significant budget shortfalls. States are grossly over-dependent on the incomes of those residents who spend almost every dime they make and who are sapped the most significantly by recession. As such, states should

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FLIP IT TO FIX IT: AN IMMEDIATE, FAIR SOLUTION TO STATE BUDGET SHORTFALLS


expect nothing less than the major revenue shocks and persistent deficits they have witnessed in the recent period of recession. In the past 30 years, income growth has overwhelmingly benefited households in the top income quintile. In 2008, the top 10 percent of families took home over 48 percent of all income. The top one percent of Americans—the nation’s wealthiest—have done even better, receiving over 20 percent of all income in 2008 and controlling 225 times the net wealth of the median household. Further, those at the top are overwhelmingly white. According to United for a Fair Economy, “Whites are 3 times as likely as Blacks and 4.6 times as likely as Latinos to have annual incomes in excess of $250,000.”

When virtually all income growth accrues to those at the very top, trying to raise adequate revenue through a regressive tax structure is like trying to squeeze water from a stone. Although state and local taxes raised a collective $1.3 trillion dollars in 2009, combined state budget shortfalls were $191 billion in FY 2010, $130 billion in FY 11, and $112 billion in FY 12. The latter two years’ state deficits were less severe thanks to the infusion of federal stimulus dollars, and the national economy benefitted clearly as a result. But because this effective tool was both underutilized and inaccurately assessed, it is unlikely to be repeated in the near term. Although all states will continue to depend vitally on the federal government’s more progressive and economically sound fiscal policy structure, they must also establish their own sounder and more productive revenue structures.
For our economy and society to thrive, we must support the vital public structures and services that keep communities strong and which engender robust private investment. It is counterproductive and ahistorical to pretend that revenue shortfalls are inevitable and that public disinvestment can somehow coincide with private re-investment. Such misbeliefs also ignore the large sum of new revenue that can be raised in an economically sound, commonsense manner, by inverting each state’s upside-down tax structure.

The inversion exercise takes a state’s current distribution of state and local taxes by income quintile (lowest 20 percent, second 20 percent, middle 20 percent, fourth 20 percent, top 20 percent) and flips it at the 50th percentile mark, thereby making a regressive system progressive. This dramatic exercise is intended to reveal: (a) the economically unsound and unfair regressive nature of existing state and local tax structures, and (b) the extent to which simple, commonsense equity can produce significant benefits, which are illustrated below.

The progressive tax structures created by inverting state and local tax systems would achieve the trifecta of fiscal policy solutions, accomplishing three of the most important goals.

1. **Immediately solves current state budget shortfalls.**
   If every state inverted its tax structure, states and localities would raise $490 billion additional dollars in the aggregate—instantly solving the FY 12 budget deficits with cash to spare for investing in economy-enhancing activities.

2. **Fairest solution.**
   The inverted tax system would be more progressive. In most states the wealthy would pay more than the middle or poor. In other words, most families with little discretionary income would see their overall tax liability reduced after an inversion. Conversely, tax liabilities would rise for families with the largest discretionary income. This is consistent with Americans’ perception of “fairness,” according to a recent study. The study concluded that—across income and party lines—Americans dramatically underestimate current levels of inequality and prefer a more equal distribution of wealth than the status quo. Further, national poll results consistently show that the majority of Americans would like to see the wealthy paying more in taxes than what they are currently contributing.

In a few states, it is the middle, not the poor, who currently pay the highest share of income in taxes.
There the inverted structure would be a step in the right direction, but better still would be a gradually progressive system.

3. Smart economic policy.
A progressive tax structure is unmatched in its economic efficiency, which encourages steady and strong economic activity and widespread prosperity. In a well-designed progressive tax structure, income of the greatest usefulness (e.g., to buy basic needs) is taxed at the lowest rate, while income of declining utility (income less likely to be spent in the economy) is taxed at progressively higher rates. This is important because low tax rates on income most likely to be spent maximizes consumer demand and the private investment geared to this demand, spurring greater economic activity. Progressively higher taxes on income most likely to remain idle ensures it is moved rapidly back into the economy in the form of economy-stimulating public investments—and jobs—in education, health care, transportation, public safety, and beyond.

