

Government of the
District of Columbia



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Tax Rates and Tax Burdens
In The District of Columbia -
A Nationwide Comparison

2003

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**Tax Rates And Tax Burdens In The District of Columbia:
A Nationwide Comparison**

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EXECUTIVE SUMMARY

State and local tax systems in the United States are widely diverse. The 50 states and the District of Columbia employ a broad range of taxes and fees to fund state and local government operations. The combination of taxes and fees utilized by a particular jurisdiction is dependent upon many factors, including revenue needs, the tax base of the local government, the fiscal relationship between the state and local governments, and the level of local government services demanded by residents.

The District's tax structure includes taxes typically imposed by local governments, such as real and personal property taxes, deed taxes, and others. At the same time, the District's tax structure also includes taxes usually associated with the state level of government, such as the individual and corporate income taxes, sales and use taxes, excise taxes and motor vehicle-related taxes. Sixty percent of the District's locally generated revenues come from taxes usually administered by a state.

Although the District has both these state and local fiscal features, the actual tax structure is not complemented by the typical state or local economic base. There are many examples, such as:

- Manufacturing, an important industry in the economic and tax bases of many major cities, is largely lacking in the District.
- Unlike every state in the nation that has an income tax, Washington, D.C., does not have the authority to tax nonresident income earned within its borders. Nonresidents earn about 2/3 of all income in the District of Columbia.
- About 36 percent of all property value in the District is exempt from property taxation due to the federal and diplomatic presence (23 percent) as well as other tax-exempt properties (13 percent).
- An estimated 6 percent of sales are not subject to sales and use tax in the District due to military and diplomatic exemptions.
- The District has a relatively high percentage of low-income taxpayers, which further limits the District's revenue-raising capacity.

Despite these limitations in the tax base, the District of Columbia funds most of the functions usually provided by state and local levels of government. The non-municipal functions include responsibility for welfare programs, physical and mental health care and maintenance of the public education system -- including a "state" university.

To provide an adequate level of funding for these state and local responsibilities given the limited tax base, the District's tax rates often are higher than those in the states. Data from the U.S. Bureau of the Census indicate that in 2000, the District's overall per capita tax collections were higher than those of 50 states. For some tax types, however, the District's taxes are lower than most states.

The state and local tax rates for different types of taxes vary among jurisdictions. For example, all 51 cities in this study levy a tax on real property located within the city, yet effective tax rates range from a high of \$3.88 per \$100 of assessed value in Providence, Rhode Island to \$0.38 per \$100 of assessed value in Honolulu, Hawaii. In addition, several jurisdictions allow tax exemptions and credits in the calculation of the real property tax. The District of Columbia has a \$30,000 homestead deduction for owner-occupied residences as well as other credits. Beginning January 1, 2004, the District's homestead deduction for owner-occupied residences has increased to \$38,000.

Residents in 47 of the 51 cities studied are subject to some form of sales and use tax. The highest sales tax rates are found in Memphis, Tennessee, New Orleans, Louisiana, and Phoenix, Arizona. Residents of Manchester, New Hampshire, Boston, Massachusetts, and Honolulu, Hawaii pay the lowest sales tax rates.

All 51 cities in this study levy some type of automobile registration fee or tax -- usually either a flat rate per vehicle or a sales tax based upon the value of the vehicle. In addition, personal property taxes are levied in 12 of the cities.

Residents of 44 of the 51 cities in this study are subject to some type of individual income tax at the state and/or local levels. There are several types of individual income tax systems, including graduated state and local rates, graduated state and flat local rates, flat state and local rates, state tax rates as a percent of federal income tax liability, graduated state tax rates and flat state rates with exemptions.

No single pattern of taxation characterizes a high tax burden or a low tax burden city. Details concerning the various taxes levied and why the tax burdens differ from one jurisdiction to another are presented in this publication. Part I of this publication compares tax burdens in the District of Columbia with those of the largest city in each state. Part II of this publication contains a compendium of tables which illustrate the tax rates in the District of Columbia and the 50 states for 13 different types of taxes.

ACKNOWLEDGMENT

Each year the Government of the District of Columbia, Office of the Chief Financial Officer, Office of Research and Analysis publishes several reports, which provide information to the citizens and taxpayers of the District of Columbia. The reports contain information about the rates and burdens of major taxes in the District of Columbia compared with states and other large cities in the United States.

This publication contains two reports: (I) Tax burdens in Washington, D.C., Compared with Those in the Largest City in Each State, 2003 and (II) A Comparison of Selected Tax Rates in the District of Columbia with Those in the 50 States: A Compendium of Tables. This information is requested annually by committees of the U.S. Congress and the District of Columbia Council and is provided pursuant to Public Law 93-407.

Questions and comments concerning these publications should be addressed to: Edward W. Wyatt, Tax Research Specialist, Revenue Estimation and Tax Research Administration, Office of Research and Analysis, 441 4th Street, NW, Suite 410 South, Washington, D.C. 20001, telephone (202) 727-7775.

Our appreciation is extended to the many state and local officials who reviewed draft reports. Their cooperation in providing information and their helpful suggestions make this publication possible.

Julia Friedman, Ph. D.
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Part I

**Tax Burdens In Washington, D.C.,
Compared With Those In
The Largest City In Each State**

2003

OVERVIEW

State and local tax systems in the United States are diverse. The 50 states and the District of Columbia employ a broad range of taxes and fees to fund state and local government operations. The combination of taxes and fees utilized by a particular jurisdiction is dependent upon many factors, including revenue needs, the tax base of the local government, the fiscal relationships between state and local government, constitutional and legal limitations on the powers of taxation, taxpayer demand for government services, and other factors.

"Tax burden" is defined in this study as a measure of the tax paid by a taxpayer under a specified set of conditions. This study defines a specified set of conditions and computes corresponding tax burdens in 51 different jurisdictions. These tax burdens are then compared. Useful information and insights can be gleaned from such a comparison. In evaluating or interpreting these comparisons, however, consideration should be given to circumstances specific to each jurisdiction, which may affect tax burdens. Such circumstances can include greater local demand for services, greater local costs of producing services, and the use of revenue sources other than taxes to finance certain services.

This study compares tax burdens in 51 different locations **for a hypothetical family of four**. The major state and local tax burdens for the family in the District of Columbia are compared with those in the largest city in each state. It must be emphasized that these burden comparisons reflect the assumptions used in their computation. For this reason it is important to study the methodology used in the report before drawing conclusions about the relative levels of taxation in each of the cities.

This is an ongoing study, published annually and readers are advised not to compare the hypothetical tax burdens across years; any number of small changes in state and/or local tax policy or in the assumptions of the study can result in misleading information under such comparisons. The purpose of the study remains to compare tax burdens on a hypothetical household in different jurisdictions in a specific year, and not over time.

CHAPTER I

How Tax Burdens Are Computed For The Largest City In Each State

The majority of taxpayers in the United States are aware that the amount of state and local tax liability of an individual taxpayer varies from one jurisdiction to another. The extent of these differences in state and local tax burdens across the country, however, may not be fully recognized.

States and local jurisdictions differ in many aspects of their taxing systems. The relationship of state taxes to federal tax law is one of several factors causing differences in tax burdens from one state to another. Other differences reflect decisions by state and local governments on what should and should not be subject to tax. For example, several states do not levy an individual income tax, although for many others it represents a major source of state funding. Tax burdens also differ because some states can shift a larger portion of governmental costs to business and may be able to "export" some of their tax burden. This was once true for energy producing states, several of which have been forced to broaden the bases of their taxes because of the long-term decline in real energy prices.

This report compares the state and local tax burdens of hypothetical households in Washington, D.C., with the burden for the largest city in each of the 50 states for 2003. The four major taxes used in the comparison are the individual income tax, real property tax on residential property, general sales and use tax, and automobile taxes, including gasoline tax, registration fees, excise tax and personal property tax. This study does not incorporate the effects of differing local tax burdens on the federal individual income tax burden. Income and property taxes are deductible in computing federal income taxes and the effect of federal deductibility is to reduce the overall difference in tax burdens between jurisdictions.

All tax burdens reflect state and local tax rates. Tax burdens are compared for a hypothetical family that consists of two wage-earning spouses and two school-age children. The gross family income levels used are \$25,000, \$50,000, \$75,000, \$100,000 and \$150,000. The wage and salary split is assumed to be 70-30 between the two spouses. All other income is assumed to be split evenly. The family at each income level is assumed to own a single family home and to reside within the confines of the city. All wage and salary income is further assumed to have been earned in the city. The particular assumptions used in the calculation of each major tax type are indicated on the following pages.

Individual Income Tax

The five income levels used in this study are divided between wage and salary income and other types of income as follows:

Gross Income		Long-Term Wages And Salaries	Interest	Capital Gains 1/	2002 Federal AGI
\$ 25,000	Spouse 1	\$17,200	\$ 200	0	\$ 25,000
	Spouse 2	7,400	200	0	
\$ 50,000	Spouse 1	\$34,000	\$ 500	0	\$ 50,000
	Spouse 2	15,000	500	0	
\$ 75,000	Spouse 1	\$49,000	\$1,000	\$1,500	\$ 75,000
	Spouse 2	21,000	\$1,000	1,500	
\$100,000	Spouse 1	\$65,000	\$1,500	\$2,000	\$100,000
	Spouse 2	28,000	1,500	2,000	
\$150,000	Spouse 1	\$97,500	\$2,500	\$2,750	\$150,000
	Spouse 2	42,000	2,500	2,750	

1/ Assumes a three-year holding period

Because several states allow the deduction of all or part of an individual's federal income tax liability in computing the state income tax, it is necessary to compute the 2003 federal individual income tax at each income level using the above assumptions. Interest and long-term capital gains were fully or partially taxable at the federal level at the time period used for this report.

Many states in 2003 allowed taxpayers to begin their state income tax computations with federal adjusted gross income (A.G.I.) or federal taxable income. Other states do not use either of these two measures of federal income as a starting point.

Total itemized deductions, which were also used in the federal tax computation, were assumed to be equal to the following:

Deduction	Gross Income Level				
	\$ 25,000	\$ 50,000	\$ 75,000	\$100,000	\$150,000
Medical (Gross)	1,310	2,361	3,279	4,590	6,557
Nondeductible Medical	<u>-1,875</u>	<u>-3,750</u>	<u>-5,625</u>	<u>-7,500</u>	<u>-11,200</u>
Net Medical Deduction 1/	0	0	0	0	0
Deductible Taxes	2/	2/	2/	2/	2/
Mortgage Interest 3/	2,623	5,377	7,344	9,180	14,164
Contribution Deduction	918	1,967	2,885	3,934	6,033
Gross Miscellaneous	656	1,049	1,574	1,967	2,623
Nondeductible 4/	<u>-500</u>	<u>-1,000</u>	<u>-1,500</u>	<u>-2,000</u>	<u>-3,000</u>
Net Miscellaneous Deduction	156	49	74	0	0
Total Deductions-without taxes	3,697	7,393	10,303	13,114	20,197

- 1/ Nondeductible medical equals 7.5 percent of federal A.G.I. All or part of medical deductions may be allowed in some states.
- 2/ The tax deduction varies from city to city and is based on real and personal property taxes computed in 2002 study and individual income taxes computed in 2002 study.
- 3/ Non-mortgage interest is not deductible on federal returns.
- 4/ Nondeductible miscellaneous equals 2 percent of A.G.I.

The itemized deductions shown above are used in the calculation of the 2003 tax burdens. The 2003 deductible real and personal property taxes computed in the current years 51-city burden study is used for the 2003 property tax deduction. For the 2003 state and local individual income tax deduction, 2002 data were used as a proxy. These figures were used in computing the 2003 federal income tax burden for residents of each city as well as for the state and local tax burdens where appropriate. For those states not allowing their own state income tax as a deduction, it is not included in itemized deductions.

Real Property Tax

Real property tax burdens in the 51 cities are a function of residential real estate values, the ratio of assessed value to market value and the tax rate. Some jurisdictions allow certain deductions from the value of residential property before the tax is calculated while others allow credits against the calculated real estate tax. These deductions and/or credits are normally limited to owner-occupied properties.

The property tax rates for each of the 51 cities, presented in Table 4, page 19, indicate a

wide range in these rates. This information is based upon data received from various state research agencies and/or local assessors. In addition to tax rate differences presented in Table 5 (page 20), data indicate that the assumed market value of a residence for purposes of this study varies widely from one city to another at all income levels. For example, the assumed value of a residence at the \$75,000 income level ranges from a high of \$515,041 in Honolulu, Hawaii to a low of \$120,160 in Wichita, Kansas. The housing values for each income level for each city in Table 5 are derived using the following methodology:

- 1) The 2000 median single family housing value for each city obtained from the 2000 Census of Housing is compared to the city median family income **for homeowners** from the 2000 Census of Population. The resulting ratio of median housing value to median family income is the housing/income ratio shown in Table 5. For Washington, D.C., for example, the ratio is 3.40.
- 2) The housing values for the two middle income levels, \$50,000 and \$75,000, are derived by multiplying the housing/income ratio shown in Table 5 by the income level. Thus, for Washington, D.C., the housing values at the \$50,000 and \$75,000 incomes are computed as follows:

$$\$50,000 \times 3.40 = \$169,825$$

$$\$75,000 \times 3.40 = \$254,737$$

The housing values in Table 5 on page 20 are calculated on the basis of an unrounded housing to income ratio, which makes the result slightly different from that shown in the examples.

- 3) For the lowest income level, \$25,000, the cost of housing is assumed to be a greater proportion of income than the housing/income ratio derived above. For this income level, the housing/income ratio is increased by 5 percent, based on data from the United States Census Bureau. For Washington, D.C., the appropriate calculation at the \$25,000 level using the rounded ratio is:

$$\$25,000 \times 3.40 \times 1.05 = \$89,158$$

- 4) For the \$100,000 income level, housing costs as a percentage of income are assumed to be less than the derived ratio. The housing to income ratio is reduced by 5 percent. The appropriate calculation for Washington, D.C. is:

$$\$100,000 \times 3.40 \times .95 = \$322,667$$

- 5) For the highest income level, housing costs as a percentage of income are also assumed to be less than the derived ratio. The housing to income ratio is reduced by 10 percent at the highest income level, again based on data from the United States Census Bureau. The appropriate calculation for Washington, D.C. is:

$$\$150,000 \times 3.40 \times .90 = \$458,527$$

The above methodology is an attempt to reflect the different values of housing in different parts of the country and at different income levels. Census data from 2000 are used because they are the only data comparable for all the jurisdictions in this study. It is important to note that these are **hypothetical** values based on income level and do not represent **average** values for a particular jurisdiction.

In computing property tax burdens, it is also necessary to consider the various exemptions and credits noted in Table 6 (page 21). The variety of real property tax exemptions, most of which apply only to residential real property, is very broad. Table 6 does not include the many senior citizen exemptions and credits available in a large number of states. Table 4 (page 19), which compares residential real estate tax rates for each city, does not reflect the various exemptions and credits noted in Table 6. The many senior citizen exemptions and credits available are also not reflected in Table 4, because seniors are not included in the hypothetical households of this study. However, the property tax burdens computed and shown in Table 1 of this study reflect the applicable provisions.

Sales and Use Tax

The sales tax burdens included in this study are based on information from the 2000 Bureau of Labor Statistics consumer expenditure survey (CES) and from information provided by the states in a sales tax survey. For the \$50,000 and \$100,000 income levels, the expenditures for each are derived by using the following methodology of dividing the amount purchase by the average income and multiplying that percentage by the \$50,000 and \$75,000. The same methodology is used for the other income levels; except the \$25,000 is increased by 5 percent, and the \$100,000 and \$150,000 income levels are decreased by 5 percent and 10 percent, respectively. The state and local general sales tax rates in each city are reported in Table 7, page 23.

