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## Income gap between rich and poor widens in state

BY DAVE FLESSNER

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The income gap between the rich and the poor is widening in Tennessee more than most other states, according to a study released Thursday.

A report prepared by the liberal Economic Policy Institute and the Center on Budget and Policy Priorities found that the richest 20 percent of families in Tennessee enjoyed income gains nearly four times greater than those of the poorest 20 percent of the state's families over the past two decades.

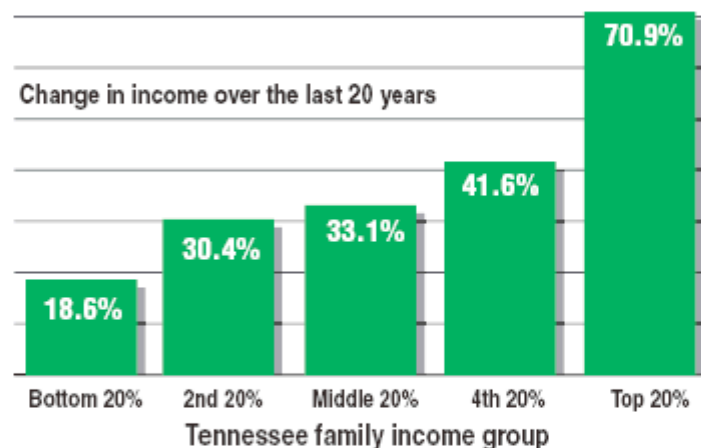
The average income of the poorest fifth of families in Tennessee in the early 1980s increased by 18.6 percent to \$14,303 in the 2001-2003 period, according to income figures included in the report. By comparison in the same period, the average income of the richest fifth of families in Tennessee rose by 70.9 percent to \$110,429.

In just the past decade, Tennessee had the biggest increase in income inequality of any state in the country, figures show.

"It's very discouraging to see

### Richest families had greatest gains

Change in income over the last 20 years



SOURCE: ECONOMIC POLICY INSTITUTE

STAFF GRAPHIC BY BECK TOWERY

that Tennessee ranked among the worst states in nearly all of these income disparity measures," Tennessee AFL-CIO President Jerry Lee. "Early in my life, the American dream was achievable for those who were diligent and worked hard. Unfortunately, that's not possible

today for many families."

Advocates for tax reform and low-income programs seized upon the report to bolster their criticisms of Tennessee's regressive tax structure. Because Tennessee derives the biggest share of its tax revenues from sales tax collections, including taxes on

food, the poor pay up to three times more of their income in state and local taxes than do the richest 1 percent of Tennesseans, according to Tennesseans for Fair Taxation.

In Georgia, the richest 20 percent of workers also enjoyed bigger income gains, but the disparity was much less than in Tennessee, according to the study.

"We hope the Legislature will look at this report and recognize that we need to address this widening income gap among our citizens," said Brian Miller, director of the Knoxville-based Tennesseans for Fair Taxation.

Mr. Miller said his group is eager to convince lawmakers to cut or end the sales tax on food. Tennesseans for Fair Taxation supports a state income tax, but Gov. Phil Bredesen has said he will not support such a tax.

Mr. Miller said a higher cigarette tax or other levies could help reduce the state's sales tax on food.

Others suggested that the report underscores the need to raise Tennessee's minimum wage or to require more employ-

ers to offer health insurance to their workers.

"If we taxed people according to their ability to pay, rather than simply how much food they buy, that would be a fairer system and would not benefit with our taxes those who are already benefiting by this economy," said Ron Naylor, a retired librarian who lives in Chattanooga.

But University of Tennessee economist Bill Fox said the real solution to narrowing the income gap is to upgrade the education and skills of low-income Tennesseans.

"We have a disproportionately large share of our work force that is undereducated or unskilled for today's economy," Dr. Fox said. "Globalization of trade means that such persons must compete with more than 1 billion uneducated workers in China and India who are willing to work for far less. Those with the skills and education today are worth more than ever, but those who lack adequate skills are being left behind."

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