This dramatic exercise is intended to reveal: the economically unsound and unfair regressive nature of existing state and local tax structures, and the extent to which simple, commonsense equity can produce significant benefits.
There is no single, perfect state and local tax structure and the inverted model, therefore, is intended to serve principally as a “North Star,” towards which tax reform efforts should aim (without any concern for hitting it precisely). In that vein, there can be no unalterable or one-size fits-all policy prescription. There is, however, a clear and well-defined general path to the improved tax structure that the inverted model helps to illustrate and reveal.

State and local tax revenue is raised through a combination of tax vehicles, which vary in incidence and weight from state to state. The primary approach through which a state can invert (or begin to invert) its tax structure is, nonetheless, simple and universally effective. In every case, substantially increasing the weight of a well-designed graduated income tax while concurrently reducing the weight of sales, excise, and property taxes within the overall tax structure will improve every state tax structure, increase equity, revenue stability, and economic soundness, and move these structures closer to the example of the inverted tax model.

The chart on Page 13 illustrates that, among the major tax vehicles, the sales tax is the most regressive tax because it disproportionately impacts low-income people. This is because low-income people, unlike the wealthy, are forced to spend a majority of their income purchasing basic needs that are subject to the sales tax. On the contrary, a graduated personal income tax, by definition, imposes a greater liability on taxpayers as their income goes up.

As this graph makes evident, relying heavily on a well-designed graduated income tax is key to achieving the inverted structure. Ten state constitutions currently prohibit or restrict the establishment of an income tax or a graduated income tax. While unquestionably a significant political hurdle, constitutional barriers are not insurmountable as states modify their constitutions with some frequency.

Currently, nine states do not use a broad based income tax and, not surprisingly, those states lead the nation in the regressivity of their tax structures.

Forty-one states and the District of Columbia use a broad-based personal income tax. Nearly all of these state income taxes, however, are either flat, essentially flat, or are replete with broad deductions that make seemingly progressive structures far less progressive in practice. In all cases, the sound, moderately graduated income tax is rendered far less effective than it ought to be, less capable of raising sufficient revenue, spurring investment, and sustaining widespread prosperity than it would be without these often unquestioned state income tax attributes. Among the most common of these state income tax limitations:
• **32 states and the District of Columbia allow for broad itemized deductions similar to federal itemized deductions.** According to the Center on Budget and Policy Priorities, “itemized deductions are regressive — they provide greater government subsidies, per dollar of taxpayer expenditure, for higher-income taxpayers than for people with more modest incomes.” Also, high-income taxpayers, on average, claim more itemized deductions, measured as a share of their incomes, than lower-income taxpayers do.

• **Seven states have a flat, not graduated, income tax.** Flat rate taxes are effectively regressive in that they have a greater negative effect on people with lower incomes than those with higher incomes.

• **14 states have rates so nominally graduated** (where the top tax rate kicks in at a very low amount of taxable income) that they are virtually flat, or in one case (AL), with deductions factored in, effectively regressive.

• **Six states allow the deduction of all or part of federal income tax liability,** which disproportionately benefits high-income people, because they have a higher federal income tax liability to deduct.

• **27 states have special capital gains exclusions,** 8 of which are notable; 6 states limit the taxability of some dividends. According to the Institute on Taxation and Economic Policy, “[s]ince most dividend and capital gains income goes to a small group of the very wealthiest Americans, these tax breaks mainly benefit the wealthy while offering only
a pittance to middle- and low-income families” (see chart below, “Average Capital Gains and Dividend as a Share of Income in 2008, by size of Adjusted Gross Income”).