Automobile Taxes

Automobile taxes included in this study are gasoline taxes, motor vehicle registration fees, excise taxes, and personal property taxes levied on automobiles. Table 10 (page 26) summarizes automobile ownership assumptions for each income level, including types of vehicles, weight, value and annual gasoline consumption.

CHAPTER II

Overall Tax Burdens For The Largest City In Each State

The major state and local tax burdens by tax type for the five different income levels used in this study are presented in Table 1 (pages 8-12). As reflected by data in Table 1, tax burdens across the 51 cities vary widely at all income levels. At the \$25,000 income level, the \$3,783 burden for Bridgeport, Connecticut is almost six times greater than the \$633 burden for Jacksonville, Florida. Similarly, at the \$150,000 income level, the Bridgeport, Connecticut burden of \$25,790 is more than five times the Cheyenne, Wyoming, burden of \$4,955. The differences in the composition of state and local tax structures cause a wide variation in tax burdens at all income levels.

The highest overall tax burden occurs in Bridgeport, Connecticut followed by Newark, New Jersey; New York City, New York; and Providence, Rhode Island.

The lowest tax burdens for the 51 cities occur in Cheyenne, Wyoming followed by Anchorage, Alaska; Jacksonville, Florida; and Las Vegas, Nevada.

No single pattern characterizes a city with either a high or a low tax burden. Generally, however, high tax burden cities have a graduated individual income tax rate and/or high real estate tax rates, moderate to high housing values and cities located in the northeast. Low tax burden cities generally have a low individual income tax (if they have one at all) and average or below average real property tax rates. The regional pattern cannot be overlooked, as the four highest tax cities are located in the Northeast and the four lowest tax cities are located in the South and West.

Progressivity

The average 51-city total tax burden is 7.3 percent at the \$25,000 income level, 8.3 percent at the \$50,000 income level, 9.1 percent at the \$75,000 income level, 9.2 percent at the \$100,000 and \$150,000 income levels.

TABLE 1								
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 2003								
\$25,000								
RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	0	3,012	389	382	3,783	15.1%
2	Newark	NJ	218	3,003	340	182	3,743	15.0%
3	Philadelphia	PA	1,120	1,119	342	233	2,814	11.3%
4	Providence	RI	0	2,150	368	263	2,781	11.1%
5	Portland	OR	927	1,451	0	203	2,580	10.3%
6	Chicago	IL	510	1,028	554	384	2,476	9.9%
7	Detroit	MI	1,003	899	352	209	2,463	9.9%
8	Louisville	KY	1,289	388	367	185	2,229	8.9%
9	Los Angeles	CA	0	1,500	413	248	2,161	8.6%
10	Columbus	OH	785	713	395	223	2,116	8.5%
11	Indianapolis	IN	616	923	375	147	2,061	8.2%
12	Birmingham	AL	1,047	328	471	210	2,055	8.2%
13	Boston	MA	361	1,207	188	234	1,990	8.0%
14	Milwaukee	WI	0	1,330	384	269	1,982	7.9%
15	Atlanta	GA	379	975	465	152	1,970	7.9%
16	Manchester	NH	0	1,540	161	202	1,903	7.6%
17	Omaha	NE	172	988	458	283	1,901	7.6%
18	Burlington	VT	0	1,390	311	200	1,901	7.6%
19	Virginia Beach	VA	580	671	398	243	1,892	7.6%
20	Des Moines	IA	392	775	411	299	1,876	7.5%
21	Baltimore	MD	0	1,259	400	211	1,871	7.5%
22	Seattle	WA	0	1,090	495	240	1,825	7.3%
23	New York City	NY	0	1,156	443	186	1,784	7.1%
24	Charleston	WV	582	488	399	293	1,762	7.0%
25	Memphis	TN	0	876	641	241	1,757	7.0%
26	Kansas City	MO	473	558	464	245	1,740	7.0%
27	Fargo	ND	70	1,089	349	227	1,734	6.9%
28	Portland	ME	13	1,140	313	266	1,732	6.9%
29	Charlotte	NC	393	707	422	190	1,713	6.9%
30	Honolulu	HI	620	526	289	253	1,687	6.7%
31	Salt Lake City	UT	230	666	469	318	1,684	6.7%
32	WASHINGTON	DC	428	568	397	265	1,657	6.6%
33	Little Rock	AR	488	382	535	243	1,648	6.6%
34	Houston	TX	0	855	499	210	1,564	6.3%
35	Albuquerque	NM	50	831	495	184	1,560	6.2%
36	Wilmington	DE	449	846	0	193	1,487	5.9%
37	Sioux Falls	SD	0	780	492	203	1,474	5.9%
38	Las Vegas	NV	0	779	359	336	1,473	5.9%
39	Jackson	MS	162	495	497	314	1,469	5.9%
40	Billings	MT	394	653	0	421	1,468	5.9%
41	Minneapolis	MN	0	859	365	229	1,454	5.8%
42	Phoenix	AZ	172	387	578	201	1,338	5.4%
43	Columbia	SC	82	654	339	249	1,323	5.3%
44	Denver	CO	150	477	425	268	1,320	5.3%
45	Oklahoma City	OK	0	469	536	218	1,223	4.9%
46	Boise	ID	6	534	409	259	1,208	4.8%
47	Anchorage	AK	0	1,070	0	94	1,164	4.7%
48	New Orleans	LA	285	0	584	215	1,084	4.3%
49	Wichita	KS	0	288	427	339	1,055	4.2%
50	Cheyenne	WY	0	388	469	190	1,047	4.2%
51	Jacksonville	FL	0	0	405	228	633	2.5%
AVERAGE ^{1/}			\$328	\$907	\$418	\$241	\$1,816	7.3%
MEDIAN			\$162	\$831	\$400	\$233	\$1,740	7.0%

1/ Based on cities actually levying tax.

TABLE 1								
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 2003								
\$50,000								
RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	500	5,737	741	523	7,501	13.0%
2	Newark	NJ	594	5,721	648	168	7,130	14.3%
3	Philadelphia	PA	3,601	2,131	652	207	6,591	13.2%
4	Providence	RI	937	4,096	701	532	6,266	12.5%
5	New York City	NY	2,479	2,506	843	171	5,999	12.0%
6	Portland	OR	2,966	2,763	0	178	5,907	11.8%
7	Baltimore	MD	2,242	2,398	762	188	5,591	11.2%
8	Detroit	MI	2,655	1,713	671	207	5,246	10.5%
9	Milwaukee	WI	1,587	2,605	731	241	5,164	10.3%
10	Louisville	KY	3,087	1,034	698	220	5,039	10.1%
11	Chicago	IL	1,260	2,268	1,056	354	4,938	9.9%
12	Atlanta	GA	1,363	2,463	885	222	4,933	9.9%
13	Boston	MA	1,993	2,298	386	203	4,880	9.8%
14	WASHINGTON	DC	2,241	1,342	754	245	4,583	9.2%
15	Columbus	OH	2,269	1,359	752	200	4,579	9.2%
16	Indianapolis	IN	1,763	1,864	715	129	4,472	8.9%
17	Salt Lake City	UT	1,958	1,269	894	294	4,415	8.8%
18	Portland	ME	1,958	1,269	894	294	4,415	8.8%
19	Burlington	VT	963	2,648	593	180	4,384	8.8%
20	Des Moines	IA	1,582	1,672	798	322	4,374	8.7%
21	Kansas City	MO	1,991	1,063	883	322	4,259	8.5%
22	Los Angeles	CA	217	2,926	787	315	4,245	8.5%
23	Omaha	NE	1,179	1,882	872	280	4,214	8.4%
24	Charlotte	NC	1,820	1,348	804	227	4,199	8.4%
25	Minneapolis	MN	1,526	1,699	695	261	4,181	8.4%
26	Birmingham	AL	2,288	650	896	236	4,070	8.1%
27	Virginia Beach	VA	1,694	1,279	757	266	3,996	8.0%
28	Oklahoma City	OK	1,779	990	1,022	201	3,991	8.0%
29	Little Rock	AR	1,601	999	1,020	281	3,900	7.8%
30	Columbia	SC	1,558	1,343	645	354	3,900	7.8%
31	Honolulu	HI	1,916	1,138	550	229	3,832	7.7%
32	Boise	ID	1,645	1,158	780	234	3,817	7.6%
33	Charleston	WV	1,697	930	760	343	3,730	7.5%
34	Albuquerque	NM	969	1,652	943	165	3,730	7.5%
35	Jackson	MS	1,005	1,214	947	434	3,600	7.2%
36	New Orleans	LA	1,215	1,050	1,112	162	3,538	7.1%
37	Wilmington	DE	1,748	1,611	0	170	3,529	7.1%
38	Fargo	ND	582	2,074	664	206	3,526	7.1%
39	Manchester	NH	0	2,933	307	184	3,424	6.8%
40	Denver	CO	1,308	908	810	270	3,296	6.6%
41	Seattle	WA	0	2,076	943	213	3,232	6.5%
42	Wichita	KS	1,217	785	814	325	3,142	6.3%
43	Memphis	TN	0	1,668	1,220	219	3,107	6.2%
44	Phoenix	AZ	813	912	1,101	200	3,025	6.1%
45	Billings	MT	1,488	1,243	0	277	3,008	6.0%
46	Houston	TX	0	1,833	951	190	2,974	5.9%
47	Sioux Falls	SD	0	1,485	938	180	2,603	5.2%
48	Las Vegas	NV	0	1,483	684	344	2,511	5.0%
49	Anchorage	AK	0	2,039	0	86	2,125	4.3%
50	Cheyenne	WY	0	738	893	200	1,832	3.7%
51	Jacksonville	FL	0	843	772	203	1,818	3.6%
AVERAGE ^{1/}			\$1,561	\$1,843	\$797	\$247	\$4,172	8.3%
MEDIAN			\$1,488	\$1,652	\$762	\$222	\$4,070	8.1%

1/ Based on cities actually levying tax.

TABLE 1								
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 2003								
\$75,000								
RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	2,665	8,605	1,112	890	13,272	17.7%
2	Newark	NJ	1,041	8,581	971	296	10,889	14.5%
3	New York City	NY	5,020	3,928	1,265	277	10,490	14.0%
4	Philadelphia	PA	5,242	3,197	977	341	9,757	13.0%
5	Providence	RI	1,613	6,144	1,052	918	9,727	13.0%
6	Portland	OR	4,842	4,145	0	287	9,273	12.4%
7	Baltimore	MD	3,870	3,598	1,144	311	8,923	11.9%
8	Milwaukee	WI	2,993	3,948	1,096	403	8,439	11.3%
9	Atlanta	GA	2,521	4,029	1,328	383	8,261	11.0%
10	Detroit	MI	4,292	2,570	1,006	389	8,257	11.0%
11	Louisville	KY	4,826	1,713	1,047	367	7,954	10.6%
12	Boston	MA	3,318	3,448	597	516	7,878	10.5%
13	Chicago	IL	2,010	3,574	1,584	622	7,790	10.4%
14	Portland	ME	3,083	3,258	888	560	7,789	10.4%
15	WASHINGTON	DC	3,913	2,157	1,131	392	7,594	10.1%
16	Los Angeles	CA	1,345	4,426	1,180	536	7,488	10.0%
17	Columbus	OH	3,936	2,038	1,128	333	7,434	9.9%
18	Des Moines	IA	2,978	2,617	1,197	470	7,262	9.7%
19	Salt Lake City	UT	3,348	1,904	1,341	561	7,153	9.5%
20	Omaha	NE	2,517	2,823	1,309	489	7,138	9.5%
21	Charlotte	NC	3,314	2,021	1,207	519	7,061	9.4%
22	Boise	ID	3,298	2,176	1,170	399	7,043	9.4%
23	Minneapolis	MN	2,936	2,582	997	447	6,962	9.3%
24	Indianapolis	IN	2,788	2,856	1,073	209	6,925	9.2%
25	Burlington	VT	1,640	3,971	890	305	6,807	9.1%
26	Kansas City	MO	3,368	1,595	1,325	517	6,805	9.1%
27	New Orleans	LA	2,518	2,231	1,668	382	6,798	9.1%
28	Columbia	SC	2,986	2,214	968	601	6,769	9.0%
29	Little Rock	AR	2,953	1,648	1,529	464	6,594	8.8%
30	Oklahoma City	OK	3,178	1,538	1,533	345	6,593	8.8%
31	Virginia Beach	VA	2,901	1,918	1,136	456	6,411	8.5%
32	Honolulu	HI	3,399	1,781	824	388	6,393	8.5%
33	Albuquerque	NM	2,172	2,517	1,415	265	6,369	8.5%
34	Charleston	WV	3,232	1,395	1,141	577	6,344	8.5%
35	Jackson	MS	2,060	1,971	1,421	745	6,197	8.3%
36	Birmingham	AL	3,453	988	1,344	396	6,181	8.2%
37	Wilmington	DE	3,153	2,416	0	276	5,845	7.8%
38	Wichita	KS	2,556	1,309	1,221	597	5,683	7.6%
39	Billings	MT	3,118	1,864	0	628	5,610	7.5%
40	Denver	CO	2,354	1,362	1,215	604	5,535	7.4%
41	Fargo	ND	995	3,111	996	314	5,416	7.2%
42	Manchester	NH	0	4,399	461	398	5,259	7.0%
43	Seattle	WA	0	3,114	1,415	348	4,876	6.5%
44	Phoenix	AZ	1,454	1,248	1,652	429	4,782	6.4%
45	Memphis	TN	0	2,501	1,830	376	4,708	6.3%
46	Houston	TX	0	2,861	1,426	325	4,612	6.1%
47	Sioux Falls	SD	0	2,228	1,406	296	3,930	5.2%
48	Las Vegas	NV	0	2,225	1,026	551	3,802	5.1%
49	Jacksonville	FL	0	1,744	1,158	333	3,235	4.3%
50	Anchorage	AK	0	3,058	0	150	3,209	4.3%
51	Cheyenne	WY	0	1,108	1,340	451	2,899	3.9%
AVERAGE ^{1/}			\$2,845	\$2,836	\$1,194	\$440	\$6,832	9.1%
MEDIAN			\$2,901	\$2,501	\$1,144	\$398	\$6,805	9.1%

1/ Based on cities actually levying tax.

