States Where People Pay the Most (and Least) in Taxes

by 24/7 Wall St. Staff – Yahoo Finance
Thursday, July 21, 2011

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Different states tax their residences at different levels. In some states, like New Jersey, residents pay 12.2% as a percentage of their income. In others, like Alaska, they pay as little as 6.3%. 24/7 Wall St. reviewed a report recently released by the Tax Foundation to identify the states where residents paid the most and least in state and local taxes as a percent of income.

The amount varies widely as not all states have the same sources of revenue. Some get more from business levies than others. Some have a statewide sales tax. Some cities and towns tax property based on value, while others don't. The issue of what people are taxed at the state and local level is complex, among other reasons, because states often receive a large amount of their tax receipts from sources other than the simple payments of state residents.

The Tax Foundation report, "State-Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster than Income," shows the extent of the differences. The most important reason for the variation is that some states generate a significant amount of their tax revenue from businesses and out-of-state residents, thereby minimizing the burden of taxes borne by residents. Alaska, for example, gets 80% of tax receipts from such sources. State residents get the equivalent of a subsidy from some of the world's largest oil companies.

Conversely, states with low out-of-state business receipts must collect a higher percent of taxes from their residents. This is case in New Jersey, which gets only 20% of its tax receipts from such sources. As a matter of fact, most of the really large companies in the region are on the other side of New Jersey's northeast border in New York State, thereby creating a higher burden on residents.

Mark Robyn, economist at the Tax Foundation and author of the report, told 24/7 Wall St. that the "study accounts for the fact that all states are able to some extent to shift their tax burden onto the taxpayers of other states. Much of this 'tax exporting' happens naturally through no special effort by policymakers, but some states have special sources of revenue that allow them to export more of their burden to non-residents. For example, Nevada relies on tourism taxes, while Alaska, Wyoming and North Dakota rely heavily on oil taxes that are passed on to consumers around the country."

The Tax Foundation's report divides state tax revenue into two categories: the amount contributed by residents, including income, property and sales tax, and the amount contributed by non-residents, including taxes paid by out-of-state businesses and taxes collected by in-state business and paid by out-of-state residents. According to the Tax Foundation, because residents effectively pay more as consumers and receive less as employees as a result of corporate taxes, some business tax is also considered borne by the resident. Taxes paid by out-of-state business to the state include the tax Alaska collects from out-of-state oil companies to operate in the state. Taxes collected by in-state business from out-of-state residents include tax on things like sales tax and revenue from tourism.

In addition to the report from the Tax Foundation, 24/7 Wall St. reviewed data from the Census Bureau, the Federation of Tax Administrators, and the Mercatus Center at George Mason University.

The total tax burden an individual pays refers to the percentage of state residents' income that goes to state and local taxes, and, on top of that, what each person must pay the federal government. The equation that puts all of those numbers together is complicated, and is among the reasons that the debate over federal taxes is so heated. People often end up with payments to several tax authorities. Their nominal federal tax rate may mean very little when it comes to what must be paid to all applicable government bodies at the end of each year. The amount that a person keeps from each dollar that he or she earns can be affected more by local government needs than those of the federal government.

These are the states where residents pay the most and least in taxes.

The Ten States with the Highest Tax Burdens

10. Pennsylvania
Taxes paid by residents as pct. of income: 10.1%
Total state and local taxes collected: $109.7 billion
Pct. of total taxes paid by residents: 76.3%
Pct. of total taxes paid by non-residents: 23.7%

Pennsylvania has among the largest revenues in the country. The great majority of this money comes from its residents. Approximately one third of state tax revenue comes from individual income taxes. Another one half comes from various sales taxes. Pennsylvania also has the highest state corporate tax rate in the country. There are a number of ways the state could increase the amount of taxes it "exports" to non-residents, however. The state can further expand its burgeoning gambling industry. According to the Pennsylvania Gaming Control Board, $81.4 million in tax revenue was generated by table games in the most recent fiscal year. The state could also pass a tax on natural-gas drilling, as it is currently the only state without one.

9. Maine
Taxes paid by residents as pct. of income: 10.1%
Total state and local taxes collected: $10.7 billion
Pct. of total taxes paid by residents: 64.7%
Pct. of total taxes paid by non-residents: 35.3%

For a state with one of the highest tax burdens on its residents, Maine has a relatively large percent of its total tax revenue come from out-of-state residents and business, standing at more than 35%. Maine has the eighth lowest population and the tenth lowest tax revenue. The state has middle-of-the-road taxes for gasoline and alcohol, but at $2.00 per pack, it is tied with Michigan and Alaska for the 11th highest tobacco tax.