States should consider two additional tax policies, which can, in smaller ways, contribute to achieving the inverted structure: a graduated state estate tax and a graduated tax on capital gains and dividends. Both taxes disproportionately fall on the wealthiest taxpayers, as explained below.

The graph below shows the distribution of capital gains and dividend income.

Overwhelmingly, this kind of investment income flows to those with household income over $200,000. This income is even more prevalent in households with income over $1 million. Thus, a tax on capital gains and dividends would fall primarily on these high-income households. It would also fall primarily on whites, since Blacks have 12 cents and Latinos have 10 cents of unrealized capital gains for each dollar that Whites have.

Of the 41 states (and D.C.) that tax capital gains, 34 tax it as regular income. While this is an improvement over the federal government’s preferential treatment of capital gains, states can and should consider taxing capital gains at a graduated rate beyond their income tax rate. For example, Massachusetts taxes short term capital gains at 12 percent, as compared to the income tax rate of 5.3 percent.

Seventeen states and the District of Columbia have an estate tax. Of these states and D.C., 15 have exemption levels on estates with values between $1 million and $5 million. Three states levy the tax on estates with values between $338,333 and $859,350. A graduated state estate tax falls exclusively on the wealthiest families and would contribute toward achieving an inverted tax structure.

CONCLUSION

By design, the tax structure of every state in the nation falls short on the core tax principles of economic soundness, equity, and revenue adequacy. The resulting failure to generate sufficient revenue to sustain vital public infrastructure and services should come as no surprise. Yet a lack of public awareness and understanding of the deeply flawed, upside-down state and local tax structures allows elected officials to continue to seek out and implement harmful and unproductive budget cuts as the solution.

This report provides a solution to the real problem: revenue. The vast majority of states would benefit tremendously by inverting their existing tax structures. All combined, states would generate an additional $490 billion in revenue—immediately eliminating their deficits with cash to spare for investing in job creation and other stimulants to the economy. The flipped structure would be progressive, which is not only more economically sound, but also consistent with the majority of Americans’ perception of “fair.”

To begin to achieve the inverted structure, states must establish, or significantly improve upon, the graduated personal income tax—the backbone of any progressive tax system. Concurrently, states and localities must significantly reduce their reliance on regressive sales, excise and property taxes, which fall heavily on low- and middle-income families.

The benefits to inversion are clear and many; there is no rational economic argument against a progressive tax structure for every state. The biggest hurdle in achieving such a model is a lack of political will. State level elected officials can no longer ignore the fundamental roots of their deficit problems, even if significant legislative or constitutional roadblocks make sensible reform a politically difficult undertaking.

This report provides a solution to the real problem: revenue.
ENDNOTES

1 http://www.cbpp.org/cms/?fa=view&id=711

2 A quintile is 20% of a range of data; in this case, 20% of a state’s non-elderly taxpayers.


7 Ibid


10 Adam Smith, The Wealth of Nations, Book V (1776)


12 Ibid


14 The effectiveness of this exercise can also be illustrated by inverting the nation’s state and local tax structures collectively. If every state aspired to and attained the inverted national average—a commonsense target—all states would move significantly away from their current regressive or essentially flat structures.


18 Seven states have no income tax at all and 2 states (NH, TN) tax only income from interest and dividends. See Appendix: State Income Tax Limitations.

19 See Appendix: State Income Tax Limitations.
20 Federation of Tax Administrator’s “State Tax Forms” page:
http://www.itepnet.org/state_reports/itemize0810.php


APPENDIX A:
A NOTE ON METHOD AND INVERSE CALCULATIONS

• The government financial data on which the inversion calculations are based are drawn from two general sources: tax incidence percentages and mean income by quintile according to income, in the case of the first four quintiles, taken directly from the Institute of Taxation and Economic Policy Who Pays, 3rd edition (November 2009). The aggregate state and local tax collections are taken from the United States Census Bureau, State and Local Government Finance, 2008 State and Local Government, State and Local Summary Tables by Level of Government, Tables 1a and 1b. [http://www.census.gov/govs/estimate/] In both cases, these publications represent the most recent state-by-state tax incidence and tax collections data. The ITEP incidence analysis is based on 2007 data and includes the impact of permanent tax changes enacted through October 2009. The U.S. Census tables are based on data from 2008. More recent census data of this type is available in aggregated form (not broken out state-by-state) for 2010.