TABLE 1								
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 2003								
\$100,000								
RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	4,158	10,900	1,409	1,250	17,716	17.7%
2	New York City	NY	7,254	5,066	1,602	310	14,232	14.2%
3	Newark	NJ	1,778	10,869	1,230	316	14,193	14.2%
4	Providence	RI	2,762	7,782	1,333	1,615	13,492	13.5%
5	Philadelphia	PA	6,977	4,050	1,238	377	12,642	12.6%
6	Portland	OR	7,002	5,250	0	321	12,573	12.6%
7	Baltimore	MD	5,527	4,557	1,449	344	11,876	11.9%
8	Milwaukee	WI	4,476	5,022	1,338	442	11,328	11.3%
9	Atlanta	GA	3,691	5,282	1,682	548	11,203	11.2%
10	Detroit	MI	5,930	3,255	1,274	444	10,904	10.9%
11	Los Angeles	CA	3,004	5,627	1,495	730	10,856	10.9%
12	Portland	ME	4,902	4,126	1,125	581	10,734	10.7%
13	Louisville	KY	6,631	2,256	1,327	491	10,705	10.7%
14	WASHINGTON	DC	5,791	2,810	1,434	420	10,454	10.5%
15	Boston	MA	4,643	4,367	765	480	10,254	10.3%
16	Columbus	OH	5,878	2,581	1,428	366	10,254	10.3%
17	Chicago	IL	2,760	4,619	2,006	665	10,050	10.0%
18	Des Moines	IA	4,490	3,373	1,516	587	9,966	10.0%
19	Omaha	NE	3,974	3,576	1,657	656	9,864	9.9%
20	Charlotte	NC	5,112	2,560	1,529	650	9,851	9.9%
21	Boise	ID	4,943	2,990	1,482	433	9,848	9.8%
22	Minneapolis	MN	4,363	3,289	1,321	559	9,533	9.5%
23	Burlington	VT	2,961	5,030	1,127	333	9,452	9.5%
24	New Orleans	LA	3,763	3,176	2,112	384	9,435	9.4%
25	Columbia	SC	4,428	2,911	1,226	861	9,426	9.4%
26	Salt Lake City	UT	4,727	2,411	1,698	554	9,391	9.4%
27	Little Rock	AR	4,424	2,167	1,937	618	9,146	9.1%
28	Kansas City	MO	4,651	2,020	1,678	725	9,074	9.1%
29	Indianapolis	IN	3,813	3,649	1,359	234	9,054	9.1%
30	Albuquerque	NM	3,598	3,208	1,792	304	8,903	8.9%
31	Charleston	WV	4,857	1,767	1,445	760	8,829	8.8%
32	Honolulu	HI	4,957	2,296	1,044	423	8,720	8.7%
33	Virginia Beach	VA	4,143	2,429	1,439	565	8,576	8.6%
34	Oklahoma City	OK	4,620	1,641	1,941	368	8,571	8.6%
35	Jackson	MS	3,126	2,576	1,800	1,041	8,544	8.5%
36	Birmingham	AL	4,638	1,259	1,703	510	8,110	8.1%
37	Billings	MT	5,028	2,362	0	680	8,070	8.1%
38	Wilmington	DE	4,610	3,060	0	308	7,978	8.0%
39	Wichita	KS	3,943	1,728	1,547	714	7,931	7.9%
40	Fargo	ND	1,787	3,941	1,262	363	7,352	7.4%
41	Denver	CO	3,365	1,725	1,539	618	7,247	7.2%
42	Phoenix	AZ	2,159	2,182	2,092	468	6,901	6.9%
43	Manchester	NH	0	5,573	584	419	6,575	6.6%
44	Seattle	WA	0	3,944	1,792	386	6,122	6.1%
45	Memphis	TN	30	3,169	2,318	407	5,924	5.9%
46	Houston	TX	0	3,684	1,806	352	5,843	5.8%
47	Sioux Falls	SD	0	2,822	1,781	328	4,931	4.9%
48	Las Vegas	NV	0	2,818	1,300	672	4,790	4.8%
49	Jacksonville	FL	0	2,465	1,467	369	4,300	4.3%
50	Anchorage	AK	0	3,874	0	161	4,035	4.0%
51	Cheyenne	WY	0	1,403	1,697	496	3,596	3.6%
AVERAGE ^{1/}			\$4,220	\$3,637	\$1,514	\$529	\$9,203	9.2%
MEDIAN			\$4,158	\$3,176	\$1,449	\$468	\$9,391	9.4%

1/ Based on cities actually levying tax.

TABLE 1								
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 2003								
\$150,000								
RANK	CITY	ST	TAXES				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	6,925	15,489	2,002	1,373	25,790	17.2%
2	New York City	NY	12,331	7,341	2,277	325	22,274	14.8%
3	Newark	NJ	4,487	15,446	1,748	325	22,006	14.7%
4	Providence	RI	5,323	11,059	1,894	1,866	20,141	13.4%
5	Portland	OR	11,199	7,460	0	338	18,997	12.7%
6	Philadelphia	PA	10,476	5,755	1,759	394	18,384	12.3%
7	Los Angeles	CA	6,766	8,028	2,125	797	17,716	11.8%
8	Baltimore	MD	8,743	6,476	2,059	359	17,636	11.8%
9	Milwaukee	WI	7,311	7,170	1,973	461	16,914	11.3%
10	Atlanta	GA	5,990	7,788	2,390	603	16,771	11.2%
11	Portland	ME	8,415	5,864	1,599	639	16,516	11.0%
12	WASHINGTON	DC	9,622	4,114	2,037	420	16,192	10.8%
13	Detroit	MI	9,225	4,626	1,811	478	16,139	10.8%
14	Columbus	OH	10,039	3,668	2,030	382	16,119	10.7%
15	Louisville	KY	10,227	3,343	1,885	535	15,991	10.7%
16	Des Moines	IA	7,797	4,884	2,155	603	15,439	10.3%
17	Boise	ID	8,202	4,618	2,106	450	15,376	10.3%
18	Omaha	NE	7,059	5,082	2,355	737	15,234	10.2%
19	Boston	MA	7,293	6,206	1,105	820	15,123	10.1%
20	Burlington	VT	5,673	7,149	1,602	346	14,769	9.8%
21	Charlotte	NC	8,190	3,638	2,172	698	14,699	9.8%
22	Minneapolis	MN	7,434	4,750	1,878	595	14,657	9.8%
23	New Orleans	LA	6,046	5,065	3,002	404	14,517	9.7%
24	Chicago	IL	4,260	6,708	2,851	685	14,504	9.7%
25	Little Rock	AR	7,384	3,206	2,753	670	14,014	9.3%
26	Albuquerque	NM	6,556	4,591	2,547	317	14,011	9.3%
27	Columbia	SC	6,800	4,305	1,742	950	13,797	9.2%
28	Kansas City	MO	7,548	2,870	2,385	793	13,596	9.1%
29	Salt Lake City	UT	7,267	3,427	2,389	511	13,593	9.1%
30	Charleston	WV	8,105	2,511	2,053	826	13,494	9.0%
31	Honolulu	HI	8,209	3,327	1,484	439	13,458	9.0%
32	Oklahoma City	OK	7,361	2,852	2,759	379	13,351	8.9%
33	Indianapolis	IN	5,863	5,235	1,931	246	13,274	8.8%
34	Billings	MT	9,163	3,356	0	708	13,227	8.8%
35	Virginia Beach	VA	6,564	3,452	2,197	602	12,815	8.5%
36	Jackson	MS	5,220	3,788	2,558	1,143	12,708	8.5%
37	Wilmington	DE	7,628	4,349	0	323	12,300	8.2%
38	Wichita	KS	6,669	2,565	2,198	792	12,224	8.1%
39	Birmingham	AL	6,816	1,829	2,420	551	11,616	7.7%
40	Fargo	ND	3,335	5,600	1,793	376	11,104	7.4%
41	Phoenix	AZ	3,630	3,811	2,973	474	10,888	7.3%
42	Denver	CO	5,328	2,451	2,187	683	10,648	7.1%
43	Manchester	NH	10	7,919	830	449	9,208	6.1%
44	Seattle	WA	0	5,604	2,547	405	8,556	5.7%
45	Memphis	TN	150	4,503	3,295	422	8,369	5.6%
46	Houston	TX	0	5,330	2,491	366	8,187	5.5%
47	Sioux Falls	SD	0	4,010	2,532	343	6,884	4.6%
48	Las Vegas	NV	0	4,004	1,847	720	6,572	4.4%
49	Jacksonville	FL	0	3,906	2,084	386	6,376	4.3%
50	Anchorage	AK	0	5,505	0	166	5,672	3.8%
51	Cheyenne	WY	0	1,994	2,412	549	4,955	3.3%
AVERAGE 1/			\$7,015	\$5,255	\$2,154	\$567	\$13,859	9.2%
MEDIAN			\$6,816	\$4,618	\$2,084	\$478	\$14,011	9.3%

1/ Based on cities actually levying tax.

The average tax burden for the 51 cities is progressive since the percentage tax burden at \$150,000 income (9.2 percent of income) is greater than the percentage tax burden at \$25,000 (7.3 percent). Any tax system in which the percentage of tax paid rises with the income level is said to be progressive. A tax system in which the percentage of taxes paid decreases as income rises is regressive.

Table 2 (page 14) indicates the relative progressivity or regressivity for the tax systems of each of the 51 cities. The progressivity index is measured by dividing the percentage tax burden at the \$25,000 income level by the percentage tax burden at the \$150,000 income level. Index coefficients of less than 1.000 indicates a progressive tax system, while an index greater than 1.000 indicates a regressive tax system. A proportional tax system is indicated by a coefficient of 1.000. The average index of .821 indicates that, overall, the average state and local tax system of the 51 cities is slightly progressive. The most progressive tax systems are found in New Orleans, Louisiana; Boise, Idaho; and New York City, New York. A graduated individual income tax and some type of low-income exemption or credit on the real property tax characterize the tax system in each of these cities.

The three cities with the least progressive state and local tax systems are Las Vegas, Nevada; Sioux Falls, South Dakota; and Seattle, Washington. None of these cities levies an Individual Income tax. In Sioux Falls and Seattle, the sales and use tax burden is substantially above the 51-city average.

Several factors contribute to the progressivity of a tax system. A graduated individual income tax rate system, as well as exemptions and credits to lessen the regressivity of the property tax, will increase the progressivity of a tax system. Progressivity can be lessened by reliance on regressive taxes such as the sales tax and certain automobile taxes. The assumptions used in the calculation of housing values for the property tax (Chapter I) presuppose a certain regressivity in the property tax because the higher income family is assumed to spend a lower portion of income on housing than the lower income family. Similarly, the assumptions with regard to the composition of income at the five income levels also affect the progressivity of the individual income tax. The upper and lower income levels chosen for comparison also affect progressivity as measured in this study.

TABLE 2 INDEX OF PROGRESSIVITY FOR THE TAX SYSTEM OF THE LARGEST CITY IN EACH STATE 2003					
CITY	ST	MAJOR STATE AND LOCAL TAXES AS A PERCENT OF INCOME FOR \$25,000 FAMILY	MAJOR STATE AND LOCAL TAXES AS A PERCENT OF INCOME FOR \$150,000 FAMILY	PROGRESSIVITY INDEX	MAJOR STATE AND LOCAL TAX BURDEN RANK AT \$75,000 INCOME LEVEL
New Orleans	LA	4.3%	9.7%	0.448	27
Boise	ID	4.8%	10.3%	0.471	22
New York City	NY	7.1%	14.8%	0.481	3
Wichita	KS	4.2%	8.1%	0.518	38
Oklahoma City	OK	4.9%	8.9%	0.550	30
Columbia	SC	5.3%	9.2%	0.575	28
Minneapolis	MN	5.8%	9.8%	0.595	23
Jacksonville	FL	2.5%	4.3%	0.596	49
WASHINGTON	DC	6.6%	10.8%	0.614	15
Portland	ME	6.9%	11.0%	0.629	14
Baltimore	MD	7.5%	11.8%	0.636	7
Billings	MT	5.9%	8.8%	0.666	39
Albuquerque	NM	6.2%	9.3%	0.668	33
Jackson	MS	5.9%	8.5%	0.693	35
Charlotte	NC	6.9%	9.8%	0.699	21
Milwaukee	WI	7.9%	11.3%	0.703	8
Atlanta	GA	7.9%	11.2%	0.705	9
Little Rock	AR	6.6%	9.3%	0.706	29
Wilmington	DE	5.9%	8.2%	0.725	37
Des Moines	IA	7.5%	10.3%	0.729	18
Los Angeles	CA	8.6%	11.8%	0.732	16
Phoenix	AZ	5.4%	7.3%	0.737	44
Salt Lake City	UT	6.7%	9.1%	0.743	19
Denver	CO	5.3%	7.1%	0.744	40
Omaha	NE	7.6%	10.2%	0.749	20
Honolulu	HI	6.7%	9.0%	0.752	32
Kansas City	MO	7.0%	9.1%	0.768	26
Burlington	VT	7.6%	9.8%	0.772	25
Charleston	WV	7.0%	9.0%	0.783	34
Columbus	OH	8.5%	10.7%	0.788	17
Boston	MA	8.0%	10.1%	0.790	12
Portland	OR	10.3%	12.7%	0.815	6
Providence	RI	11.1%	13.4%	0.828	5
Louisville	KY	8.9%	10.7%	0.836	11
Bridgeport	CT	15.1%	17.2%	0.880	1
Virginia Beach	VA	7.6%	8.5%	0.886	31
Detroit	MI	9.9%	10.8%	0.916	10
Philadelphia	PA	11.3%	12.3%	0.918	4
Indianapolis	IN	8.2%	8.8%	0.932	24
Fargo	ND	6.9%	7.4%	0.937	41
Newark	NJ	15.0%	14.7%	1.021	2
Chicago	IL	9.9%	9.7%	1.024	13
Birmingham	AL	8.2%	7.7%	1.062	36
Houston	TX	6.3%	5.5%	1.146	46
Anchorage	AK	4.7%	3.8%	1.232	50
Manchester	NH	7.6%	6.1%	1.240	42
Memphis	TN	7.0%	5.6%	1.260	45
Cheyenne	WY	4.2%	3.3%	1.268	51
Seattle	WA	7.3%	5.7%	1.280	43
Sioux Falls	SD	5.9%	4.6%	1.285	47
Las Vegas	NV	5.9%	4.4%	1.345	48
AVERAGE		7.3%	9.2%	0.821	
MEDIAN		7.0%	9.3%	0.752	

CHAPTER III

Comparing Specific Tax Burdens For A Family Of Four In The Largest City In Each State

Individual Income Tax

Residents of 44 of the 51 cities in the study are subject to some type of individual income tax at the state and/or local levels. Individual income tax burdens vary widely due to factors such as differences in tax base, tax rates, exemptions, deductions and treatment of federal taxes. These variations are reflected in the individual income tax burdens shown in Table 3 (page 18).

The percentage of income paid in individual income taxes by residents of the largest city in states having an income tax at the income level of \$25,000 ranges from a low of zero percent in thirteen of the cities in the study to a high of 5.2 percent in Louisville, Kentucky. At the \$150,000 income level, the burden ranges from zero percent of income in Manchester, New Hampshire to 8.2 percent in New York City, New York. It should be noted that the Tennessee and New Hampshire income taxes are applicable only to interest and dividend income and the exemptions are high enough to eliminate individual income taxes at most income levels used in the study. New York City has broad-based income taxes at both the state and local levels, each of which has graduated rates.

The average individual income tax rate for the 44 cities levying the tax ranges from 1.3 percent at \$25,000 income to 4.7 percent at \$150,000 income. Overall, the individual income tax is quite progressive.

As Table 3 indicates, there are several types of individual income tax systems including graduated state and local rates, graduated state and flat local rates, flat state and local rates, state tax rates as a percent of federal income tax liability, graduated state tax rates and flat state rates with exemptions. The most common system is the graduated state tax rate, which applies to taxpayers in 28 of the cities. Taxpayers of five cities are subject to a flat state tax rate with exemptions. One city is located in a state that levies state taxes based on a percentage of federal tax liability. Income tax systems that utilize a percentage of the federal tax tend to be progressive because they are linked to the federal tax rate system, which is graduated within the income ranges used in the study.

Three of the larger cities in the study, Indianapolis, Indiana; Detroit, Michigan; and Philadelphia, Pennsylvania are subject to flat state and local tax rates. Six other cities levy local income taxes with flat rates to complement graduated rate income tax systems. New York City residents are subject to separate state and local income taxes, both of which are characterized by graduated rate schedules.

