

April 12, 2005

THE IMPACT OF STATE INCOME TAXES ON LOW-INCOME FAMILIES IN 2004

By Joseph Llobrera and Robert Zahradnik ¹

Summary

Poor families in many states continue to owe substantial taxes as they file personal income taxes for the 2004 tax year. In a large number of the states that levy income taxes — in 17 out of 42 states — two-parent families of four with incomes below the federal poverty line continue to owe income tax. In 16 states, poor single-parent families of three pay income taxes. In addition, 31 of the 42 states with an income tax still tax families with incomes just above the poverty line, even though such families typically have difficulty making ends meet.

In some states, families with poverty-level incomes face income tax bills of several hundred dollars. For example, a two-parent family of four in **Alabama** with income of \$19,311 — the 2004 poverty line for a family that size — owes \$513 in income tax, while such a family in **Hawaii** owes \$434 and in **Arkansas** \$403. Such amounts can make a big difference to a struggling family. Other states levying tax of \$200 or more on families with poverty-level incomes include **Indiana, Kentucky, Michigan, Montana, Oregon, Virginia, and West Virginia**.

There was no improvement in the taxation of poor families in 2004. Yet some states have enacted changes that will lessen the taxation of the poor in future years. **Kentucky**, which for 2004 levied the highest tax on a family of four at the poverty level (\$652), enacted a low-income credit that, beginning in 2005, will shield poor families from paying income tax.² **Virginia** — with the fourth highest 2004 tax on poverty-level families — enacted a 20 percent non-refundable state Earned Income Tax Credit that will take effect in 2006.

In a few states, the income taxes on poor families have increased over the last decade. In **Alabama, Arkansas, Iowa, Kentucky, Louisiana, Virginia, and West Virginia**, the income taxes on families of four with poverty-level incomes rose between 1994 and 2004, even after taking inflation into account. The increase after the adjustment for inflation has been as much as 58 percent in **Louisiana**, 48 percent in **Arkansas**, and 29 percent in **West Virginia**. In each of

¹ Additional data analysis for this report was provided by Elizabeth C. McNichol, Michael Mazerov, David Bradley, and Karen Lyons.

² Kentucky's low-income tax credit applies to families with incomes below the federal poverty guidelines set by the Department of Health and Human Services for administrative purposes. These guidelines are slightly lower than the poverty threshold for a two-parent family of four used by the Census bureau for statistical purposes, which is the poverty standard used in this analysis. As a result, in the future this report will show that Kentucky's income tax threshold for a two-parent family of four is slightly below the poverty line.

Methodology

This report takes into account income tax provisions that are broadly available to low-income families and that are not intended to offset some other tax. It does not take into account tax credits or deductions that benefit only families with certain expenses, nor does it take into account provisions that are intended explicitly to offset taxes other than the income tax. For instance, it does not include the impact of tax provisions that are available only to families with out-of-pocket child care expenses or specific housing costs, because not all families face such costs. It also does not take into account sales tax credits, property tax “circuitbreakers,” and similar provisions, because this analysis does not attempt to gauge the impact of those taxes — only of income taxes. Moreover, such provisions tend to be quite modest and in most cases do not affect greatly taxes on low-income families.

these states, the reason for the tax increase is that personal exemptions, credits, or other features of the tax code designed to protect the incomes of low-income families from taxation have eroded due to inflation.

Taxing the incomes of working-poor families runs counter to the efforts by policymakers across the political spectrum to provide more assistance to families seeking to work their way out of poverty. Many states reduced income taxes on the poor in the 1990s, and a majority of states now exempt poor families from the income tax. The federal government has exempted such families since the mid-1980s.

Eliminating all or most state income taxes on working families with poverty-level incomes gives a boost in take-home pay that helps offset higher child care and transportation costs that families incur as they strive to become economically self-sufficient. In other words, relieving state income taxes on poor families is making a meaningful contribution toward Amaking work pay.[®] A dozen states go even further; they not only exempt poor families from income taxation, but also provide a tax rebate that can help such families meet their expenses.

States that choose to reduce or eliminate income taxes on low-income families employ a variety of mechanisms to do so. These mechanisms include state Earned Income Tax Credits (EITCs) and other low-income tax credits; no-tax floors; and personal exemptions and standard deductions that are adequate to shield poverty-level income from taxation.