Because the estimated revenue associated with the ‘federal offset’ will be larger in the inverted model than in the current structures (due to the higher tax liabilities and federal deductions for the highest income classes), and because we do not try to account for the state-by-state extent of this difference, our state level revenue estimates in the inverted model are smaller than they would be were this estimated revenue not excluded from the model.

Given the new tax liability associated with a theoretical inversion of national average tax rates by income class, this difference is likely to average approximately 1% of the income for the top quintile and somewhat less for the fourth and middle quintiles (turning negative at the 50th percentile), the collective totals of which would be reduced slightly by the smaller offset amounts associated with the two bottom quintiles.

• For the top quintile (not specified in Who Pays?), we estimated the tax incidence and mean income by taking the published tax incidence and mean income estimates for the 76th through the 95th percentiles (titled “Next 15%” in Who Pays?), the 96th through 99th percentiles (titled “Next 4%” in Who Pays?), and the top 1% (also titled “Top 1%” in Who Pays?) and generating an estimate with the following formulas:

\[
\text{Mean Income for “Next 15%” } \times .75 + \text{Mean Income for “Next 4%” } \times .20 + \text{Mean Income for “Top 1%” } \times .05 = \text{Mean Income for Top Quintile}
\]

\[
\text{Mean Dollar Amount of Taxes Paid for Top Quintile} \div \text{Mean Income for Top Quintile} = \text{Mean Tax Rate for Top Quintile}
\]

• The “Multiplier” published here represents the ratio of the theoretical revenue produced under the assumptions of an inverted tax structure (pivoted at the 50th percentile) over the current revenue (for 2008, from the Census tables cited above). A multiplier of 1.434, for example, indicates that the estimated revenue generated under the new inverted structure would be approximately 43.4% greater than that amount currently collected (based on 2008 data). It is notable that when individual state and local tax structures are flipped, no state has a multiplier less than 1.009 (Vermont). When inverted on the basis of the national average tax incidence for states and localities, where the prevailing tax incidence, of course, is often of lesser or greater disparity than that of the individual states, no state has a multiplier less than 1.077 (New York). These multipliers indicate two things: the estimated percentage of new revenue attributed to the theoretical inverted structure; and the relative distance (in the national average inversion)
between the state’s existing structure and a much more economically sound and equitable one based on a flipping of the aggregate current upside-down structure.

- Rounding and sampling Error: Because the Mean Tax Rate for the Top Quintile is drawn from rounded numbers published in Who Pays?, it is subject to small rounding error. The property tax data in the census tables come from a sample of all property tax collectors, and as such are subject to sampling error. For more information on sampling and nonsampling error and on definitions, see <http://www.census.gov/govs/qtax/how_data_collected.html>.

The tax collections included in the State and Local Summary Tables by Level of Government, Tables 1a and 1b, include two categories not represented in the ITEP incidence analysis: Motor vehicle License Fees and other fees and government revenue defined as “Other.” For 2008, these categories represent 8.24% of all state and local taxes collected. Were they to be included in the incidence analysis, the effect would be small, and, since these revenues are generally more regressive than that of the average tax collected by most states, it would produce a slightly more “upside-down” tax incidence and, in the inverted model, slightly more revenue.

Tax changes implemented since these data were collected (after October 2009 for tax incidence, and after January 2009 for revenue collections) are not reflected in this analysis. In the few states with notable tax law changes since that time, this should be recognized and included in any assessment of the inverted model and its implications for tax incidence or tax revenue.