8. Vermont
Taxes paid by residents as pct. of income: 10.2%
Total state and local taxes collected: $6.1 billion
Pct. of total taxes paid by residents: 62.1%
Pct. of total taxes paid by non-residents: 37.9%

Vermont collects a relatively large percentage of its tax revenue from non-residents. The state has one of the largest shares of vacation homes in the country, and collects a major portion of its property tax revenue from these homes, effectively taxing residents of other states. Despite this, residents of Vermont have among the greatest tax burden in the country. A large reason for this is the state's excise taxes, or taxes on the sale of goods and services. According to a recent report from the Mercatus Center titled, "Excise Taxes in the States," Vermont collected the greatest amount in excise taxes per capita in 2010, $858. This includes taxes on things such as tobacco, alcohol, insurance, and motor fuels.

7. Minnesota
Taxes paid by residents as pct. of income: 10.3%
Total state and local taxes collected: $45.7 billion
Pct. of total taxes paid by residents: 75.5%
Pct. of total taxes paid by non-residents: 24.5%

Less than 25% of Minnesota's tax revenue comes from non-residents and businesses. The state only collects average, or below average, rates on alcohol and tobacco, and has one of the smallest tourism economies in the country. This means the state relies heavily on income and property taxes from residents. Minnesota has the 21st largest population in the country, but it collects the 12th most in tax revenue each year. The state and local taxes collected per capita is the seventh highest in the country, as is the tax burden as a percent of income.

6. California
Taxes paid by residents as pct. of income: 10.6%
Total state and local taxes collected: $354 billion
Pct. of total taxes paid by residents: 82.5%
Pct. of total taxes paid by non-residents: 17.5%

California is exceptional in many ways when it comes to taxing its residents. The state has the highest statewide sales tax in the country, currently 8.25%. It also has the highest tax on gas, charging 46.6 cents per gallon. The state collects among the lowest amount of taxes from non-residents and business out of all the states. But with the lowest credit rating in the nation, according to S&P, an ongoing budget problem, and a $10.8 billion deficit, one of the biggest in the country, the state may want to change its approach.

5. Rhode Island
Taxes paid by residents as pct. of income: 10.7%
Total state and local taxes collected: $9.4 billion
Pct. of total taxes paid by residents: 70.9%
Pct. of total taxes paid by non-residents: 29.1%

Rhode Island is one of the smallest states and has one of the smallest revenues. Despite this, residents' tax burdens are among the highest. Each year, the average Rhode Islander pays $671 in state "sin taxes," or taxes on things such as alcohol, tobacco, and gambling. This is the second highest amount in the country, behind only Delaware. Part of the reason for this is that the state taxes each pack of cigarettes $3.46, the second highest in the country. The state's tax burden is hurting business as well. Rhode Island has an exceptionally high corporate tax rate of 9% and was recently rated as the worst state for business by CNBC.

4. Wisconsin
Taxes paid by residents as pct. of income: 11%
Total state and local taxes collected: $41.7 billion
Pct. of total taxes paid by residents: 77.9%
Pct. of total taxes paid by non-residents: 22.1%

According to the Milwaukee Journal Sentinel, Wisconsin relies more on income and property taxes for its revenue than most states. In fact, both are approximately 25% higher than the national averages. The state receives a smaller portion of federal money than most others, leaving little room for this money to offset state spending. Worst still, taxes on industrial property owners rank among the bottom half, and often the bottom third, of the country, while residential taxes are among the greatest. According to a study by the Institute on Taxation and Economic Policy, Wisconsin's middle class pays a bigger share of government spending than any other state, except for New York.

3. Connecticut
Taxes paid by residents as pct. of income: 12%
Total state and local taxes collected: $33.3 billion
Pct. of total taxes paid by residents: 80.1%
Pct. of total taxes paid by non-residents: 19.9%

The state with the highest per capita income in the country collects more than $5,000 per resident on average, the most in the country. It is the 30th most populous state in the U.S., but it collects the 19th most in tax revenue. Less than 20% of Connecticut's tax revenue comes from non-residents and business. According to the Tax Foundation, the state ranks 47th in business environment, with a 7.5% tax on businesses. The state's residents have a higher tax burden than all but two other states. Part of the reason for this has to do with the fact that the taxes Connecticut commuters pay to the empire state counts as part of the Connecticut tax burden.

