



NEWS RELEASE

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CT's Wealthy Families Pay Smaller Share of Income in State and Local Taxes than Middle- and Low-Income Families

Report supports efforts to pass a more progressive income tax

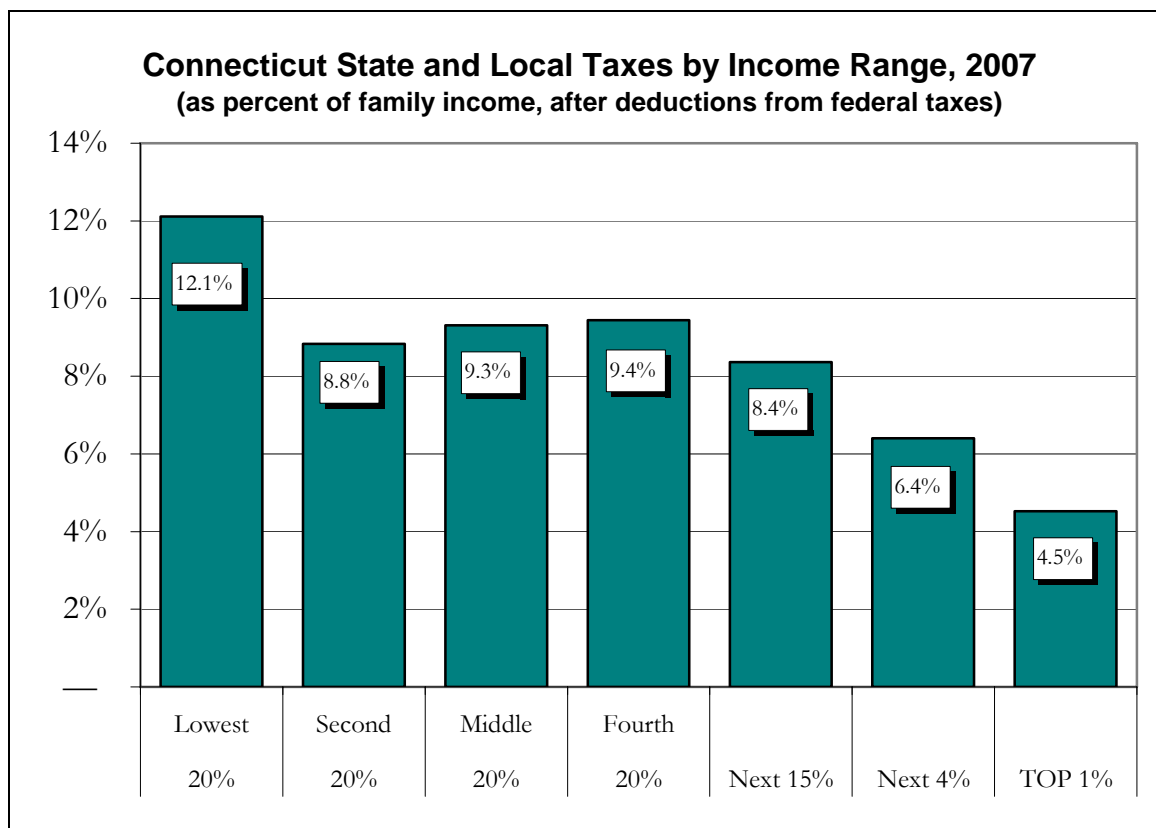
Connecticut's wealthiest residents pay much less of their income in state and local taxes than do the state's middle-income and poor families, according to a report released by Connecticut Voices for Children today on the tax filing deadline. The research-based policy thinktank called on the Governor and state legislature to support progressive income tax reforms recently endorsed by the legislature's Finance Committee to help ensure that those who can best afford it contribute a greater share toward closing the state budget deficit and avoiding damaging budget cuts.

