

A just way to fix state budgets

By [Steve Thorngate](#)

June 9, 2011

All 50 states have regressive tax structures: the lower your income, the larger share of it goes to state taxes. While a few states have flat income-tax rates--here in Illinois, everyone pays 5 percent--most are mildly progressive (higher rates for higher income). But when you throw in regressive sales, property and excise taxes, each state's total tax burden falls hardest on those with the least to spare.

Meanwhile, states are facing major budget crises, requiring drastic spending cuts, revenue increases or both.

[Via Ethics Daily](#),

United for a Fair Economy offers a solution to both problems: invert the tax structure to make it progressive--and raise more money. A new [report](#) from the anti-inequality group analyzes data from each state and calculates how much more money could be raised if you split the population into fifths by income and then flipped the overall state tax rates.

[In Illinois](#) (pdf), the poorest fifth of the population pays 13.0 percent of its income in state taxes, while the richest fifth pays 6.2 percent. Switching these numbers--and doing the same with the second-poorest and second-richest groups--would increase state revenue by more than 50 percent. (Those of us in the middle fifth income-wise would stay at the same rate.)

It's an elegantly simple proposal. It'll never happen, of course--the political hurdles would be insurmountable. Still, an exercise like this is valuable. It highlights a startling reality: states hit poor people up for a greater share of their money than they do rich people. The fact that reversing this would pull states out of near-bankruptcy is only a secondary reason to do it. The main reason is that the current situation is shockingly unfair.

[Elsewhere](#), Sylvester Schieber and Phillip

Longman offer a smart analysis of state fiscal issues: unions aren't the problem, but pensions are a big part of it--and the solution may lie in empowering voters to keep lawmakers from using pensions to kick financial problems down the road.