2. New York
Taxes paid by residents as pct. of income: 12.1%
Total state and local taxes collected: $243.9 billion
Pct. of total taxes paid by residents: 71.4%
Pct. of total taxes paid by non-residents: 28.6%

New York places much of its tax burden on residents from other states. Consider, for example, the amount of state revenue derived from New York City tourism, or those who commute to the city for work. Despite this, state residents maintain the second largest tax burden in the country. The state has one of the highest state and local tax collections per capita, an average of $6,884. It has one of the highest combined averages local and state sales tax rates — 8.3%. The Big Apple also has a number of exceptionally high excise taxes, such as its $4.35 tax on each pack of cigarettes, the highest rate in the country. Additionally, the state has exceptionally high property tax rates. According to the Census Bureau, the top ten counties in the U.S. with the highest property taxes as a percentage of home values are all in New York.

1. New Jersey
Taxes paid by residents as pct. of income: 12.2%
Total state and local taxes collected: $85.9 billion
Pct. of total taxes paid by residents: 79.5%
Pct. of total taxes paid by non-residents: 20.5%

New Jersey residents have a higher tax burden than those of any other state. As a percent of their income, taxes in the Garden State were 12.2% in 2009, nearly double that of Alaska. Like Connecticut, much of this tax burden comes from state residents who commute to New York City and pay taxes there as well. This illustrates how a state resident contributes to the tax base of multiple states. Although not reflected in the percent of income residents pay in state and local taxes, it is nonetheless an additional burden commuters have to bear. According to Tax Foundation, the state has the third-worst environment for business in the country, with a corporate tax rate of 9%. It also has an above-average sales tax, as well as one of the highest rates in the country for cigarettes and liquor.

The Ten States with the Lowest Tax Burdens

10. New Mexico
Taxes paid by residents as pct. of income: 8.4%
Total state and local taxes collected: $16.9 billion
Pct. of total taxes paid by residents: 59%
Pct. of total taxes paid by non-residents: 41%

The state and local tax burden on New Mexico residents is the tenth lowest in the country. The state has a slightly below-average business climate, with a corporate tax rate ranging from 4.8% to 7.6%. Gasoline taxes are quite low, but excise taxes on alcohol and cigarettes are above average. The state tax on beer is one of the highest in the country. A high percentage of state and local revenues come from non-residents. This is usually the case with most states with a low tax burden on its residents. Per capita, state residents pay just $2,027, the sixth-lowest amount in the country.

9. Louisiana
Taxes paid by residents as pct. of income: 8.2%
Total state and local taxes collected: $44.2 billion
Pct. of total taxes paid by residents: 54%
Pct. of total taxes paid by non-residents: 46%

Despite having the fifth highest average state and local sales tax rate, residents of Louisiana have a relatively low tax burden. A leading reason for this is the simple fact that, on average, residents pay one of the smallest amounts of total state and local taxes in the country. According to the Tax Foundation, property taxes in the state are $565.23 per capita, the fifth lowest amount among states. Louisiana also collects $1.78 in federal spending for every dollar spent on federal taxes — the fourth highest ratio. This rate of federal spending helps offset the need for higher state revenue from taxes.

8. South Carolina
Taxes paid by residents as pct. of income: 8.1%
Total state and local taxes collected: $35.4 billion
Pct. of total taxes paid by residents: 66%
Pct. of total taxes paid by non-residents: 34%

Residents of South Carolina pay the second smallest total amount in state and local taxes per person in the country, behind only Mississippi. The average person in the state pays $2,742 in taxes. Excise taxes are extremely low: the state has the fifth lowest gasoline tax in the country and the ninth lowest cigarette tax. The state also has relatively low property taxes at both the state and local level.

7. New Hampshire
Taxes paid by residents as pct. of income: 8%
Total state and local taxes collected: $9.6 billion
Pct. of total taxes paid by residents: 56.4%
Pct. of total taxes paid by non-residents: 43.6%

New Hampshire "has no special revenue source from non-residents, but the citizens' approval of limited government spending has kept the tax burden low," according to the Tax Foundation, The state has a flat 5% income tax rate that only applies to dividend and interest income, but, effectively, no tax on wages, and as a result most residents don't have to pay it. The state is also one of only five states that has no sales tax. This causes many people from outside of the state to travel to New Hampshire to purchase goods that are heavily taxed in their own states. Not all taxes in New Hampshire are low, however. The state has the third highest property tax rate in the country.