Many States Continue to Levy Substantial Income Taxes on Poor Families in 2004

This analysis assesses the impact of each state's income tax in 2004 on poor and near-poor families with children.³ (Forty-two states, counting the **District of Columbia** as a state,

³ For a more detailed analysis of the changes that individual states have made to their income taxes affecting low-income families since the early 1990s, the reasons why such changes are important, and the ways other states can implement such changes, see Bob Zahradnik, Nicholas Johnson and Michael Mazerov, *State Income Tax Burdens on Low-Income Families in 2000: Assessing the Burden and Opportunities for Relief*, Center on Budget and Policy Priorities, March 2001.

Comparing Income Tax Thresholds in Poor States with Those in Wealthier States

Reducing income taxes on poor families can be a greater challenge for states with low median incomes and higher poverty rates than it is for wealthier states, because poorer states generally have more potential beneficiaries of such tax relief and a smaller overall tax base to absorb the loss of revenue. Yet both high-income states and low-income states have been able to exempt poor families from the income tax. In fact, 11 of the 26 states that exempt from taxation the income of a single-parent family of three with income at or below the poverty line have median incomes below the U.S. median — including three of the nation's 10 poorest states, **Maine, New Mexico, and Oklahoma.**

levy income taxes.) One important measure of the impact of taxes on poor families is the income tax threshold — the point at which, as a family's income rises, it first begins to owe income tax. Tables 1A and 1B show the thresholds for a single parent with two children and for a married couple with two children, respectively.

- In 16 states, the income tax threshold for a single-parent family of three is less than \$15,071, the Census Bureau's preliminary estimate of the official poverty line for a family of three in 2004. In the remaining 26 states with income taxes, the threshold is above the poverty line; in those states, poor families pay no income tax.
- In 17 states, the threshold for a two-parent family of four is below the \$19,311 poverty line for such a family. In the remaining 25 states with income taxes, the threshold is above the poverty line.
- Two states, **Alabama** and **Kentucky**, impose income tax on very poor families, those with incomes less than one-half of the poverty line. Those states and six others — **Hawaii, Michigan, Montana, Ohio, Oregon and West Virginia** — tax families of three with full-time minimum wage earnings.
- The state with the highest threshold is **California**, where the threshold is \$39,400 for a family of three and \$41,500 for a family of four — more than twice the poverty lines for families of those sizes.

Taxes on Poor Families

In some states, taxes on the wages of poor families can be several hundred dollars — a substantial amount for a struggling family. These amounts are shown in Tables 2A, 2B, 3A and 3B.

- The average 2004 tax bill for a family with income at the poverty line in the states with below-poverty thresholds is \$157 for a family of three and \$274 for a family of four. In 10 states, the tax bill for a poor family of four exceeds \$200, and in two states — **Kentucky and Alabama** — exceeds \$500. (Note that Kentucky enacted changes that will substantially improve this situation in future years.)

Why Focus on Income Taxes When Other Taxes Have a Greater Impact on Poor Families?

In most states, poor families pay more in consumption taxes such as gasoline, sales, and other taxes than they do in income taxes. Poor families also pay substantial amounts in property taxes and other taxes and fees. Nonetheless, the impact of income taxes on poor families is significant for two primary reasons. First, it is administratively easier for states to target income tax relief to poor families than it is to provide sales or property tax relief to those families; the great majority of the low-income tax relief enacted in the last decade at the state level has been administered through the income tax. In addition, families trying to work their way out of poverty often face a “tax” on every additional dollar earned in the form of loss of benefits such as income support, food stamps, Medicaid, or housing assistance. Income taxes on poor families can compound this problem, and send a negative message about the extent to which earnings can improve family wellbeing.

States that rely heavily on income taxes for revenue still can exempt poor families from taxation. Of the 10 states that receive their largest share of state tax revenue from personal income taxes, eight — **California, Colorado, Maryland, Massachusetts, New York, North Carolina, Virginia** and **Wisconsin** — exempt poor families of three or four from the income tax.

- As noted, a majority of states do not tax families with poverty-level income.
- Twelve states go further than simply not taxing poor families. These states offer tax credits that provide refunds to families with no income tax liability. These credits act as a wage supplement and income support, helping support families-work efforts and reduce poverty. The amount of refund for families with income at the poverty line is as high as \$1,306 for a family of three in **Vermont** and \$1,506 for a family of four in **Minnesota**.