Several of the state individual income tax systems are indexed. Indexing takes several forms and is used to keep individuals from being taxed at higher rates if their income rises less than the rate of inflation. Thus, only the "real" income gain above the inflation rate is subject to higher tax rates. The table below summarizes the various indexing methods used by states:

**States That Index Some Part of
Their Individual Income Tax**

<u>State</u>	<u>Indexed Portion</u>	<u>Status</u>
Arkansas	Tax brackets	Active
California	Tax brackets, exemptions (credit), standard deduction	Active
Idaho	Tax brackets	Active
Iowa	Tax brackets, standard deduction	Active
Maine	Tax brackets standard deduction	Active
Michigan	Personal exemptions	Active
Minnesota	Tax brackets, exemptions and standard deduction	Active
Montana	Tax brackets, exemptions, standard deduction	Active
North Dakota	Tax brackets, exemptions, standard deduction	Active
Ohio	Standard deduction	Active
Oregon	Tax brackets, exemptions Standard deduction	Active
South Carolina	Tax brackets	Active
Utah	Standard deduction, personal exemption	Active
Wisconsin	Tax Brackets, Standard Deduction	Active

States that tax a percentage of federal net taxable income or a percentage of the federal liability implicitly accept the federal indexing of tax brackets, exemptions and the standard deduction.

Table 1 indicates that the hypothetical families pay more in individual income taxes than any other tax at the three top income levels. At \$25,000, the individual income tax is the third, and at \$50,000, the second most burdensome tax.

Real Property Tax

All 51 cities in the study levy a property tax on residential property located within the city. The real property tax is a function of housing values, real estate tax rates, assessment levels, homeowner exemptions and credits. Nominal rates used in table 4 (page 19), represent the "announced" rates levied by the jurisdiction, while effective rates consider the various assessment levels in the cities. As the data indicate, effective rates range from a high of \$3.88 per \$100 of assessed value in Providence, Rhode Island to 38 cents per \$100 of assessed value in Honolulu, Hawaii. Assessment levels vary dramatically from 4.0 percent of assessed value in Columbia, South Carolina to 137.0 percent of assessed value in Newark, New Jersey. Local assessors and state tax officials provided the assessment level and nominal rate used in the cities.

The assumed housing values in the 51 cities at each of the five income levels are presented in Table 5, page 20. Housing values at the same income level vary a great deal. In addition, several jurisdictions allow tax exemptions and credits in the calculations of the property tax. These exemptions and credits are noted in Table 6 (page 21). The data in Table 5 are based on the 2000 U.S. Census of Population.

The hypothetical family pays more in real property taxes than any other tax in the study at the income levels \$25,000 and \$50,000. It is the second highest tax paid at the \$75,000, \$100,000 and \$150,000 income levels. In Table 1, Bridgeport, Connecticut; Newark, New Jersey and Providence, Rhode Island have the highest property tax burdens. This is due primarily to the high real estate tax rates in each of these cities.

Birmingham, Alabama; Cheyenne, Wyoming; and Wichita, Kansas have the lowest real estate tax burden at all income levels. This very low real estate tax burden results from a combination of a low effective real estate tax rate, below average housing values or an exemption program.

TABLE 3 INCOME TAX BURDEN AS PERCENT OF INCOME IN THE LARGEST CITIES BY TYPE OF INCOME TAX FOR A FAMILY OF FOUR 2003						
CITIES WITH:	ST	INCOME LEVELS:				
		\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
GRADUATED STATE AND LOCAL TAX RATES						
New York City	NY	0.0%	5.0%	6.7%	7.3%	8.2%
GRADUATED STATE AND FLAT LOCAL RATES						
Birmingham	AL	4.2%	4.6%	4.6%	4.6%	4.5%
Wilmington	DE	1.8%	3.5%	4.2%	4.6%	5.1%
Louisville	KY	5.2%	6.2%	6.4%	6.6%	6.8%
Baltimore	MD	0.0%	4.5%	5.2%	5.5%	5.8%
Kansas City	MO	1.9%	4.0%	4.5%	4.7%	5.0%
Columbus	OH	3.1%	4.5%	5.2%	5.9%	6.7%
FLAT STATE AND LOCAL TAX RATES						
Indianapolis	IN	2.5%	3.5%	3.7%	3.8%	3.9%
Detroit	MI	4.0%	5.3%	5.7%	5.9%	6.2%
Philadelphia	PA	4.5%	7.2%	7.0%	7.0%	7.0%
STATE TAX RATES AS A PERCENT OF FEDERAL LIABILITY						
Burlington	VT	0.0%	1.9%	2.2%	3.0%	3.8%
GRADUATED STATE TAX						
Phoenix	AZ	0.7%	1.6%	1.9%	2.2%	2.4%
Little Rock	AR	2.0%	3.2%	3.9%	4.4%	4.9%
Los Angeles	CA	0.0%	0.4%	1.8%	3.0%	4.5%
Bridgeport	CT	0.0%	1.0%	3.6%	4.2%	4.6%
WASHINGTON	DC	1.7%	4.5%	5.2%	5.8%	6.4%
Atlanta	GA	1.5%	2.7%	3.4%	3.7%	4.0%
Honolulu	HI	2.5%	3.8%	4.5%	5.0%	5.5%
Boise	ID	0.0%	3.3%	4.4%	4.9%	5.5%
Des Moines	IA	1.6%	3.2%	4.0%	4.5%	5.2%
Wichita	KS	0.0%	2.4%	3.4%	3.9%	4.4%
New Orleans	LA	1.1%	2.4%	3.4%	3.8%	4.0%
Portland	ME	0.1%	2.8%	4.1%	4.9%	5.6%
Minneapolis	MN	0.0%	3.1%	3.9%	4.4%	5.0%
Jackson	MS	0.6%	2.0%	2.7%	3.1%	3.5%
Billings	MT	1.6%	3.0%	4.2%	5.0%	6.1%
Omaha	NE	0.7%	2.4%	3.4%	4.0%	4.7%
Newark	NJ	0.9%	1.2%	1.4%	1.8%	3.0%
Albuquerque	NM	0.2%	1.9%	2.9%	3.6%	4.4%
Charlotte	NC	1.6%	3.6%	4.4%	5.1%	5.5%
Fargo	ND	0.3%	1.2%	1.3%	1.8%	2.2%
Oklahoma City	OK	0.0%	3.6%	4.2%	4.6%	4.9%
Portland	OR	3.7%	5.9%	6.5%	7.0%	7.5%
Providence	RI	0.0%	1.9%	2.2%	2.8%	3.5%
Columbia	SC	0.3%	3.1%	4.0%	4.4%	4.5%
Salt Lake City	UT	0.9%	3.9%	4.5%	4.7%	4.8%
Virginia Beach	VA	2.3%	3.4%	3.9%	4.1%	4.4%
Charleston	WV	2.3%	3.4%	4.3%	4.9%	5.4%
Milwaukee	WI	0.0%	3.2%	4.0%	4.5%	4.9%
FLAT STATE TAX RATE WITH EXEMPTIONS						
Denver	CO	0.6%	2.6%	3.1%	3.4%	3.6%
Chicago	IL	2.0%	2.5%	2.7%	2.8%	2.8%
Boston	MA	1.4%	4.0%	4.4%	4.6%	4.9%
Manchester	NH	0.0%	0.0%	0.0%	0.0%	0.0%
Memphis	TN	0.0%	0.0%	0.0%	0.0%	0.1%
No income tax: Anchorage, AK; Jacksonville, FL; Las Vegas, NV; Sioux Falls, SD; Houston, TX; Seattle, WA; Cheyenne, WY						
AVERAGE 1/		1.3%	3.1%	3.8%	4.2%	4.7%
1/ Based on cities actually levying tax.						

TABLE 4
RESIDENTIAL PROPERTY TAX RATES IN THE LARGEST CITY IN EACH STATE
2003

RANK	CITY	ST	NOMINAL RATE PER \$100	ASSESSMENT LEVEL	EFFECTIVE RATE PER \$100
1.	Providence	RI	3.88	100.0%	3.88
2.	Bridgeport,	CT	5.52	70.0%	3.86
3.	Newark,	NJ	2.16	137.0%	2.96
4.	Philadelphia,	PA	8.26	32.0%	2.64
5.	Houston,	TX	2.62	100.0%	2.62
6.	Manchester,	NH	2.57	100.0%	2.57
7.	Milwaukee,	WI	2.53	100.0%	2.53
8.	Baltimore,	MD	2.46	100.0%	2.46
9.	Des Moines,	IA	4.48	48.5%	2.17
10.	Indianapolis,	IN	2.17	100.0%	2.17
11.	Fargo,	ND	48.66	4.4%	2.12
12.	Omaha,	NE	2.16	94.0%	2.03
13.	Jacksonville,	FL	1.94	100.0%	1.94
14.	Burlington,	VT	2.75	67.6%	1.86
15.	Detroit,	MI	6.73	27.1%	1.82
16.	Portland,	OR	2.24	80.0%	1.79
17.	Atlanta,	GA	4.47	40.0%	1.79
18.	Boise,	ID	1.79	97.8%	1.75
19.	New Orleans,	LA	17.50	10.0%	1.75
20.	Portland,	ME	2.57	68.0%	1.75
21.	Memphis,	TN	7.27	23.8%	1.73
22.	Jackson,	MS	16.93	10.0%	1.69
23.	Chicago,	IL	7.63	22.1%	1.69
24.	Billings,	MT	2.03	80.0%	1.62
25.	Anchorage,	AK	1.62	100.0%	1.62
26.	Sioux Falls,	SD	1.77	85.0%	1.50
27.	Wilmington,	DE	2.75	53.0%	1.45
28.	Columbus,	OH	4.91	29.6%	1.45
29.	Columbia,	SC	35.02	4.0%	1.40
30.	Little Rock,	AR	6.90	20.0%	1.38
31.	Salt Lake City,	UT	1.37	99.0%	1.36
32.	Boston,	MS	1.33	100.0%	1.33
33.	Minneapolis,	MN	1.52	86.4%	1.32
34.	Wichita,	KS	11.36	11.5%	1.31
35.	Albuquerque,	NM	3.82	33.3%	1.27
36.	Louisville,	KY	1.21	100.0%	1.21
37.	Phoenix,	AZ	11.65	10.0%	1.17
38.	Oklahoma City,	OK	10.59	11.0%	1.16
39.	Kansas City,	MO	6.13	19.0%	1.16
40.	Charlotte,	NC	1.16	98.1%	1.13
41.	New York City,	NY	14.05	8.0%	1.12
42.	Virginia Beach,	VA	1.22	90.6%	1.11
43.	Las Vegas,	NV	3.12	35.0%	1.09
44.	Los Angeles,	CA	1.08	100.0%	1.08
45.	Seattle,	WA	1.10	90.5%	0.99
46.	WASHINGTON,	DC	0.96	100.0%	0.96
47.	Charleston,	WV	1.47	60.0%	0.88
48.	Birmingham,	AL	6.95	10.0%	0.70
49.	Cheyenne,	WY	7.10	9.5%	0.67
50.	Denver,	CO	6.63	8.0%	0.53
51.	Honolulu,	HI	0.38	100.0%	0.38
UNWEIGHTED AVERAGE			\$6.05	60.5%	\$1.65
MEDIAN					\$1.50

NOTE: All rates and percentages in this table are rounded.

**TABLE 5
FACTORS USED IN HOUSING VALUE ASSUMPTIONS
2003**

CITY	ST	MEDIAN SINGLE FAMILY HOUSING VALUE 1/	MEDIAN FAMILY INCOME 2/	HOUSING TO INCOME RATIO 3/	HOUSING VALUE ASSUMPTIONS AT INDICATED INCOME LEVELS:				
					\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Honolulu,	HI	\$386,700	\$56,311	6.87	\$180,265	\$343,361	\$515,041	\$652,386	\$927,075
Los Angeles,	CA	221,600	39,942	5.55	145,636	277,402	416,103	527,064	748,986
New York City,	NY	211,900	41,887	5.06	132,795	252,942	379,414	480,591	682,945
Boston,	MA	190,600	44,151	4.32	113,321	215,850	323,775	410,115	582,795
Seattle,	WA	259,600	62,195	4.17	109,567	208,698	313,048	396,527	563,486
Newark,	NJ	119,000	30,781	3.87	101,483	193,301	289,952	367,272	521,913
Atlanta,	GA	130,600	37,231	3.51	92,081	175,391	263,087	333,244	473,557
Denver,	CO	165,800	48,195	3.44	90,305	172,010	258,014	326,818	464,426
WASHINGTON,	DC	157,200	46,283	3.40	89,158	169,825	254,737	322,667	458,527
Salt Lake City,	UT	153,300	45,140	3.40	89,148	169,805	254,708	322,630	458,474
Providence,	RI	101,500	32,058	3.17	83,111	158,307	237,460	300,783	427,428
Chicago,	IL	132,400	42,724	3.10	81,348	154,948	232,422	294,401	418,360
Portland,	OR	154,900	50,271	3.08	80,884	154,065	231,097	292,723	415,975
Bridgeport	CT	117,500	39,571	2.97	77,945	148,467	222,701	282,088	400,862
Burlington,	VT	131,200	46,012	2.85	74,850	142,572	213,857	270,886	384,943
Albuquerque,	NM	127,600	46,979	2.72	71,298	135,805	203,708	258,030	366,674
Las Vegas,	NV	137,300	50,465	2.72	71,418	136,035	204,052	258,466	367,294
New Orleans,	LA	87,300	32,338	2.70	70,865	134,981	202,471	256,463	364,447
Anchorage,	AK	160,700	63,682	2.52	66,241	126,174	189,261	239,730	340,669
Portland,	ME	121,200	48,763	2.49	65,244	124,275	186,412	236,122	335,541
Columbia,	SC	98,500	39,589	2.49	65,312	124,403	186,605	236,366	335,889
Phoenix,	AZ	112,600	46,467	2.42	63,610	121,161	181,742	230,206	327,135
Charlotte,	NC	134,300	56,517	2.38	62,377	118,814	178,221	225,746	320,797
Minneapolis,	MN	113,500	48,602	2.34	61,301	116,765	175,147	221,853	315,265
Boise City,	ID	120,700	52,014	2.32	60,914	116,026	174,040	220,450	313,271
Virginia Beach,	VA	123,200	53,242	2.31	60,742	115,698	173,547	219,826	312,385
Manchester,	NH	114,300	50,039	2.28	59,961	114,211	171,316	217,001	308,369
Louisville,	KY	82,300	36,696	2.24	58,872	112,138	168,206	213,061	302,771
Billings,	MT	99,900	45,032	2.22	58,234	110,921	166,382	210,750	299,487
Wilmington,	DE	89,100	40,241	2.21	58,122	110,708	166,062	210,345	298,912
Cheyenne,	WY	102,400	46,771	2.19	57,472	109,470	164,204	207,992	295,568
Columbus,	OH	101,400	47,391	2.14	56,166	106,982	160,474	203,266	288,852
Milwaukee,	WI	80,400	37,879	2.12	55,717	106,127	159,191	201,642	286,544
Charleston,	WV	101,400	47,975	2.11	55,482	105,680	158,520	200,792	285,336
Indianapolis,	IN	98,500	48,979	2.01	52,790	100,553	150,830	191,051	271,494
Sioux Falls,	SD	101,700	51,516	1.97	51,821	98,707	148,061	187,544	266,509
Houston,	TX	79,300	40,443	1.96	51,471	98,039	147,059	186,275	264,706
Birmingham,	AL	62,100	31,851	1.95	51,180	97,485	146,228	185,222	263,210
Baltimore,	MD	69,100	35,438	1.95	51,184	97,494	146,241	185,239	263,234
Fargo,	ND	98,700	50,486	1.95	51,319	97,750	146,625	185,725	263,925
Memphis,	TN	72,800	37,767	1.93	50,600	96,380	144,571	183,123	260,227
Little Rock,	AR	89,300	47,446	1.88	49,406	94,107	141,160	178,803	254,089
Detroit,	MI	63,600	33,853	1.88	49,316	93,936	140,903	178,478	253,626
Oklahoma City,	OK	80,300	42,689	1.88	49,377	94,052	141,078	178,699	253,941
Jacksonville,	FL	87,800	47,243	1.86	48,785	92,924	139,386	176,555	250,894
Omaha,	NE	94,200	50,821	1.85	48,656	92,678	139,017	176,089	250,231
Kansas City,	MO	84,000	46,012	1.83	47,922	91,281	136,921	173,433	246,457
Jackson,	MS	64,400	36,003	1.79	46,954	89,437	134,155	169,930	241,480
Des Moines,	IA	81,100	46,590	1.74	45,694	87,036	130,554	165,368	234,997
Philadelphia,	PA	59,700	37,036	1.61	42,314	80,597	120,896	153,135	217,613
Wichita,	KS	78,900	49,247	1.60	42,056	80,106	120,160	152,202	216,287
AVERAGE		\$119,753	\$44,840	2.65	\$69,649	\$132,664	\$198,997	\$252,062	\$358,194
MEDIAN		\$101,700	\$46,283	2.31	\$60,742	\$115,698	\$173,547	\$219,826	\$312,385

1/ General Housing Characteristics, U.S. Summary, Bureau of the Census.

