

Tennessee Tax System is Nation's Fourth Most Biased in Favor of the Rich

Low- and middle-income families in Tennessee pay a far higher share of their income in state and local taxes than do the richest families in Tennessee, according to a new study by the Institute on Taxation & Economic Policy.

"Tennessee lawmakers may be forced to make difficult tax and spending decisions in the upcoming year," said Matthew Gardner, ITEP's executive director and lead author of the study, titled *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States*. "They should be mindful that the Tennessee tax system continues to fall most heavily on the very poorest families in the state."

Tennessee's Tax Code: The Poor Pay More

When all Tennessee taxes are totaled up, the study found that:

- Tennessee families earning less than \$17,000—the poorest fifth of Tennessee non-elderly taxpayers—pay 11.7% of their income in Tennessee state and local taxes.
- Middle-income Tennessee taxpayers—those earning between \$29,000 and \$47,000—pay 9.3% of their income in Tennessee state and local taxes.
- But the richest 1% of Tennessee taxpayers—with average incomes of \$1,365,800—pay only 3.3% of their income in Tennessee state and local taxes.

"No one would ever design an income tax with lower tax rates for the best-off taxpayers," noted Gardner. "But that is exactly what Tennessee's tax system overall does: it allows the very wealthiest individuals to contribute less of their income to the common good, on average, than middle- and lower-income families must pay. In other words, Tennessee has an unfair, regressive tax system."

Tennessee Sales, Excise, Property Taxes Hit Low-Income Families Hardest

The main reason for the unfairness of Tennessee taxes is the state's reliance on regressive sales and excise taxes, which fall disproportionately on the worst-off families, and on property taxes. Unlike forty-two other states, Tennessee does not levy a broad-based personal income tax to offset the unfair impact of these other taxes.

"Tennessee lawmakers have a straightforward strategy available for addressing its woeful tax fairness record. Relying more heavily on income taxes, and less on regressive sales and excise taxes, could help make the Tennessee tax system substantially less unfair," said Gardner.