Taxes on Near-poor Families

Many families with earnings just above the poverty line continue to find it difficult to make ends meet. Federal and state governments recognize the challenges faced by families with incomes slightly above the poverty line and have set eligibility for some assistance programs, such as energy assistance, school lunch subsidies, and in many states health care subsidies, at 125 percent of the poverty line (\$18,839 for a family of three, \$24,139 for a family of four) or above.

A majority of states, however, continue to levy income tax on families with incomes at 125 percent of the poverty line. Some 31 states tax the incomes of such families of four, with the tax bill exceeding \$500 in eight states — **Alabama, Arkansas, Hawaii, Iowa, Kentucky, Oregon, Virginia, and West Virginia**. Some 25 states tax the incomes of families of three with income at 125 percent of the poverty line. See tables 4A and 4B.

No Significant Improvement in Income Tax Thresholds Since Last Year

States did not make significant progress in reducing taxes on poor families for the 2004 tax year. (States have, however, enacted tax changes that will affect future years. See box on p. 6).

- The average threshold among all states dropped from 107 percent of the poverty line to 106 percent.
- In the 16 states that still tax the poor, the average income tax on a family of three with poverty-level income rose from \$139 in 2003 to \$157 in 2004.

One notable improvement in the income-tax treatment of poor families was registered in **Maryland**, where the Earned Income Tax Credit increased from 18 percent to 20 percent in 2004. Maryland's tax threshold was already above the poverty line, and this change further improved the income-tax treatment of low- and moderate-income families. This change increases the refund for a family of three with income at the poverty level from \$556 to \$637. The change increases the refund for a family of four with income at the poverty level from \$345 to \$413.

Most but Not All States Have Made Substantial Progress since the Early 1990s

Over the last decade, states generally have improved their tax treatment of working poor families. From 1991 to 2004, for example, the number of states levying income tax on poor families of four declined from 24 to 17. And among those remaining 17 states, many reduced taxes on poor families. From 1994 to 2004 the average income tax for a family of four at the poverty line in those 17 states fell by about 10 percent in inflation-adjusted terms. Tables 5 and 6 show changes over time.

States have used a variety of mechanisms to reduce income taxes on poor families. Nearly all states offer personal exemptions and/or standard deductions, which reduce the amount of income subject to taxation for all families including those with low incomes; in a number of states, these provisions by themselves are sufficient to lift the income tax threshold above the poverty line. In addition, many states have enacted provisions targeted to low- and moderate-income families. In 2004 some 16 states offered Earned Income Tax Credits based on the federal EITC, which is a tax credits for working-poor families, mostly those with children.⁴ Other states offer other types of low-income tax credits, such as **New Mexico's** A Low-Income Comprehensive Tax Rebate.[@] Finally, a few states have Ano-tax floors,[@] which set a dollar level below which families owe no tax but do not affect tax liability for families above that level.

⁴ The 16 states are the District of Columbia, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, and Wisconsin. A 17th state, Colorado, has an EITC that is available only in years in which state revenues exceed a certain limit; the Colorado EITC is suspended for 2003, 2004, and 2005. A full description of current state EITCs and policy issues relating to them may be found in *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty*, Center on Budget and Policy Priorities, March 2004.

Future Changes in Income Tax Thresholds

This report shows income tax thresholds for tax year 2004. As a part of legislation enacted in 2005 and in previous years, some states have adopted changes to their income tax systems that will lead to increased or lowered thresholds in 2005 and beyond.

- **Colorado** statutes provide for a 10 percent refundable EITC in years in which total state revenues exceed a certain limit. The credit was suspended in 2001 due to insufficient revenues, and is projected to be reinstated in tax year 2005. However, in order to close Colorado's current budget deficit, the state legislature has passed a measure — which must be approved by a vote of the people — that will allow the state to retain all revenues above the limit for the next five years. If this measure is approved by voters in November, the state EITC will be suspended through at least 2011.
- **Indiana's** 6 percent refundable EITC, which has a significant impact on the threshold and reduces taxes up to \$258, is set to expire at the end of 2005. If the credit does expire, the threshold for a two-parent family of four will fall from its current level of 76 percent of the poverty line to less than 36 percent of the poverty line. Legislation is pending that would extend the EITC out to 2011. If this legislation passes, the EITC would expire at the end of 2011.
- **Kentucky** has enacted a low-income credit effective in tax year 2005 that will increase Kentucky's threshold from less than one-half the poverty line up to the poverty line, thereby shielding poor families from paying income tax. Note that Kentucky's low-income credit applies to families with incomes below the federal poverty guidelines set by the Department of Health and Human Services for administrative purposes. These guidelines are slightly lower than the poverty threshold for a two-parent family of four used by the Census bureau for statistical purposes, which is the poverty standard used in this report. As a result, in the future this report will show that Kentucky's income tax threshold for a two-parent family of four is slightly below the poverty line.
- **Virginia** will offer a 20 percent non-refundable EITC in 2006 that families can choose instead of an existing low-income credit. The change will lift Virginia's threshold for a two-parent family of four above the poverty line.
- Changes in the federal Earned Income Tax Credit enacted in June 2001 will increase thresholds in those states that piggyback on the federal credit. The EITC increase took effect in tax year 2002, with additional increases scheduled for 2005 and 2008.