2/ U.S. Census Bureau, Census 2000, Table DP-3, Profile of Selected Economic Characteristics: 2000.

3/ Figures are rounded

**TABLE 6
CITIES WHICH ALLOW EXEMPTIONS OR REDUCED RATES
IN THE CALCULATION OF REAL ESTATE TAXES FOR HOMEOWNERS
2003**

CITY	STATE	EXEMPTION OR TAX REDUCTION AMOUNT	BASIS OF TAX REDUCTION OR EXEMPTION
Birmingham,	AL	\$4,000	Assessed Value-Homestead
Little Rock, 1/	AR	\$300 Credit against Homestead for homeowners	Tax Credit
Phoenix,	AZ	35% Exemption on School Tax Rates up to \$500	Assessed Value
Los Angeles,	CA	\$7,000 Exemption	Assessed Value
WASHINGTON,	DC	\$30,000 Exemption	Assessed Value-Homestead
Jacksonville,	FL	\$25,000 Exemption	Assessed Value 2/
Atlanta,	GA	\$15,000 Exemption	Assessed Value
Honolulu,	HI	\$40,000 Exemption (below age 55)	Assessed Value
Boise City,	ID	50% up to \$50,000 Exemption	Assessed Value-Improvements
Chicago,	IL	\$4,500 Exemption	Equalized Assessed Value
Indianapolis,	IN	15% Credit and \$6,000 Exemption	Assessed Value-Homestead
Wichita,	KS	\$20,000 School Levy Exemption	Assessed Value
Louisville,	KY	\$26,800 Homestead Exemption	Assessed Value
Des Moines,	IA	\$4,850 Exemption Credit on 1 st \$4,800 Taxable value	Assessed Value-Homestead
New Orleans,	LA	\$7,500 Exemption	Assessed Value
Boston,	MA	20% Residential Exemption	Assessed Value
Detroit,	MI	Homestead property exempt from Basic local school operating mileage	Taxable Value
Jackson,	MS	\$300 Exemption	Assessed Value
Billings,	MT	31% Homestead exemption	Market Value
Albuquerque,	NM	\$2,000 Household Head Exemption, \$2,000 Veteran exemption	Taxable Value
New York City,	NY	\$30,000	Full Value-Residential School Property Taxes
Columbus,	OH	12.5% Tax Rollback	Assessed Value
Oklahoma City,	OK	\$1,000 Exemption	Assessed Value-Homestead
Providence,	RI	33.35%	Assessed Value
Columbia,	SC	11.0% School district credit	Property tax relief fund
Houston,	TX	20% Exemption on Value Plus \$15,000 Exemption 20% Exemption	Assessed Value -School District Only -City and County Tax Only
Salt Lake City,	UT	45% Residential	Taxable Value Exemption
Milwaukee,	WI	School Levy Credit: \$0.131 per \$100 Market Value Lottery Credit: School Tax on 1 st \$8,700 Market Value	Tax Credit Equalized Assessed Value

1/ Annual assessment increases limited to 5% for homesteads.

2/ Just value increases limited too lesser of change in CPI or 3%.

Given the assumptions used in this study, the real property tax burden is slightly regressive with an average percentage burden of 3.5 percent at \$25,000 income and 3.4 percent at \$150,000 income. Because of high exemptions or credits, the property tax in some cities is actually progressive despite the regressivity assumed in deriving housing values (see Chapter I). For example, in Washington, D.C., the percentage property tax burden is 2.3 percent at \$25,000 and 2.7 percent at the \$150,000 income level.

As mentioned earlier, housing value assumptions combined with flat rates make the property tax regressive overall, while flat amount exemptions and credits can, and in some cities do, alleviate the regressivity of the property tax.

Sales and Use Tax

Residents of 47 of the 51 cities in this study are subject to some form of a sales and use tax. The combined sales tax rates range from 9.25 percent in Memphis, Tennessee to 4 percent in Honolulu as indicated in Table 7, page 23. The highest state sales tax rate is 7 percent in Rhode Island, Mississippi and Tennessee; while the lowest state rate of 2 percent is found in Nevada. Sales taxes are levied by nineteen of the 51 cities in addition to state sales taxes with the highest city rate at 4.125 percent in New York City. Of the nineteen counties levying a sales tax, the highest rate (3.0 percent) is in Clark County (Las Vegas). Four school districts and twelve transit districts also levy sales taxes, with rates ranging from 0.25 percent to 2.25 percent.

The average sales tax burden is the second highest of the four major tax types at the \$25,000 income level, according to Table 1. It is third highest tax paid at the four other income levels. However, the sales tax burden is far below the levels of property and income taxes at the four highest income levels. For cities subject to a sales tax, the highest burdens occur in Memphis, Tennessee; New Orleans, Louisiana; and Phoenix, Arizona. The cities with a sales tax having the lowest burdens include Manchester, New Hampshire; Boston, Massachusetts; and Honolulu, Hawaii.

Table 1 shows that the sales tax is regressive; the \$25,000 income family pays an average 1.7 percent for sales taxes, while the \$150,000 family pays 1.4 percent. Factors that make the sales tax regressive include a flat tax rate as well as a tax base which includes tangible necessities but not necessarily services. Factors which can lessen the regressivity of the sales tax include the exemption of groceries and the taxation of certain services.

TABLE 7 STATE AND LOCAL GENERAL SALES TAX RATES IN EACH OF THE 51 CITIES AS OF DECEMBER 31, 2003							
CITY	ST	TOTAL RATE	STATE	CITY	COUNTY	SCHOOL	TRANSIT
Memphis,	TN	9.25	7.0		2.25		
New Orleans,	LA	9.0	4.0	3.5		1.5	
Seattle,	WA	8.8	6.5	0.85	0.25		1.2
Chicago,	IL	8.75	6.25	1.0	0.75		0.75
New York City,	NY	8.625	4.25	4.125			0.25
Oklahoma City,	OK	8.375	4.5	3.875			
Los Angeles,	CA	8.25	6.0	1.0	0.25		1.0
Houston,	TX	8.25	6.25	1.0			1.0
Phoenix,	AZ	8.1	5.6	1.8	0.7		
Birmingham,	AL	8.0	4.0	3.0	1.0		
Charlotte,	NC	7.5	4.5		2.5		0.5
Las Vegas,	NV	7.5	2.0		3.0	2.25	
Denver,	CO	7.2	2.9	3.5			0.8
Jacksonville,	FL	7.0	6.0		0.5		0.5
Atlanta,	GA	7.0	4.0		1.0	1.0	1.0
Minneapolis,	MN	7.0	6.5	0.5			
Jackson,	MS	7.0	7.0				
Omaha,	NE	7.0	5.5	1.5			
Philadelphia,	PA	7.0	6.0		1.0		
Providence,	RI	7.0	7.0				
Kansas City,	MO	6.975	4.225	1.5	0.750		0.5
Columbus,	OH	6.75	6.0		0.5		0.25
Little Rock,	AR	6.625	5.125	0.5	1.0		
Salt Lake City,	UT	6.6	4.75	1.0	0.35		0.5
Bridgeport,	CT	6.0	6.0				
Des Moines,	IA	6.0	5.0			1.0	
Louisville,	KY	6.0	6.0				
Detroit,	MI	6.0	6.0				
Fargo,	ND	6.0	5.0	1.0			
Newark,	NJ	6.0	6.0				
Sioux Falls,	SD	6.0	4.0	2.0			
Charleston,	WV	6.0	6.0				
Cheyenne,	WY	6.0	4.0		2.0		
Wichita,	KS	5.9	4.9		1.0		
Albuquerque,	NM	5.8125	4.5	1.0625	0.25		
WASHINGTON,	DC	5.75	5.75				
Milwaukee,	WI	5.6	5.0		0.6		
Boise,	ID	5.0	5.0				
Indianapolis,	IN	5.0	5.0				
Boston,	MA	5.0	5.0				
Baltimore,	MD	5.0	5.0				
Portland,	ME	5.0	5.0				
Columbia,	SC	5.0	5.0				
Burlington,	VT	5.0	5.0				
Virginia Beach,	VA	4.5	3.5	1.0			
Honolulu,	HI	4.0	4.0				
UNWEIGHTED AVERAGE		6.55					
MEDIAN		6.50					

Cities with no state general sales tax: Anchorage, AK; Billings, MT; Portland, OR; and Wilmington, DE.

NOTE: Unweighted average and median include only those cities with a sales tax.

Automobile Taxes

Residents of all 51 cities in this study are subject to gasoline taxes and some type of automobile registration fee or tax. The automobile taxes included in this study are gasoline taxes, motor vehicle registration fees, excise taxes and personal property taxes. Twelve of the cities levy a personal property tax based on the value of motor vehicles owned by a taxpayer. Gasoline tax rates in each of the 51 cities as of January 1, 2003 are compared in Table 8, page 25. The gasoline tax rates vary from as high as 33 cents per gallon in Las Vegas, Nevada; and 32.5 cents in Honolulu, Hawaii, to a low of 7.5 cents per gallon in Atlanta, Georgia and 8 cents per gallon in Anchorage, Alaska, and New York City, New York.

As noted before, citizens in all 51 cities are subject to some type of automobile registration fee and tax. They are usually either flat per-vehicle rates or excise taxes based on value. The types of registration and other automobile taxes to which residents of the 51 cities are subject are summarized in Table 9, page 26.

Twelve cities levy personal property taxes on automobiles using various methods. Some cities use a combination of assessment levels and tax rates, which may or may not be the same as is used for other personal property or for real property. Others use the same assessment system and property tax rate for automobiles as they do for personal residences.

The assumptions used for calculating automobile personal property taxes, excise taxes, the gasoline tax and registration fees are presented in Table 10, page 26.

The lowest tax burdens at all income levels in this study are the automobile tax burdens. Providence, Rhode Island; Bridgeport, Connecticut; Jackson, Mississippi; and Columbia, South Carolina are among the cities with high automobile tax burdens. These cities levy either a personal property tax or a very high excise tax. Anchorage, Alaska; Albuquerque, New Mexico; and New York City, New York have consistently low automobile tax burdens. All of these cities have flat registration rates or registration by weight, moderate gasoline tax rates and no personal property or excise tax.

Automobile tax burdens in the 51 cities are regressive on the average as shown in Table 1. The \$25,000 family pays 1.0 percent of income for automobile related taxes, while the \$150,000 income family pays an average of 0.4 percent. Since gasoline consumption does not necessarily increase at the same rate as income, a flat tax rate on gasoline will not be progressive. Similarly, in a society where ownership of at least one automobile by a family is almost a necessity, any tax (excise or personal property) based on the value of vehicle ownership tends to be regressive.

**TABLE 8
GASOLINE TAX RATES IN THE 51 CITIES AS OF DECEMBER 31, 2003
(STATE AND LOCAL RATES)**

CITY	ST	TOTAL RATE	STATE RATE	LOCAL RATE
Las Vegas,	NV	33.0	24.0	09.0
Honolulu,	HI	32.5	16.0	16.5
Milwaukee,	WI	28.5	28.5	00.0
Providence,	RI	28.0	28.0	00.0
Seattle,	WA	28.0	28.0	00.0
Billings,	MT	27.0	27.0	00.0
Portland,	OR	27.0	24.0	03.0
Jacksonville,	FL	26.6	15.5	11.1
Philadelphia,	PA	26.0	26.0	00.0
Bridgeport,	CT	25.0	25.0	00.0
Boise,	ID	25.0	25.0	00.0
Portland,	ME	24.6	24.6	00.0
Omaha,	NE	24.6	24.6	00.0
Salt Lake City,	UT	24.5	24.5	00.0
Charlotte,	NC	24.2	24.2	00.0
Chicago,	IL	24.0	19.0	05.0
Baltimore,	MD	23.5	23.5	00.0
Wilmington,	DE	23.0	23.0	00.0
Denver,	CO	22.0	22.0	00.0
Columbus,	OH	22.0	22.0	00.0
Sioux Falls,	SD	22.0	22.0	00.0
Little Rock,	AR	21.5	21.5	00.0
Boston,	MA	21.0	21.0	00.0
Fargo,	ND	21.0	21.0	00.0
Charleston,	WV	20.5	20.5	00.0
WASHINGTON,	DC	20.0	20.0	00.0
Des Moines,	IA	20.0	20.0	00.0
New Orleans,	LA	20.0	20.0	00.0
Minneapolis,	MN	20.0	20.0	00.0
Memphis,	TN	20.0	20.0	00.0
Houston,	TX	20.0	20.0	00.0
Detroit,	MI	19.0	19.0	00.0
Burlington,	VT	19.0	19.0	00.0
Phoenix,	AZ	18.0	18.0	00.0
Los Angeles,	CA	18.0	18.0	00.0
Wichita,	KS	18.0	18.0	00.0
Manchester,	NH	18.0	18.0	00.0
Jackson,	MS	18.0	18.0	00.0
Virginia Beach,	VA	17.5	17.5	00.0
Birmingham,	AL	17.0	16.0	01.0
Kansas City,	MO	17.0	17.0	00.0
Albuquerque,	NM	17.0	17.0	00.0
Oklahoma City,	OK	17.0	17.0	00.0
Columbia,	SC	16.0	16.0	00.0
Indianapolis,	IN	15.0	15.0	00.0
Louisville,	KY	15.0	15.0	00.0
Cheyenne,	WY	11.0	11.0	00.0
Newark,	NJ	10.5	10.5	00.0
New York City,	NY	08.0	08.0	00.0
Anchorage,	AK	08.0	08.0	00.0
Atlanta,	GA	07.5	07.5	00.0
UNWEIGHTED AVERAGE		20.4		
MEDIAN		20.0		

TABLE 9

**SUMMARY OF TYPES OF AUTOMOBILE
REGISTRATION TAXES
2003**

<u>TYPE OF REGISTRATION</u>	<u>NUMBER OF STATES</u>
Flat Rate Only	28
Weight Only	13
Weight and Age	3
Horsepower Only	1
Age Only	2
Value Only	2
Value and Age	1
Value and Weight	<u>1</u>
	51

<u>OTHER AUTO TAXES (INCLUDING LOCAL)</u>	
Personal Property	12
Excise:	
Value and Age	8
Value Based	4
Age Based	2

TABLE 10
AUTOMOBILE TAX ASSUMPTIONS
2003

Income Level	Description Of Auto	Engine Size Liters 1/	Weight 2/	Year	Market Values			Estimated Mileage Per Gallon 1/	Estimated Annual Gasoline Usage 3/
					Retail Price 2/	Trade-In Value 2/	Loan Value 2/		
\$ 25,000	Sedan, 4 Door 6 cylinder, Automatic	2.0	3,051 lbs.	2000	\$ 5,850	\$ 4,125	\$ 3,709	20	750 Gallons
\$ 50,000	Sedan, 4 Door 4 Cylinder, Automatic	2.2	3,131 lbs.	1999	\$10,450	\$ 8,400	\$ 7,493	23	652 Gallons
\$ 75,000	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,274 lbs.	2002	\$13,975	\$11,525	\$10,269	21	714 Gallons
	Coupe, 2 Door 4 Cylinder, Automatic	1.9	2,422 lbs.	1998	\$ 4,275	\$ 3,050	\$ 2,763	24	313 Gallons
\$100,000	Sedan, 4 Door 6 Cylinder, Automatic	2.8	3,495 lbs.	2000	\$23,120	\$20,050	\$17,804	19	789 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.0	3,359 lbs.	1998	\$ 4,250	\$ 2,950	\$ 2,640	20	375 Gallons
\$150,000	Sedan, 4 Door 8 Cylinder, Automatic	4.0	3,890 lbs.	2000	\$27,225	\$23,050	\$20,192	19	789 Gallons
	Sedan, 4 Door 6 Cylinder, Automatic	3.8	3,362 lbs.	1994	\$ 4,422	\$ 2,722	\$ 2,431	17	441 Gallons

1/ Gas Mileage Guide, EPA fuel economy estimates for city driving, U.S. Department of Energy.