The report, *Who Pays? The Unfairness of Connecticut's State and Local Tax System*, was based on an analysis of state and local tax data by the national Institute on Taxation and Economic Policy. The study found that after federal income tax deductions for state income and property taxes, the wealthiest 1% of Connecticut's families (with average income in 2007 of \$4.2 million) paid only 4.5% of their income in state and local taxes. This was less than half the share of income paid in these taxes by the state's middle-income families (9.3% of their average income of \$55,000) and the poorest 20% of families (12.1% of their average income of \$12,200).

"Before Connecticut policymakers make severe state budget cuts that could harm Connecticut families and the economy, they should at least make sure that the wealthiest residents are contributing their fair share toward the common good," said Douglas Hall, Acting Managing Director at Connecticut Voices for Children and author of the report.

The report was released at Connecticut Voices for Children's 8th Annual State Budget Forum, held at the state Capitol to discuss options for closing the state's revenue gap. The report comes as the state faces a projected deficit of \$4 billion in the next year (Fiscal Year 2010).

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Among the study's other findings:

- While some assert that Connecticut's wealthiest families pay more than their fair share of tax, citing income tax paid as a share of the state's total income tax returns, it is also true that they report the largest share of income in the state. According to the report, the top 1 percent of earners in 2007 (with adjusted gross income of \$850,000 or more) paid 37% percent of the state's total income taxes, but also reported 35% of the state's total income. So the share of taxes paid by the wealthy is a reflection of the fact that they enjoy a larger share of Connecticut's total income than other residents, not that they are taxed far more heavily.
- Low- and middle-income families pay a relatively larger share of their incomes in sales and property taxes, while higher income families pay a larger share of *their* incomes in income tax. *In total*, however, the state's wealthiest families pay a much smaller share of their income in state and local taxes than do its middle and lower income families. Why? Connecticut's income tax rates are not progressive enough to offset the regressivity of the sales and property taxes. Indeed, most Connecticut residents (61%) pay the same 5% income tax rate as the wealthiest millionaires.

To help in alleviating the unfairness of the state and local tax system and to ensure that the state has sufficient revenues to fund essential programs to support all Connecticut families and keep

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the state economically vibrant, Connecticut Voices for Children recommends that state lawmakers:

- **Increase the income tax rate for Connecticut’s wealthiest residents.** Adopting higher income tax brackets for married couple families over \$200,000, as recommended by the Better Choices for Connecticut coalition, would raise an estimated **\$1 billion** in additional revenue to close the budget deficit, while **affecting less than 7%** of Connecticut taxpayers. Notably, *even with* this rate increase, the share of income paid in state and local taxes by Connecticut’s wealthiest 5% would *remain smaller* than what is paid by the “bottom” 95% of Connecticut families. That is, this change *would only begin* to make the state and local tax system less regressive.
- **Provide additional state aid to Connecticut’s cities and towns to reduce Connecticut’s relatively high property taxes.** Providing full funding for the Payment in Lieu of Taxes program and increasing the state’s share of K-12 education funding to close to 50% would reduce pressures on local property taxes; and reductions in local property taxes would provide particular benefit to our middle-income families and to small, start-up businesses.
- **Adopt a state earned income tax credit (EITC) and increase Connecticut’s personal income tax exemptions.** Both measures would make Connecticut’s tax structure fairer at the lower end of the income scale and help to compensate for the fact that Connecticut’s tax threshold – the income level at which families begin to pay the state personal income tax – has not changed since the tax was adopted in 1991. As a result, an increasing number of low-income families must pay income taxes.

“Connecticut residents of all income levels benefit from our public structures -- our schools, roads, and public safety agencies,” said Jamey Bell, Executive Director of Connecticut Voices for Children. “We all have a stake in ensuring that we have the revenues we need to protect the services that help make our state a great place to live and work.”

The report, *Who Pays? The Unfairness of Connecticut’s State and Local Tax System*, is available on the CT Voices Web site at www.ctkidslink.org.

Connecticut Voices for Children is a research-based policy and advocacy organization that works to advance strategic public investment and wise public policies to benefit our state’s children, youth and families. The Institute on Taxation and Economic Policy (www.itepnet.org) is a non-profit, non-partisan research and education organization that works on government taxation and spending policy issues.

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