A Few States Tax the Incomes of the Poor More Heavily than in the Early 1990s

A smaller number of states stand out for their lack of progress over the last dozen years in reducing income taxes on the poor.

- The **Alabama** threshold remains at \$4,600, the lowest in the nation and the same level — without adjustment for inflation — that it has been since the 1960s. Because the threshold has not changed while the cost of living and the poverty

line have increased, the threshold has fallen since 1991 from 33 percent of the poverty line to 24 percent of the poverty line.

Over the last ten years, the **Alabama** income tax on families with poverty-level incomes has risen. The income tax on a family of four with income at the poverty line in 2004 is \$513, compared with \$348 eight years ago — a 16 percent increase after adjusting for inflation.

- In **Alabama, Kentucky, Ohio** and **West Virginia**, the income tax threshold is further below the poverty line than it was in 1991.
- In **Arkansas, Iowa, Kentucky, Louisiana, Virginia**, and **West Virginia**, as in **Alabama**, the income taxes on families of four with poverty-level incomes have risen since 1994 even after taking inflation into account. As Table 6 shows, the increase after adjustment for inflation has been as much as 58 percent in **Louisiana**, 48 percent in **Arkansas**, and 29 percent in **West Virginia**. In each of these states, the reason for the tax increase is that personal exemptions, credits, or other features designed to protect the incomes of low-income families from taxation have eroded due to inflation.

**Table 1A:
State Income Tax Thresholds for Single-Parent Families of Three, 2004**

Poverty Line (preliminary): \$15,071

Rank	State	Threshold	Rank	State	Threshold
1	Alabama	\$4,600	17	North Carolina	\$15,300
2	Kentucky	5,000	18	Virginia	15,700
3	Montana	8,600	19	Oklahoma	15,800
4	Hawaii	9,800	20	Colorado	16,500
5	West Virginia	10,000	20	Idaho	16,500
6	Michigan	10,500	20	Utah	16,500
6	Ohio	10,500	23	Nebraska	16,700
8	Louisiana	11,000	24	North Dakota	16,900
9	Georgia	12,700	25	Iowa	17,800
10	Arkansas	13,000	26	New Mexico	19,000
11	Illinois	13,200	27	Connecticut	19,100
11	Missouri	13,200	28	South Carolina	19,600
13	Indiana	13,600	29	Wisconsin	19,700
14	Oregon	13,800	30	New Jersey	20,000
15	Mississippi	14,400	31	Arizona	20,100
16	Delaware	14,700	32	District of Columbia	20,600
			33	Maine	22,100
			34	Massachusetts	23,000
			35	Kansas	23,500
			36	Pennsylvania	25,500
			37	New York	25,900
			38	Rhode Island	27,000
			39	Maryland	27,600
			40	Vermont	28,200
			41	Minnesota	28,300
			42	California	39,400
Average Threshold 2004		\$11,200	Average Threshold 2004		\$21,400
Amount Below Poverty		\$3,871	Amount Above Poverty		\$6,329

Note: A threshold is the lowest income level at which a family has state income tax liability. In this table thresholds are rounded to the nearest \$100. The 2004 poverty line is a Census Bureau estimate based on the actual 2003 line adjusted for inflation. The threshold calculations include earned income tax credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account.