2/ National Automobile Dealers Association Used Car Guide.

3/ Assumes 15,000 miles driven for all vehicles, except second cars, which are assumed to be driven 7,500 miles.

CHAPTER IV

How Do Tax Burdens In Washington, D.C., Compare With Those In The Largest City In Each State?

The nation's capital, Washington, D.C., is unique in many respects. It has a special status in which the day-to-day activities and functions of state, county, city and special districts are combined in one governmental unit. The Mayor and the 13-member District of Columbia Council combine the functions of a state legislature, a county board of commissioners and a city council. Due to this combination of responsibilities, the District has the taxing powers of a state, a county and a municipality, although these powers are limited by actions of the federal government. The graduated income tax, the general sales and use tax and the per gallon gasoline tax are all comparable in form to those levied by most states. The property tax based on assessed value is similar to the type levied in cities and counties. As a result, the tax burden of District residents should be compared to that borne by residents of other large cities.

The burden of each of the four major taxes for Washington, D.C. is compared with the 51-city average at all income levels in Table 11, page 30. The difference between the Washington, D.C. tax burden and the 51-city average increases, on a percentage basis, as the income level rises. This is because the District has a slightly more progressive tax system than the average of the 51 cities in the study. The District of Columbia ranks thirty-two at the \$25,000 income level; fourteenth at the \$50,000 income level; fifteenth at the \$75,000 and fourteenth at the \$100,000 income level; and twelfth at the \$150,000 income level.

The District of Columbia has a relatively high percentage of low-income taxpayers, which limits the District's revenue-raising capacity. Despite these limitations, the District of Columbia must perform and provide funding for functions usually provided at both state and local levels of government. The non-municipal functions include responsibility for welfare programs, physical and mental health care, and maintenance of the public education system.

Individual Income Tax

The individual income tax burden for Washington, D.C. is substantially above the average for the 44 cities that levy an individual income tax at all income levels. Washington, D.C. levies an individual income tax with three rates (for tax year 2004): 5 percent on the first \$10,000 of taxable income; 7.5 percent on the next \$20,000 of taxable income; and 9.3 percent on taxable income over \$30,000. For tax year 2003 personal exemptions of \$1,370 per dependent were allowed, as well as a \$1,370 exemption for the filer and spouse, respectively. A standard deduction of \$2,000 (\$1,000 for married-separate) was in effect for the period of this study. Itemized deductions are the same as those allowed in computing the federal income tax, but the District does not allow the deduction of its own individual income tax. Washington, D.C. also

has liberal "circuit-breaker" property tax relief programs for both elderly and non-elderly qualified homeowners and renters, as well as a low-income credit, which eliminates the District income tax for taxpayers with no federal income tax liability.

The individual income tax burden for Washington, D.C. is substantially above the average of the 51 cities at all five income levels studied according to Table 11. The high income tax burden on those subject to the tax is due in part to restrictions on the individual income tax base of the District. The Congress prohibits Washington, D.C. from taxing the earnings of non-residents working within the city, a restriction not imposed on any other city in the nation. As a result of this tax base restriction, the District of Columbia is forced to tax its residents at higher rates than would otherwise be the case since approximately 67 percent of the wages and salaries earned in the District of Columbia are earned by non-residents.

Real Property Tax

Property tax burdens in the District of Columbia are below the 51-city average at all income levels according to Table 11. A slightly higher than average housing-to-income ratio (Table 5) is offset by a low property tax rate (Table 4) combined with a \$30,000 homestead deduction, which helps reduce the Washington, D.C., property tax burden. As of January 1, 2004, the homestead deduction has increased to \$38,000.

The tax on residential property in the District of Columbia is based on the assessed value of the property. All property is assessed at a statutory level of 100 percent of its estimated market value. In 1998, the District of Columbia has operated under a triennial assessment system. Under this system, properties in the District were divided into three triennial groups for assessment purposes. Each tri-group represented approximately a third of the total value of taxable real property in the District. One tri-group was reassessed each year: Tri-group I in FY 1999, tri-group II in FY 2000, and tri-group III in FY 2001. Under the triennial assessment system, annual decreases in assessed value were immediately realized if owners appealed for an adjustment. Annual increases in assessed value were phased in one-third at a time over a three-year period.

Beginning in FY 2002, the District began its transition back to an annual assessment system. During this transition, one triennial group shifts into annual assessment each year through FY 2004, beginning with tri-group I in FY 2002. Tri-group II shifted to annual assessment in FY 2003, to be followed by tri-group III in FY 2004. By FY 2004, all real property in the District will, once again be assessed on an annual basis. The return to annual assessment will result in annual assessed values and growth rates more representative of their market values. The tax rate on residential owner-occupied property in the District of Columbia was \$0.96 per \$100 for the period of this study. For FY 2003, Washington, D.C. homeowners are allowed to deduct a homestead exemption of \$30,000 from the assessed base, not the tax bill before calculation of the property tax for all owner-occupied dwellings.

Despite the assumption of regressivity present in the housing value assumptions (Chapter I), the computed property tax for Washington, D.C., is slightly progressive because of the homestead deduction which reduces the property tax of each homeowner by \$288 (at the \$0.96 rate). The burden is 2.3 percent at the \$25,000 income level and 2.7 percent at \$150,000 income.

Sales Tax

The District of Columbia levies a sales tax with five different rates. This rate structure is utilized, in part, to take advantage of the District's special status as a tourist center and to increase the contribution of non-residents working in the city. These differential rates illustrate the concept of tax exporting. The table below details the sales tax rates in effect at the end of 2003.

<u>Items</u>	<u>Sales Tax Rate</u>
Tangible Personal Property	5.75%
Alcohol for off premises consumption	9%
Restaurant Meals, Take-Out Food, rental cars, Telephone calling cards	10%
Commercial Parking	12%
Hotel, Motel Rooms	14.5%

Items exempt from the District of Columbia sales tax include groceries and prescription drugs.

The sales tax burden in the District of Columbia is lower than the 51-City average at all the income levels.

Automobile Taxes

Washington, D.C. taxes gasoline and requires registration fees for automobile owners. The gasoline tax rate is 20 cents per gallon. Registration fees of \$72 on cars weighing less than 3,500 pounds and \$115 on cars equal to or greater than 3,500 pounds were in effect for the period of this study. The District of Columbia does not impose an annual excise tax or personal property tax on automobiles.

Washington, D.C., automobile tax burdens are below the 51-city average at all but the lowest income level as shown in Table 11. High registration fees and a flat gasoline tax rate cause the District auto tax burden to be regressive. Washington, D.C., automobile tax burdens represent 1.1 percent of income at \$25,000 and 0.3 percent at \$150,000.

Summary

As noted above, the tax burden of the District of Columbia is influenced by many factors. One of the major reasons District of Columbia tax burdens are above the average is the restriction on the District's taxing authority mandated by Congress. Factors such as the prohibition on taxing non-resident income, plus the large percentage of tax-exempt properties (over fifty-eight percent of District acreage is tax exempt), have combined to create difficult conditions under which to raise revenues to operate the city. Some of the positive factors, which tend to increase the District tax base, include substantial tourist activity as well as large volume of business and lobbying activity generated by the federal presence.

TABLE 11
TAX BURDENS IN WASHINGTON, D.C. COMPARED WITH THE AVERAGE FOR
THE LARGEST CITY IN EACH STATE BY INCOME CLASS, 2003

DISTRICT OF COLUMBIA		AVERAGE FOR CITIES LEVYING TAX 1/		PERCENT DIFFERENCE	
\$25,000 INCOME LEVEL					
Income	\$ 428		\$328	30.4%	
Property	568		907	-37.4%	
Sales	397		418	-5.1%	
Auto	265		241	10.1%	
TOTAL	DC	\$1,657	51 CITY AVERAGE	\$1,816	- 8.7%
\$50,000 INCOME LEVEL					
Income	\$2,241		\$1,561	43.6%	
Property	1,342		1,843	-27.2%	
Sales	754		797	-5.3%	
Auto	245		247	- 0.8%	
TOTAL	DC	\$4,583	51 CITY AVERAGE	\$4,172	9.9%
\$75,000 INCOME LEVEL					
Income	\$3,913		\$2,845	37.5%	
Property	2,157		2,836	-23.9%	
Sales	1,131		1,194	-5.3%	
Auto	392		440	-10.8%	
TOTAL	DC	\$7,594	51 CITY AVERAGE	\$6,832	11.2%
\$100,000 INCOME LEVEL					
Income	\$5,791		\$4,220	37.2%	
Property	2,810		3,637	-22.8%	
Sales	1,434		1,514	-5.3%	
Auto	420		529	-20.7%	
TOTAL	DC	\$10,454	51 CITY AVERAGE	\$9,203	13.6%
\$150,000 INCOME LEVEL					
Income	\$9,622		\$7,015	37.2%	
Property	4,114		5,255	-21.7%	
Sales	2,037		2,154	-5.4%	
Auto	420		567	-26.0%	
TOTAL	DC	\$16,192	51 CITY AVERAGE	\$13,859	16.8%

1/ Income and sales averages are based on cities actually levying tax.

CHAPTER V

Why Do Tax Burdens Differ From One City To Another?

In the preceding chapters, the differences in tax burdens for the largest city in each state in the United States were discussed. The assumptions used to compute the various tax burdens will affect to some extent the relative tax burdens for the 51 cities. This is especially true for the real estate tax, because both the methodology used to derive housing values and the relative housing values from one income level to another and from one city to another are important determinants of the real property tax burden. However, no matter what set of assumptions is used in such a study, there will be substantial tax burden differences from one city to another. Some of the reasons for these differences are as follows:

- 1) This study only measures major state and local tax burdens for individuals. Business tax burdens also differ substantially from one city to another. Many cities, because of a large manufacturing base or because of a dominant industry, can shift a large portion of the tax burden away from individuals to businesses. Cities in natural resource states, for example, may shift a substantial portion of the tax burden to industry, thus exporting, to some extent, their local government tax burden. Convention and tourist activity in cities such as Chicago, Washington, D.C., New York City and Las Vegas can help reduce local tax burdens by increasing sales tax, gasoline tax and parking tax revenues from non-residents, another form of tax exporting.
- 2) Service demands in each of the 51 cities may vary a great deal. Cold weather services, such as snow removal, in northern cities may increase costs. Furthermore, citizens of some cities simply desire, or are accustomed to, more government services than residents of other cities.
- 3) The costs of providing services may differ substantially from one city to another. Wage levels, efficiency of the work force and costs of overhead items, such as utilities, may be very different.
- 4) The tax base of each city is different. Cities that have a relatively large percentage of employed residents will normally have a broad tax base.

This type of city can levy taxes at lower rates than can those with low levels of employment or high levels of exempt property. External forces such as the federal presence in Washington, D.C. can restrict the tax base. The tax base can also be defined by the scope of a particular tax. For example, it is desirable from a social point of view to exempt groceries from the sales tax;

however, such an exemption can narrow the sales tax base and may require a higher sales tax rate in order to raise sufficient revenues.

- 5) The proportion of public versus private services may differ from one city to another. Some cities may provide services such as garbage collection and hospital care, while in other cities; the private sector may perform these services for a fee.

As a result, a city in which the private sector performs such functions may have a lower tax burden than one in which these functions are performed by the city. In these instances, the fees charged by the private sector represent payments by individuals for public services that are not reflected in tax burdens.

- 6) Certain taxes that are not discussed in this study may affect state and local tax burdens. Taxes not covered by the study, which are levied on individuals, include liquor and cigarette taxes and taxes on public utility bills.
- 7) The state and local tax burdens in this study are computed without regard to their effect on the federal tax burden of individuals in the respective cities. To some extent, high state and local income and property taxes can be used to partially alleviate federal tax burdens through itemized deductions.

As noted in Chapter V, the number and kind of public services each city provides necessarily has a bearing on the amount of revenue that must be raised. The tax burden comparisons in this report must be studied in the context of these differing conditions.