6. Texas
Taxes paid by residents as pct. of income: 7.9%
Total state and local taxes collected: $196.5 billion
Pct. of total taxes paid by residents: 63.4%
Pct. of total taxes paid by non-residents: 36.6%

The population of Texas is 30% larger than New York, but collects more than 60% less in tax revenue than the Empire State. The tax burden on residents is the sixth lowest in the country, at just 7.9% of average income per resident. The biggest reason for this is that the state is one of just six in the country to levy no personal income tax. Texas also has the 11th lowest sales tax, at 7.39%, and average or below average rates on gasoline, cigarettes and alcohol.

5. Wyoming
Taxes paid by residents as pct. of income: 7.8%
Total state and local taxes collected: $9.3 billion
Pct. of total taxes paid by residents: 29.9%
Pct. of total taxes paid by non-residents: 70.1%

Besides Alaska, Wyoming has the greatest percentage of its state revenue paid for by non-residents. This is because of taxes on oil and coal that bring money in from out-of-state oil and mineral companies. These taxes account for such a large percentage of Wyoming's revenue that the state does without a corporate income tax. The state also has no individual income taxes. Wyoming has an average state and local sales tax rate of 5.38%, one of the lowest in the country.

4. Tennessee
Taxes paid by residents as pct. of income: 7.6%
Total state and local taxes collected: $48 billion
Pct. of total taxes paid by residents: 63.7%
Pct. of total taxes paid by non-residents: 36.3%

Tennessee has the eleventh lowest per capita income in the country. Residents of the state pay just $1,851 in taxes, the second lowest amount in the U.S. The state's business climate is average, but other taxes are relatively low. The sales tax of 7% is one of the highest in the country, but food purchases are exempt from all but 1.5% of that. Dividend and interest income is taxed in the state at a rate of 6%, but there is no other personal income tax levied. Tennessee collects no state-level property tax, one of just a few to do so.

3. South Dakota
Taxes paid by residents as pct. of income: 7.6%
Total state and local taxes collected: $5.2 billion
Pct. of total taxes paid by residents: 56%
Pct. of total taxes paid by non-residents: 44%

Since 1977, South Dakota's tax burden has dropped from 9.1% to 7.6%, causing the state to change from the 15th least burdened state to the third least burdened. The state has no corporate or individual income tax. It is easier for South Dakota to keep a low tax burden than many other states, however. According to the most recent data available from the Tax Foundation, South Dakota receives $1.53 back for every dollar collected in federal taxes, lessening the state's dependence on state and local revenue.

2. Nevada
Taxes paid by residents as pct. of income: 7.5%
Total state and local taxes collected: $20 billion
Pct. of total taxes paid by residents: 52.5%
Pct. of total taxes paid by non-residents: 47.5%

Nevada has the second-lowest tax burden in the country, with residents paying just 7.5% of their income on state and local taxes. Nearly half of all state tax revenue comes from non-residents. According to the Tax Association's State Business Tax Climate Index, Nevada has one of the most favorable environments for business, as it is one of the four states to levy no corporate tax at all. A significant amount of the state's revenue comes from "sin taxes" on gambling, alcohol, and tobacco, most of which comes from tourists. Sales tax is above the national average, and the tax on gasoline is one of the highest in the country. Counties are also allowed to levy additional gas taxes on top of the state.

1. Alaska
Taxes paid by residents as pct. of income: 6.3%
Total state and local taxes collected: $18.8 billion
Pct. of total taxes paid by residents: 20.5%
Pct. of total taxes paid by non-residents: 79.5%

Alaskans have the lowest tax burden of any state in the country, paying just 6.3% of their income in state and local taxes. This is over one full percentage point lower than the state with the second smallest tax burden. According to the Tax Foundation, "Before the Trans-Alaska pipeline was finished in 1977, taxpayers in Alaska bore the second-highest tax burden in the country. By 1980, with oil tax revenue pouring in, Alaska repealed its personal income tax and started sending out checks instead. The tax burden plummeted, and now Alaskans are the least taxed." The state also levies no personal income tax or sales tax.