Source: Center on Budget and Policy Priorities

**Table 1B:
State Income Tax Thresholds for Two-Parent Families of Four, 2004**

Poverty Line (estimated): \$19,311

Rank	State	Threshold	Rank	State	Threshold
1	Alabama	\$4,600	18	North Carolina	\$19,400
2	Kentucky	5,600	19	Mississippi	19,600
3	West Virginia	10,000	20	New Jersey	20,000
4	Montana	10,400	21	Delaware	20,300
5	Hawaii	11,500	22	District of Columbia	21,700
6	Ohio	13,200	23	Colorado	22,100
7	Michigan	13,600	23	Nebraska	22,100
8	Indiana	14,600	23	New Mexico	22,100
9	Illinois	15,200	23	Utah	22,100
10	Arkansas	15,500	27	Idaho	22,200
11	Georgia	15,900	28	North Dakota	22,600
11	Louisiana	15,900	29	Wisconsin	23,400
13	Missouri	16,400	30	Arizona	23,600
13	Oregon	16,400	31	Connecticut	24,100
15	Oklahoma	16,800	32	Massachusetts	24,300
16	Iowa	18,000	33	Kansas	24,700
17	Virginia	18,900	34	Maine	25,000
			35	South Carolina	25,200
			36	New York	28,200
			37	Maryland	29,000
			38	Rhode Island	29,300
			39	Vermont	30,800
			40	Minnesota	30,900
			41	Pennsylvania	32,000
			42	California	41,500
Average Threshold 2004		\$13,700	Average Threshold 2004		\$25,000
Amount Below Poverty		\$5,611	Amount Above Poverty		\$5,689

Note: A threshold is the lowest income level at which a family has state income tax liability. In this table thresholds are rounded to the nearest \$100. The 2004 poverty line is a Census Bureau estimate based on the actual 2003 line adjusted for inflation. The threshold calculations include earned income tax credits, other general tax credits, exemptions, and standard deductions. Credits that are intended to offset the effects of taxes other than the income tax or that are not available to all low-income families are not taken into account.

Source: Center on Budget and Policy Priorities

**Table 2A:
State Income Tax at Poverty Line for Single-Parent Families of Three, 2004**

	State	Income	Tax
1	Kentucky	\$15,071	\$455
2	Alabama	15,071	433
3	Hawaii	15,071	346
4	West Virginia	15,071	272
5	Montana	15,071	191
6	Michigan	15,071	181
7	Louisiana	15,071	135
8	Oregon	15,071	103
9	Ohio	15,071	86
10	Illinois	15,071	68
11	Georgia	15,071	67
12	Indiana	15,071	63
13	Arkansas	15,071	37
14	Missouri	15,071	36
15	Mississippi	15,071	20
16	Delaware	15,071	19
17	Arizona	15,071	0
17	California	15,071	0
17	Colorado	15,071	0
17	Connecticut	15,071	0
17	Idaho*	15,071	0
17	Iowa	15,071	0
17	Maine	15,071	0
17	Nebraska	15,071	0
17	North Carolina	15,071	0
17	North Dakota	15,071	0
17	Pennsylvania	15,071	0
17	South Carolina	15,071	0
17	Utah	15,071	0
17	Virginia	15,071	0
31	Oklahoma	15,071	(34)
32	Rhode Island	15,071	(51)
33	New Mexico	15,071	(70)
34	Wisconsin	15,071	(408)
35	Kansas	15,071	(557)
36	Massachusetts	15,071	(612)
37	Maryland	15,071	(637)
38	District of Columbia	15,071	(642)
39	New Jersey	15,071	(816)
40	Minnesota	15,071	(1,076)
41	New York	15,071	(1,122)
42	Vermont	15,071	(1,306)

* Idaho's threshold is greater than the poverty line, but there is a \$10 building fund.