TABLE 12
THE LARGEST CITY IN EACH STATE 1/
(2000 CENSUS OF POPULATION)

STATE	CITY	2000 POPULATION	1990 POPULATION	PERCENT DIFFERENCE
Alabama	Birmingham	242,820	265,968	-8.7%
Alaska	Anchorage	260,283	226,338	15.0%
Arizona	Phoenix	1,321,045	983,403	40.0%
Arkansas	Little Rock	183,133	175,795	4.2%
California	Los Angeles	3,694,820	3,485,398	6.0%
Colorado	Denver	554,636	467,610	18.6%
Connecticut	Bridgeport	139,529	141,686	-1.5%
Delaware	Wilmington	72,664	71,529	1.6%
Florida	Jacksonville	735,617	672,971	9.3%
Georgia	Atlanta	416,474	394,017	5.7%
Hawaii	Honolulu	371,657	377,059	-1.4%
Idaho	Boise	185,787	125,738	47.8%
Illinois	Chicago	2,896,016	2,783,726	4.0%
Indiana	Indianapolis	791,926	731,327	8.3%
Iowa	Des Moines	198,682	193,187	2.8%
Kansas	Wichita	344,284	304,011	13.2%
Kentucky	Louisville	256,231	269,063	-4.8%
Louisiana	New Orleans	484,674	496,938	-2.5%
Maine	Portland	64,249	64,358	-0.2%
Maryland	Baltimore	651,154	736,014	-11.5%
Massachusetts	Boston	589,141	574,283	2.6%
Michigan	Detroit	951,270	1,027,974	-7.5%
Minnesota	Minneapolis	382,618	368,383	3.9%
Mississippi	Jackson	184,256	196,637	-6.3%
Missouri	Kansas City	441,545	435,146	1.5%
Montana	Billings	89,847	81,151	10.7%
Nebraska	Omaha	390,007	335,795	16.1%
Nevada	Las Vegas	478,434	258,295	85.2%
New Hampshire	Manchester	107,006	99,567	7.5%
New Jersey	Newark	273,546	275,221	-0.6%
New Mexico	Albuquerque	448,607	384,736	16.6%
New York	New York City	8,008,278	7,322,564	9.4%
North Carolina	Charlotte	540,828	395,934	36.6%
North Dakota	Fargo	50,486	74,111	-31.9%
Ohio	Columbus	711,470	632,910	12.4%
Oklahoma	Oklahoma City	506,132	444,615	13.8%
Oregon	Portland	529,121	437,319	21.0%
Pennsylvania	Philadelphia	1,517,550	1,585,577	-4.3%
Rhode Island	Providence	173,618	160,728	8.0%
South Carolina	Columbia	116,278	98,052	18.6%
South Dakota	Sioux Falls	123,975	100,814	23.0%
Tennessee	Memphis	650,100	610,337	6.5%
Texas	Houston	1,953,631	1,630,553	19.8%
Utah	Salt Lake City	181,743	159,936	13.6%
Vermont	Burlington	38,889	39,127	-0.6%
Virginia	Virginia Beach	425,257	393,069	8.2%
Washington	Seattle	563,374	516,259	9.1%
West Virginia	Charleston	53,421	57,287	-6.7%
Wisconsin	Milwaukee	596,974	628,088	-5.0%
Wyoming	Cheyenne	53,011	50,008	6.0%
WASHINGTON, DC		572,059	606,900	-5.7%

1/ Source: U.S. Census Bureau, Census 2000. Table DP-1. Profile of General Demographic Characteristics: 2000.

Part II

A Comparison of Selected Tax Rates In The District of Columbia With Those In The 50 States As of January 1, 2004

Overview

As can be seen from a review of the major taxes compared in this report, the tax rates in the District of Columbia are among the highest in the nation. Of the 13 taxes compared, District tax categories that are higher than in most of the states include: cigarette; corporate income; individual income; deed recordation; motor vehicle excise; motor vehicle registration fees; and sales and use. In four tax categories -- insurance premiums, beer, dessert wine, and distilled spirits, -- the District has lower tax rates than most states. The District's motor fuel tax rate is very close to average.

TAX	LEVYING TAX	LOWER THAN DC	SAME AS DC	HIGHER THAN DC
Beer	50	7	1	42
Cigarette	50	35	3	12
Corporate Income	44	42	0	2
Deed Recordation	36	36	0	0
Light Wine	46	6	2	38
Distilled Spirits	32	0	1	31
Individual Income	43	38	1	4
Insurance	48	5	0	43
Motor Fuel	50	20	4	26
Motor Vehicle Excise				
Light Cars < 3,500 lbs.	46	30	9	7
Heavy Cars > 3,500 lbs.	46	44	2	0
Motor Vehicle Registration 3/	49	49	0	0
Sales and Use	45	26	0	19

1/ Includes two states, which tax dividends and/or interest only.

2/ Comparisons are based on highest comparable rate in each jurisdiction. Those based on federal liability are not included.

3/ Heavy cars (> 3,500 lbs.)

**TABLE 14
INDIVIDUAL INCOME TAX
WASHINGTON METROPOLITAN AREA
JANUARY 1, 2004**

PERSONAL EXEMPTIONS	(CREDITS)	TAXABLE INCOME	RATES
DISTRICT OF COLUMBIA			
Single	\$1,370	\$0 - \$10,000 \$10,000-\$30,000 Over \$30,000	5.0% \$ 500 + 7.5% of excess > \$10,000 \$2,000 + 9.3% of excess > \$30,000
Married Filing Separately	\$1,370		
Married Filing Jointly	\$2,740		
Head of Household	\$2,740		
Dependent (additional)	\$1,370		
Blind (additional)	\$1,370		
Age 65 and over (additional)	\$1,370		
Standard	1/		
MARYLAND 2/			
Single	\$2,400	\$0 - \$1,000 \$1,001-\$2,000 \$2,001-\$3,000 Over \$3,000	2.0% \$20 + 3.00% of excess > \$1,000 \$50 + 4.00% of excess > \$2,000 \$90 + 4.75% of excess > \$3,000
Married Filing Separately	\$2,400		
Married Filing Jointly	\$4,800		
Head of Household	\$2,400		
Dependent (additional)	\$2,400		
Blind (additional)	\$1,000		
Age 65 and over (additional)	\$1,000		
Standard	3/		
VIRGINIA			
Single	\$ 800	\$0 - \$3,000 \$3,001-\$5,000 \$5,001-\$17,000 Over \$17,000	2.0% \$ 60 + 3.00% of excess > \$ 3,000 \$ 120 + 5.00% of excess > \$ 5,000 \$ 720 + 5.75% of excess > \$17,000
Married Filing Separately	\$ 800		
Married Filing Jointly	\$1,600		
Head of Household	\$ 800		
Dependent (additional)	\$ 800		
Blind (additional)	\$ 800		
Age 65 and over (additional)	\$ 800		
Standard	4/		

1/ Married persons filing separately - \$1,000; all others - \$2,000.

2/ Maryland rates do not include local rates that may be as low as 1.79% in Talbot County and as much as 3.157% in Somerset County. Baltimore City, which is used in this study, local rate is 3.05%.

3/ 15% of Maryland AGI not to exceed \$2,000 (\$4,000 for joint and head of household returns and those filing as qualifying widow(er) with dependent child). The minimum is \$1,500 for single, married filing separately and dependent taxpayers. All others are allowed a minimum of \$3,000.

4/ Single - \$3,000; married persons filing separately - \$2,500; and married persons filing jointly or combined separate - \$5,000.

TABLE 15 INDIVIDUAL INCOME TAX 43 STATES AND DISTRICT OF COLUMBIA AS OF JANUARY 1, 2004								
PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS					
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM		
				RATE	UP TO	RATE	OVER	
ALABAMA 1/								
\$1,500	\$3,000	\$300	S,HH,M M/J	2.0% 2.0%	\$ 500 1,000	5.0% 5.0%	\$ 3,000 6,000	
ARIZONA 2/3/								
\$2,100	\$4,200	\$2,300	S,M/S M/J,HH	2.87% 2.87%	\$ 10,000 20,000	5.04% 5.04%	\$150,000 300,000	
ARKANSAS								
(\$20)	(\$40)	(\$20)		1.0%	\$ 3,299	7.0%	\$ 27,900	
CALIFORNIA								
(\$80)	(\$160)	(\$251)	S,M/S HH M/J	1.0% 1.0% 1.0%	\$ 5,962 11,930 11,924	9.3% 9.3% 9.3%	\$ 39,133 53,267 78,266	
COLORADO								
4.63% of federal taxable income with certain modifications.								
CONNECTICUT 4/								
\$12,625	\$24,000	---	S,M/S HH M/J	3.0% 3.0% 3.0%	\$ 10,000 16,000 20,000	5.0% 5.0% 5.0%	\$ 10,000 16,000 20,000	
DELAWARE								
(\$110)	(\$220)	(\$110)		2.2%	\$ 5,000	5.95%	\$ 60,000	
DISTRICT OF COLUMBIA								
\$1,370	\$2,740	\$1,370		5.0%	\$ 10,000	9.3%	\$ 30,000	
GEORGIA								
\$2,700	\$5,400	\$2,700	M/S S HH,M/J	1.0% 1.0% 1.0%	\$ 500 750 1,000	6.0% 6.0% 6.0%	\$ 5,000 7,000 10,000	
HAWAII								
\$1,040	\$2,080	\$1,040	M/S,S HH SS,M/J	1.4% 1.4% 1.4%	\$ 2,000 3,000 4,000	8.25% 8.25% 8.25%	\$ 40,000 60,000 80,000	

1/ Does not include various local income taxes.

2/ If married filing joint with at least one dependent, exemption = \$6,300.

3/ If M/S, S and FAGI do not exceed \$10,000 and if M/J, HH income limitation up to \$31,000, based on the number of dependents. Limit of credit for M/J, HH is \$240 and for M/S, S is \$120, exemption for M/J = \$80; and dependents = \$40.

4/ Head of Household personal exemption is \$19,000.

TABLE 15 (continued)							
INDIVIDUAL INCOME TAX							
43 STATES AND DISTRICT OF COLUMBIA							
AS OF JANUARY 1, 2004							
PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS				
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM	
				RATE	UP TO	RATE	OVER
IDAHO ^{1/}							
\$3,050	\$6,100	\$3,050		1.6%	\$ 1,104	7.8%	\$ 22,074
ILLINOIS							
\$2,000	\$4,000	\$2,000		3.0% of taxable net income.			
INDIANA ^{2/}							
\$1,000	\$2,000	\$2,000		3.4% of federal adjusted gross income.			
IOWA							
(\$40)	(\$80)	(\$40)		0.36%	\$ 1,224	8.98%	\$ 55,080
KANSAS							
\$2,250	\$4,500	\$2,250	S,M/S M/J	3.5% 3.5%	\$ 15,000 30,000	6.45% 6.45%	\$ 30,000 60,000
KENTUCKY							
(\$20)	(\$40)	(\$20)		2.0%	\$ 3,000	6.0%	\$ 8,000
LOUISIANA							
\$4,500	\$9,000	\$1,000		2.0%	\$ 12,500	6.0%	\$ 25,000
MAINE							
\$2,850	\$5,700	\$2,850	S,M/S HH M/J	2.0% 2.0% 2.0%	\$ 4,350 6,550 8,700	8.5% 8.5% 8.5%	\$ 17,350 26,050 34,700
MARYLAND ^{2/}							
\$2,400	\$4,800	\$2,400		2.0%	\$ 1,000	4.75%	\$ 3,000
MASSACHUSETTS							
\$4,400	\$8,800	\$1,000		5.3% of taxable income.			
MICHIGAN ^{2/}							
\$3,100	\$6,200	\$600		4.0% of federal adjusted gross income.			

1/ Does not include filing fee of \$10.

2/ Does not include various local income taxes.

TABLE 15 (continued) INDIVIDUAL INCOME TAX 43 STATES AND DISTRICT OF COLUMBIA AS OF JANUARY 1, 2004							
PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS				
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM	
				RATE	UP TO	RATE	OVER
MINNESOTA							
\$3,050	\$6,100	\$3,050	M/S	5.35%	\$ 13,890	7.85%	\$ 55,201
			S	5.35%	19,010	7.85%	62,441
			HH	5.35%	23,400	7.85%	94,031
			M/J	5.35%	27,780	7.85%	110,391
MISSISSIPPI							
\$6,000	\$12,000	\$1,500		3.0%	\$ 5,000	5.0%	\$ 10,000
MISSOURI ^{1/}							
\$2,100	\$4,200	\$1,200		1.5%	\$ 1,000	6.0%	\$ 9,000
MONTANA							
\$1,780	\$3,560	\$1,780		2.0%	\$ 2,200	11.0%	\$ 77,800
NEBRASKA							
(\$101)	(\$202)	(\$101)	M/S	2.56%	\$ 2,000	6.84%	\$ 23,375
			S	2.56%	2,400	6.84%	26,500
			M/J	2.56%	4,000	6.84%	46,750
			HH	2.56%	3,800	6.84%	35,000
NEW HAMPSHIRE							
\$2,400	\$4,800	---	5.0% on dividend and interest income over personal exemption.				
NEW JERSEY							
\$1,000	\$2,000	\$1,500	S,M/S	1.4%	\$ 20,000	6.37%	\$ 75,001
			HH,M/J	1.4%	20,000	6.37%	150,001
NEW MEXICO							
\$3,050	\$6,100	\$3,050	M/S	1.7%	\$ 4,000	6.8%	\$ 20,000
			S	1.7%	5,500	6.8%	26,000
			HH	1.7%	7,000	6.8%	33,000
			M/J	1.7%	8,000	6.8%	40,000
NEW YORK							
---	---	\$1,000	M/S,S	4.0%	\$ 8,000	7.70%	\$ 500,000
			HH	4.0%	11,000	7.70%	500,000
			M/J	4.0%	16,000	7.70%	500,000
NORTH CAROLINA ^{2/}							
\$2,500	\$5,000	\$2,500	M/S	6.0%	\$ 10,625	8.25%	\$ 100,000
			S	6.0%	12,750	8.25%	120,000
			HH	6.0%	17,000	8.25%	160,000
			M/J,SS	6.0%	21,250	8.25%	200,000
NORTH DAKOTA							
\$3,000	\$6,000	\$3,000	M/S	2.1%	\$ 23,725	5.54%	\$ 155,975
			S	2.1%	28,400	5.54%	311,950
			HH	2.1%	38,050	5.54%	311,950
			M/J,SS	2.1%	47,450	5.54%	311,950

^{1/} Does not include various local income taxes.

^{2/} A taxpayer whose Federal AGI is \geq 50% of the amounts shown in the "maximum over" column is allowed a personal exemption of \$2,000 and \$2,000 for each dependent.

TABLE 15 (continued) INDIVIDUAL INCOME TAX 43 STATES AND DISTRICT OF COLUMBIA AS OF JANUARY 1, 2004								
PERSONAL EXEMPTIONS (CREDITS)			RATES AND TAXABLE INCOME BRACKETS					
SINGLE	M/J	DEPENDENTS		MINIMUM		MAXIMUM		
				RATE	UP TO	RATE	OVER	
OHIO 1/								
\$1,250	\$2,500	\$1,250		0.743%	\$ 5,000	7.5%	\$200,000	
OKLAHOMA								
<i>Without federal deduction</i>								
\$1,000	\$2,000	\$1,000	S,M/S	0.5%	\$ 1,000	7.0%	\$ 10,000	
			SS,HH,M/J	0.5%	2,000	7.0%	21,000	
<i>With federal deduction</i>								
\$1,000	\$2,000	\$1,000	S,M/S	0.5%	\$ 1,000	10.0%	\$ 16,000	
			SS,HH,M/J	0.5%	2,000	10.0%	24,000	
OREGON 1/								
(\$145)	(\$290)	(\$145)	S,M/S	5.0%	\$ 2,000	9.0%	\$ 5,000	
			HH,M/J	5.0%	4,000	9.0%	10,000	
PENNSYLVANIA 1/								
---	---	---	3.07% of specified classes of taxable income is effective rate.					
RHODE ISLAND								
\$3,050	\$6,100	\$3,050	M/S	3.75%	\$ 23,725	9.9%	\$ 155,975	
			S	3.75%	28,400	9.9%	311,950	
			HH	3.75%	38,050	9.9%	311,950	
			M/J	3.75%	47,450	9.9%	311,950	
SOUTH CAROLINA								
\$3,050	\$6,100	\$3,050 2/		2.5%	\$ 2,460	7.0%	\$ 12,300	
TENNESSEE								
\$1,250	\$2,500	---	6.0% on interest and dividend income.					
UTAH								
\$2,250	\$4,300	\$2,250	M/S,S	2.3%	\$ 863	7.0%	\$ 4,313	
			HH,M/J	2.3%	1,726	7.0%	8,626	
VERMONT								
\$3,000	\$6,000	\$3,000		3.6%	\$28,400	9.5%	\$311,950	
VIRGINIA								
\$800	\$1,600	\$800		2.0%	\$ 3,000	5.75%	\$ 17,000	
WEST VIRGINIA								
\$2,000	\$4,000	\$2,000	M/S	3.0%	\$ 5,000	6.5%	\$ 30,000	
			S,SS,HH,M/J	3.0%	10,000	6.5%	60,000	
WISCONSIN								
\$700	\$1,400	\$700	M/S	4.6%	\$ 5,740	6.75%	\$100,000	
			HH,S	4.6%	8,610	6.75%	126,420	
			M/J	4.6%	11,480	6.75%	168,560	

1/ Does not include various local income taxes.