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It is critical to note, finally, that the theoretical tax incidence reflected in the inverted structures represent two things:

1. The significant potential for new revenue connected to a fair and economically sound distribution of state and local tax liability;
2. A suitable target for long-range tax reform efforts

The theoretical inverted tax model does not indicate at all how much certain tax vehicles would have to be increased or decreased, augmented or eliminated, in order to conform to the inverted tax structure.

Only a few general principles are clear in this regard:

1. Since most state income taxes are either flat, essentially flat, or filled with limitations (deductions, exemptions, and credits) that generally tilt liabilities away from those with the highest incomes, efforts to broaden and graduate state income taxes are an indispensable part of any movement toward these fairer, more productive, and more economically sound inverted structures;
2. Reliance on sales and excise taxes must be reduced, even in forms by which the sales tax itself is rendered less regressive (extended to some luxury services, for example);
3. Reliance on local property and sales taxes would have to be reduced as well, even if this has to happen indirectly (increased state revenue=increased aid to local K-12 education and public safety=less reliance on local property tax revenue).

Whether state tax reform efforts reach the theoretical inverted structures in tentative and small steps, in a series of more aggressive steps introduced over the period of several years, or in one swift reform effort all depend, of course, upon the readiness of state legislatures, state house leadership, and both the strength and clarity of the reform vision. The inverted structure is intended principally to reveal the strength, simplicity, and, surprisingly favorability, of the “right-side-up” tax incidence reflected in the inverted model. One way or another, opponents would have to oppose a structure that large majorities deem fair, that brings the most revenue with the lowest rates for the most taxpayers, and which generates far more economic activity and widespread prosperity than any of the existing state and local tax structures.
## APPENDIX B:
### STATE INCOME TAX LIMITATIONS

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[1] In NH and TN, Income Taxes are imposed only on dividends and interest.

[2] Unlike the rest of the states in this column which offer deductions for most categories allowed under federal law, New Jersey’s itemized deductions are limited to two categories: property tax and medical expenses.

[3] Taxpayers in Utah receive a tax credit equal to 6% of the combined personal exemption and standard or itemized deduction taken on federal returns (75% of exemption; 100% of deduction), phased out by 1.3% of the amount over $25,070 (joint returns).


[5] As of 2009, the Connecticut income tax is an essentially flat tax, topped with a new “millionaire’s” tax bracket (6.5% marginal rate over $500K in taxable income).
The Tax Fairness Organizing Collaborative (TFOC) is a network of 28 member organizations in 24 states that use grassroots power to promote progressive tax reform.

The TFOC is rooted in two core beliefs. First, that a fair tax system is one that is progressive, transparent and that generates enough revenue to fund quality public services and provide opportunities that enable all people to thrive. And second, comprehensive participation of people at the grassroots level is integral to achieving long-term political change.

History
The TFOC is the only nation-wide network of state-level tax fairness groups that use community organizing as the primary vehicle for political influence. It was established in 2004 to fill an important gap in the progressive movement by supporting state-level tax fairness advocacy efforts and facilitating connectivity across state lines. The TFOC provides a national infrastructure for tax fairness organizers to collaborate, share best practices, problem-solve, and learn the latest in messaging and communications.

Our Work
The Tax Fairness Organizing Collaborative supports the work of its state member groups by:

- Bringing together grassroots state organizing groups to exchange experiences and share best practices;
- Sharing strategies across state lines and forms affinity groups to tackle common problems;
- Providing the latest information on messaging, framing, and polling;
- Developing and shares culturally appropriate tools to draw diverse constituencies into tax debates;
- Bringing the cadres of newly minted state tax activists into the effort to reform federal tax policies; and
- Building a collaborative structure through which members can better secure long-term funding to build and sustain tax organizing capacity.

To learn more, please visit www.faireconomy.org.