Source: Center on Budget and Policy Priorities

**Table 2B:
State Income Tax at Poverty Line for Two-Parent Families of Four, 2004**

	State	Income	Tax
1	Kentucky	\$19,311	\$652
2	Alabama	19,311	513
3	Hawaii	19,311	434
4	Virginia	19,311	425
5	Arkansas	19,311	403
6	West Virginia	19,311	354
7	Oregon	19,311	289
8	Montana	19,311	255
9	Michigan	19,311	226
10	Indiana	19,311	215
11	Illinois	19,311	169
12	Louisiana	19,311	168
13	Iowa	19,311	141
14	Oklahoma	19,311	141
15	Ohio	19,311	123
16	Georgia	19,311	89
17	Missouri	19,311	62
18	Arizona	19,311	0
18	California	19,311	0
18	Colorado	19,311	0
18	Connecticut	19,311	0
18	Delaware	19,311	0
18	Idaho*	19,311	0
18	Maine	19,311	0
18	Mississippi	19,311	0
18	Nebraska	19,311	0
18	North Carolina	19,311	0
18	North Dakota	19,311	0
18	Pennsylvania	19,311	0
18	South Carolina	19,311	0
18	Utah	19,311	0
32	Rhode Island	19,311	(42)
33	New Mexico	19,311	(50)
34	District of Columbia	19,311	(213)
35	Wisconsin	19,311	(345)
36	Kansas	19,311	(359)
37	Massachusetts	19,311	(402)
38	Maryland	19,311	(413)
39	New Jersey	19,311	(680)
40	New York	19,311	(910)
41	Vermont	19,311	(1,087)
42	Minnesota	19,311	(1,506)

* Idaho's threshold is greater than the poverty line, but there is a \$10 building fund.

Source: Center on Budget and Policy Priorities

**Table 3A:
State Income Tax at Minimum Wage for Single-Parent Families of Three, 2004**

	State	Income*	Tax
1	Alabama	\$10,712	\$218
2	Kentucky	10,712	203
3	Hawaii**	13,000	185
4	West Virginia	10,712	143
5	Oregon**	14,664	64
6	Montana	10,712	43
7	Michigan	10,712	8
8	Ohio	10,712	4
9	Arizona	10,712	0
9	Arkansas	10,712	0
9	California**	14,040	0
9	Colorado	10,712	0
9	Connecticut**	14,768	0
9	Delaware**	12,792	0
9	Idaho***	10,712	0
9	Iowa	10,712	0
9	Louisiana	10,712	0
9	Maine**	13,000	0
9	Mississippi	10,712	0
9	Missouri	10,712	0
9	Nebraska	10,712	0
9	North Carolina	10,712	0
9	North Dakota	10,712	0
9	Pennsylvania	10,712	0
9	South Carolina	10,712	0
9	Utah	10,712	0
9	Virginia	10,712	0
28	Georgia	10,712	(24)
29	Illinois**	11,440	(52)
30	Rhode Island**	14,040	(54)
31	Indiana	10,712	(97)
32	New Mexico	10,712	(100)
33	Oklahoma	10,712	(152)
34	Wisconsin	10,712	(601)
35	Kansas	10,712	(644)
36	Massachusetts**	14,040	(645)
37	District of Columbia**	12,792	(809)
38	Maryland	10,712	(847)
39	New Jersey	10,712	(858)
40	Minnesota	10,712	(1,075)
41	New York	10,712	(1,287)
42	Vermont**	14,040	(1,376)

*Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/ week)

**These eleven states had a minimum wage higher than the federal minimum wage in all or part of 2004.

***Idaho's threshold is greater than the poverty line, but there is a \$10 building fund.

Source: Center on Budget and Policy Priorities

**Table 3B:
State Income Tax at Minimum Wage for Single-Parent Families of Four, 2004**

	State	Income*	Tax
1	Kentucky	\$10,712	\$188
2	Alabama	10,712	178
3	West Virginia	10,712	83
4	Hawaii**	13,000	50
5	Montana	10,712	6
6	Arizona	10,712	0
6	Arkansas	10,712	0
6	California**	14,040	0
6	Colorado	10,712	0
6	Connecticut**	14,768	0
6	Delaware**	12,792	0
6	Idaho***	10,712	0
6	Iowa	10,712	0
6	Louisiana	10,712	0
6	Maine**	13,000	0
6	Michigan	10,712	0
6	Mississippi	10,712	0
6	Missouri	10,712	0
6	Nebraska	10,712	0
6	North Carolina	10,712	0
6	North Dakota	10,712	0
6	Ohio	10,712	0
6	Oregon**	14,664	0
6	Pennsylvania	10,712	0
6	South Carolina	10,712	0
6	Utah	10,712	0
6	Virginia	10,712	0
28	Georgia	10,712	(32)
29	Rhode Island**	14,040	(54)
30	Illinois**	11,440	(112)
31	New Mexico	10,712	(130)
32	Indiana	10,712	(131)
33	Oklahoma	10,712	(215)
34	Wisconsin	10,712	(601)
35	Kansas	10,712	(644)
36	Massachusetts**	14,040	(645)
37	District of Columbia**	12,792	(809)
38	Maryland	10,712	(858)
38	New Jersey	10,712	(858)
40	Minnesota	10,712	(1,075)
41	New York	10,712	(1,287)
42	Vermont**	14,040	(1,376)

*Income reflects full-time, year-round minimum wage earnings for one worker (52 weeks, 40 hours/ week).

**These eleven states had a minimum wage higher than the federal minimum wage in all or part of 2004.

***Idaho's threshold is greater than the poverty line, but there is a \$10 building fund.

Source: Center on Budget and Policy Priorities

**Table 4A:
State Income Tax at 125% of Poverty Line for Single-Parent Families of Three, 2004**

	State	Income	Tax
1	Kentucky	\$18,839	\$643
2	Alabama	18,839	623
3	Hawaii	18,839	571
4	Virginia	18,839	541
5	Arkansas	18,839	472
6	Oregon	18,839	463
7	West Virginia	18,839	414
8	Michigan	18,839	329
9	Montana	18,839	317
10	Louisiana	18,839	285
11	Indiana	18,839	239
12	Illinois	18,839	221
13	Georgia	18,839	218
14	North Carolina	18,839	216
15	Delaware	18,839	199
16	Ohio	18,839	198
17	Oklahoma	18,839	171
18	Missouri	18,839	155
19	Utah	18,839	150
20	Mississippi	18,839	133
21	Colorado	18,839	109
22	Iowa	18,839	105
23	Nebraska	18,839	76
24	Idaho*	18,839	74
25	North Dakota	18,839	50
26	Arizona	18,839	0
26	California	18,839	0
26	Connecticut	18,839	0
26	Maine	18,839	0
26	Pennsylvania	18,839	0
26	South Carolina	18,839	0
32	New Mexico	18,839	(10)
33	Rhode Island	18,839	(37)
34	Wisconsin	18,839	(86)
35	District of Columbia	18,839	(220)
36	Maryland	18,839	(301)
37	Kansas	18,839	(308)
38	Massachusetts	18,839	(331)
39	New Jersey	18,839	(658)
40	New York	18,839	(735)
41	Vermont	18,839	(968)
42	Minnesota	18,839	(1,380)

*Includes \$10 building fund.

Source: Center on Budget and Policy Priorities

**Table 4B:
State Income Tax at 125% of Poverty Line for Two-Parent Families of Four, 2004**

	State	Income	Tax
1	Kentucky	\$24,139	\$1,002
2	Oregon	24,139	771
3	Hawaii	24,139	757
4	Alabama	24,139	748
5	Arkansas	24,139	673
6	Virginia	24,139	667
7	Iowa	24,139	601
8	West Virginia	24,139	546
9	Oklahoma	24,139	464
10	Indiana	24,139	439
11	Montana	24,139	437
12	Michigan	24,139	416
13	District of Columbia	24,139	404
14	Illinois	24,139	365
15	Georgia	24,139	328
16	North Carolina	24,139	288
17	New Jersey	24,139	268
18	Louisiana	24,139	264
19	Ohio	24,139	261
20	Missouri	24,139	253
21	Delaware	24,139	187
22	Utah	24,139	168
23	Arizona	24,139	147
24	Mississippi	24,139	136
25	Nebraska	24,139	126
26	Colorado	24,139	95
27	Wisconsin	24,139	64
28	Idaho*	24,139	60
29	North Dakota	24,139	43
30	New Mexico	24,139	35
31	Connecticut	24,139	1
32	South Carolina	24,139	0
32	Pennsylvania	24,139	0
32	Maine	24,139	0
32	California	24,139	0
36	Maryland	24,139	(11)
37	Massachusetts	24,139	(15)
38	Rhode Island	24,139	(23)
39	Kansas	24,139	(39)
40	New York	24,139	(415)
41	Vermont	24,139	(690)
42	Minnesota	24,139	(1,051)

*Includes \$10 building fund.

Source: Center on Budget and Policy Priorities

**Table 5:
Tax Threshold for a Family of Four, 1991-2004**

State	1991	1994	1997	2003	2004	Change 1991-2004
Alabama	\$4,600	\$4,600	\$4,600	\$4,600	\$4,600	\$0
Arizona	15,000	15,800	20,000	23,600	23,600	8,600
Arkansas	10,700	10,700	10,700	15,500	15,500	4,800
California	20,900	22,600	23,800	40,200	41,500	20,600
Colorado	14,300	16,200	17,500	21,700	22,100	7,800
Connecticut	24,100	24,100	24,100	24,100	24,100	0
Delaware	8,600	8,600	12,700	20,300	20,300	11,700
District of Columbia	14,300	16,200	17,500	20,700	21,700	7,400
Georgia	9,000	11,100	13,100	15,900	15,900	6,900
Hawaii	6,300	6,300	6,100	11,500	11,500	5,200
Idaho	14,300	16,200	17,500	21,800	22,200	7,900
Illinois	4,000	4,000	4,000	15,000	15,200	11,200
Indiana	4,000	4,000	8,500	14,400	14,600	10,600
Iowa	9,000	15,300	16,500	17,900	18,000	9,000
Kansas	13,000	13,000	13,000	24,400	24,700	11,700
Kentucky	5,000	5,000	5,000	5,500	5,600	600
Louisiana	11,000	11,000	12,300	15,600	15,900	4,900
Maine	14,100	14,800	17,500	24,600	25,000	10,900
Maryland	15,800	19,400	22,900	28,500	29,000	13,200
Massachusetts	12,000	12,000	17,400	24,000	24,300	12,300
Michigan	8,400	8,400	10,000	13,600	13,600	5,200
Minnesota	15,500	19,000	21,600	30,200	30,900	15,400
Mississippi	15,900	15,900	15,900	19,600	19,600	3,700
Missouri	8,900	9,700	10,200	16,200	16,400	7,500
Montana	6,600	7,200	8,800	10,100	10,400	3,800
Nebraska	14,300	16,200	17,900	21,700	22,100	7,800
New Jersey	5,000	7,500	7,500	20,000	20,000	15,000
New Mexico	14,300	16,300	17,500	22,000	22,100	7,800
New York	14,000	16,900	22,300	27,700	28,200	14,200
North Carolina	13,000	13,000	17,000	18,000	19,400	6,400
North Dakota	14,700	16,500	18,000	22,200	22,600	7,900
Ohio	10,500	10,500	12,000	13,000	13,200	2,700
Oklahoma	10,000	10,900	12,200	16,600	16,800	6,800
Oregon	10,100	10,900	14,000	16,000	16,400	6,300
Pennsylvania	9,800	15,300	20,600	31,000	32,000	22,200
Rhode Island	17,400	21,100	24,400	28,700	29,300	11,900
South Carolina	14,300	16,800	20,200	23,200	25,200	10,900
Utah	12,200	13,600	14,900	21,700	22,100	9,900
Vermont	17,400	21,100	24,400	30,200	30,800	13,400
Virginia	8,200	8,200	8,200	18,400	18,900	10,700
West Virginia	8,000	8,000	10,000	10,000	10,000	2,000
Wisconsin	14,400	16,400	17,000	23,000	23,400	9,000
Average	\$11,736	\$13,102	\$14,983	\$20,069	\$20,445	\$8,710
Federal Poverty Line	\$13,924	\$15,141	\$16,400	\$18,810	\$19,311	\$5,387
Average as % poverty	84%	87%	91%	107%	106%	22%

Source: Center on Budget and Policy Priorities

**Table 6:
State Income Tax at the Poverty Line for Families of Four
In States with Below-Poverty Thresholds in 2004**

State	1994	2003	2004	Change 94-04	Percent change after inflation, 94-04*
Louisiana	\$83	\$158	\$168	\$85	58%
Virginia	217	401	425	208	54%
Arkansas	214	386	403	189	48%
West Virginia	215	334	354	139	29%
Alabama	348	493	513	165	16%
Kentucky	499	626	652	153	3%
Iowa	0	100	141	141	n.a.
Montana	211	251	255	44	-5%
Ohio	107	116	123	16	-10%
Hawaii	406	407	434	28	-16%
Oklahoma	139	119	141	2	-20%
Oregon	331	279	289	(42)	-32%
Georgia	116	73	89	(28)	-40%
Michigan	301	208	226	(75)	-41%
Indiana	379	201	215	(164)	-56%
Illinois	334	157	169	(165)	-60%
Missouri	147	54	62	(86)	-67%
Average	\$238	\$257	\$274	\$36	-10%

Notes: Dollar amounts shown are nominal amounts.
* "Percent change after inflation" shows the percentage change adjusted for the 27.4 percent change in the cost of living from 1994 to 2004 as measured by the Consumer Price Index.

Source: Center on Budget and Policy Priorities