2/ Additional \$3,050 for child under 6.

TABLE 16						
CHARACTERISTICS OF STATE INDIVIDUAL INCOME TAXES						
JURISDICTION	FEDERAL INCOME TAX DEDUCTIBLE	NO INCOME TAX	WITH-HOLDING	FEDERAL DEFINITION OF INCOME FOR STATE TAX BASE	STATE DEFINITION OF INCOME FOR STATE TAX BASE	FEDERAL TAX LIABILITY FOR STATE TAX BASE
ALABAMA	AL		AL		AL	
ALASKA		AK				
ARIZONA			AZ		AZ	
ARKANSAS			AR		AR	
CALIFORNIA			CA	CA		
COLORADO			CO	CO		
CONNECTICUT			CT	CT		
DELAWARE			DE	DE		
DISTRICT OF COLUMBIA			DC	DC		
FLORIDA		FL				
GEORGIA			GA	GA		
HAWAII			HI	HI		
IDAHO			ID	ID		
ILLINOIS			IL	IL		
INDIANA			IN	IN		
IOWA	IA		IA	IA		
KANSAS			KS	KS		
KENTUCKY			KY	KY		
LOUISIANA	LA		LA	LA		
MAINE			ME	ME		
MARYLAND			MD	MD		
MASSACHUSETTS			MA	MA		
MICHIGAN			MI	MI		
MINNESOTA			MN	MN		
MISSISSIPPI			MS		MS	
MISSOURI	MO		MO	MO		

TABLE 16 (continued)
CHARACTERISTICS OF STATE INDIVIDUAL INCOME TAXES

JURISDICTION	FEDERAL INCOME TAX DEDUCTIBLE	NO INCOME TAX	WITH-HOLDING	FEDERAL DEFINITION OF INCOME FOR STATE TAX BASE	STATE DEFINITION OF INCOME FOR STATE TAX BASE	FEDERAL TAX LIABILITY FOR STATE TAX BASE
MONTANA	MT		MT	MT		
NEBRASKA			NE	NE		
NEVADA		NV				
NEW HAMPSHIRE 1/						NH
NEW JERSEY			NJ		NJ	
NEW MEXICO			NM	NM		
NEW YORK			NY	NY		
NORTH CAROLINA			NC	NC		
NORTH DAKOTA			ND	ND		
OHIO			OH	OH		
OKLAHOMA 2/	OK		OK	OK		
OREGON 3/	OR		OR	OR		
PENNSYLVANIA			PA		PA	
RHODE ISLAND			RI			RI
SOUTH CAROLINA			SC	SC		
SOUTH DAKOTA		SD				
TENNESSEE					TN	
TEXAS		TX				
UTAH 3/	UT		UT	UT		
VERMONT			VT			
VIRGINIA			VA	VA		
WASHINGTON		WA				
WEST VIRGINIA			WV	WV		
WISCONSIN			WI	WI		
WYOMING		WY				

1/ Tax only on interest and dividends.

2/ Method 2 only.

3/ Federal deductibility is limited to 50%.

TABLE 17
STATE CORPORATION INCOME TAX RATES
(Maximum Rates)

DISTRICT OF COLUMBIA: 9.975%

LOWER THAN THE DISTRICT 42 STATES			
Colorado	4.63%	Connecticut	7.50%
Illinois	4.80%	New York	7.50%
Mississippi	5.00%	Idaho	7.60%
South Carolina	5.00%	New Mexico	7.60%
Utah	5.00%	Nebraska	7.81%
Florida	5.50%	Wisconsin	7.90%
Georgia	6.00%	Louisiana	8.00%
Oklahoma	6.00%	Kentucky	8.25%
VIRGINIA	6.00%	New Hampshire	8.50%
Missouri	6.25%	Indiana	8.50%
Hawaii	6.40%	Ohio	8.50%
Alabama	6.50%	Delaware	8.70%
Arkansas	6.50%	California	8.84%
Tennessee	6.50%	Maine	8.93%
Oregon	6.60%	New Jersey	9.00%
Montana 1/	6.75%	Rhode Island	9.00%
North Carolina	6.90%	West Virginia	9.00%
Arizona	6.968%	Alaska	9.40%
MARYLAND	7.00%	Massachusetts	9.50%
North Dakota	7.00%	Vermont	9.75%
Kansas	7.35%	Minnesota	9.80%
HIGHER THAN THE DISTRICT 2 STATES			
Pennsylvania	9.99%	Iowa	12.00%
NO TAX 6 STATES			
Michigan (Single Business Tax)		Texas	
Nevada		Washington (Gross Receipts Tax)	
South Dakota		Wyoming	

1/ The rate is 7% for corporations making a "water's edge" election.

TABLE 18

STATE GROSS PREMIUMS TAX RATES ON FOREIGN LIFE INSURERS

DISTRICT OF COLUMBIA: 1.7% ^{1/}

LOWER THAN THE DISTRICT 5 STATES			
South Carolina	0.75%	Ohio	1.40%
Wyoming	0.75%	New York	1.50%
Nebraska	1.00%		
HIGHER THAN THE DISTRICT 43 STATES			
Connecticut	1.75%	Washington	2.00%
Florida	1.75%	West Virginia ^{3/}	2.00%
Indiana	1.75%	Wisconsin	2.00%
Iowa	1.75%	New Jersey	2.10%
Tennessee	1.75%	Georgia	2.25%
Texas	1.75%	Louisiana ^{4/}	2.25%
North Carolina ^{2/}	1.90%	Oklahoma	2.25%
Arizona	2.00%	Utah	2.25%
Colorado	2.00%	VIRGINIA	2.25%
Delaware	2.00%	Alabama	2.30%
Kansas	2.00%	California	2.35%
Kentucky	2.00%	Arkansas	2.50%
Maine	2.00%	South Dakota	2.50%
MARYLAND	2.00%	Alaska	2.70%
Massachusetts	2.00%	Hawaii	2.75%
Minnesota	2.00%	Montana	2.75%
Missouri	2.00%	Idaho	3.00%
New Hampshire	2.00%	Mississippi	3.00%
North Dakota	2.00%	New Mexico	3.00%
Pennsylvania	2.00%	Nevada	3.50%
Rhode Island	2.00%	Illinois ^{5/}	5.00%
Vermont	2.00%		
NO TAX 2 STATES			
Michigan (Single Business Tax)		Oregon	

^{1/} The District levies an additional fee 0.30 percent to offset the administrative costs of regulations.

^{2/} An additional 6.5% insurance regulatory charge applied to premium tax liability. An additional 1.33% premium tax for fire related insurance policies.

^{3/} An additional 1% premium tax for fire and casualty insurance. There is also a surcharge on fire and casualty insurance policyholders that is equal to 1% of the gross direct premium paid on each policy.

^{4/} Maximum rate.

^{5/} An additional 1% premium tax for fire or fire related insurance policies.

TABLE 19

STATE GENERAL SALES AND USE TAX RATES

DISTRICT OF COLUMBIA: 5.75%

LOWER THAN THE DISTRICT 26 STATES			
Nevada (4.5)	2.00%	Utah (1.85%)	4.75%
Colorado (5.0%)	2.90%	Kansas (2%)	4.90%
VIRGINIA (1%)	3.50%	Arizona	5.00%
Alabama (4.5%)	4.00%	Iowa (2%)	5.00%
Georgia (3%)	4.00%	Maine	5.00%
Hawaii	4.00%	MARYLAND	5.00%
Louisiana (5%)	4.00%	Massachusetts	5.00%
South Dakota (2%)	4.00%	New Mexico 1/	5.00%
Wyoming (1%)	4.00%	North Dakota (2.0%)	5.00%
Missouri (5.3125%)	4.225%	South Carolina	5.00%
New York (4.5%)	4.25%	Wisconsin (.6%)	5.00%
North Carolina (3%)	4.50%	Arkansas (3%)	5.125%
Oklahoma (5%)	4.50%	Nebraska (2.6875%)	5.50%
HIGHER THAN THE DISTRICT 19 STATES			
California (2.50%)	6.00%	Pennsylvania (1%)	6.00%
Connecticut	6.00%	West Virginia	6.00%
Florida	6.00%	Illinois (3%)	6.25%
Idaho	6.00%	Texas (2%)	6.25%
Indiana	6.00%	Minnesota (1%)	6.50%
Kentucky	6.00%	Washington (2.3%)	6.50%
Ohio (3%)	6.00%	Mississippi	7.00%
Michigan	6.00%	Rhode Island	7.00%
New Jersey	6.00%	Tennessee (2.75%)	7.00%
Vermont	6.00%		
NO TAX 5 STATES			
Alaska			
Delaware			
Montana			
New Hampshire			
Oregon			

1/ .5% credit within municipal boundaries => 4.5% state rate within municipalities.

Note: Maximum local rates in parentheses

TABLE 20

STATE BEER TAX RATES

(Per Gallon, Alcoholic Content of 4.5%) 1/

DISTRICT OF COLUMBIA: \$0.09

LOWER THAN THE DISTRICT 7 STATES			
Wyoming	\$.02	Kentucky	\$.08
Missouri	.06	Pennsylvania	.08
Wisconsin 2/	.065	Oregon	.084
Colorado	.08		
SAME AS THE DISTRICT 1 STATE			
MARYLAND	\$.09		
HIGHER THAN THE DISTRICT 42 STATES			
Rhode Island	\$.097	Michigan	\$.20
Massachusetts	.11	Arkansas	.23
New York	.11	VIRGINIA	.256
Indiana	.115	Washington 3/	.26
New Jersey	.12	Vermont	.265
Montana	.14	South Dakota	.27
Tennessee 2/	.14	New Hampshire	.30
Minnesota 3/	.15	Nebraska	.31
Idaho	.15	Louisiana	.32
Delaware	.156	Alaska	.35
Arizona	.16	Maine	.35
Nevada	.16	Oklahoma	.40
North Dakota 4/	.16	New Mexico 5/	.41
Kansas	.18	Utah	.41
Ohio	.18	Mississippi	.43
West Virginia	.18	Georgia	.48
Illinois	.185	Alabama	.53
Iowa	.19	North Carolina	.53
Texas	.19	South Carolina	.77
California	.20	Florida	.89
Connecticut	.20	Hawaii	.93

1/ Rates per 31-gallon barrel have been converted to rates per gallon. In some cases this required rounding of the per gallon rate.

2/ Additional tax of 17% of wholesale price.

3/ Credit allowed to small brewers.

4/ \$.08 per gallon for bulk beer.

5/ Rate is \$.08 per gallon for microbrewer.

TABLE 21

**STATE LIGHT WINE TAX RATES
(Per Gallon, Alcoholic Content of 12%)**

DISTRICT OF COLUMBIA: \$0.30

MONOPOLY STATES 4 STATES			
New Hampshire		Utah ^{2/}	
Pennsylvania ^{1/}		Wyoming	
LOWER THAN THE DISTRICT 6 STATES			
Louisiana	\$.11	Texas	\$.20
New York	.19	Wisconsin	.25
California	.20	Colorado	.28
SAME AS THE DISTRICT 2 STATES			
Kansas	\$.30	Minnesota	\$.30
HIGHER THAN THE DISTRICT 38 STATES			
Ohio	\$.32	Arkansas	\$.75
Mississippi	.35	North Carolina	.79
Missouri	.36	Arizona	.84
MARYLAND	.40	Washington	.87
Idaho	.45	South Carolina	.90
Indiana	.47	South Dakota	.93
Kentucky	.50	Nebraska	.95
North Dakota	.50	Delaware	.97
Massachusetts	.55	West Virginia	1.00
Vermont	.55	Montana	1.02
Connecticut	.60	Tennessee	1.21
Maine	.60	Hawaii	1.38
Rhode Island	.60	Georgia	1.51
Michigan	.61	VIRGINIA	1.51
Oregon	.67	Alabama	1.70
Nevada	.70	Iowa	1.75
New Jersey	.70	New Mexico	1.90
Oklahoma	.72	Florida	2.25
Illinois	.73	Alaska	2.50

1/ 18% wine & liquor tax on top of a 30% markup.

2/ 12% wine & liquor tax on top of monopoly markup of at least 61%.

TABLE 22

STATE DISTILLED SPIRITS TAX RATES

(Per Gallon)

DISTRICT OF COLUMBIA: \$ 1.50

CONTROL BOARD STATES 18 STATES			
Alabama		Ohio	
Idaho		Oregon	
Iowa 1/		Pennsylvania 3/	
Maine		Utah 4/	
Michigan		Vermont	
Mississippi		VIRGINIA	
Montana		Washington	
New Hampshire		West Virginia	
North Carolina 2/		Wyoming	
SAME AS THE DISTRICT 1 STATE			
MARYLAND	\$ 1.50		
HIGHER THAN THE DISTRICT 31 STATES			
Kentucky	\$ 1.92	Nebraska	\$3.75
Missouri	2.00	Rhode Island	3.75
Colorado	2.28	Georgia	3.79
Texas	2.40	South Dakota	3.93
Alaska	2.50	Massachusetts	4.05
Arkansas 5/	2.50	New Jersey	4.40
Kansas	2.50	Tennessee	4.40
Louisiana	2.50	Connecticut	4.50
North Dakota	2.50	Illinois	4.50
Indiana	2.68	Minnesota	5.03
		Oklahoma	5.56
South Carolina	2.72		
Arizona	3.00	Hawaii	5.98
Wisconsin	3.25	New York	6.43
California	3.30	Florida	6.50
Nevada	3.60	New Mexico	6.75
Delaware	3.75 6/		

1/ 14.30% plus 50% markup.

2/ 25% Excise Tax. An additional 6% state sales tax.

3/ 18% wine & liquor tax on top of a 30% markup.

4/ 12% wine & liquor tax on top of at least 61% markup.

5/ Containing more than 21% of alcohol by weight.

6/ Distilled spirits less than 30% proof at \$1.10 per gallon.

TABLE 23

STATE CIGARETTE TAX RATES

(Per Pack of 20)

DISTRICT OF COLUMBIA: \$ 1.00

LOWER THAN THE DISTRICT 35 STATES			
VIRGINIA	\$.025	South Dakota	\$.53
Kentucky	.03	Delaware	.55
North Carolina	.05	Indiana	.55
South Carolina	.07	Ohio	.55
Missouri	.17	West Virginia	.55
Mississippi	.18	Idaho	.57
Colorado	.20	Arkansas	.59
Tennessee	.20	Wyoming	.60
Oklahoma	.23	Nebraska	.64
Florida	.339	Utah	.695
Iowa	.36	Montana	.70
Louisiana	.36	Wisconsin	.77
Georgia	.37	Kansas	.79
Texas	.41	Nevada	.80
Alabama	.425	California	.87
North Dakota	.44	New Mexico	.91
Minnesota	.48	Illinois	.98
New Hampshire	.52		
SAME AS THE DISTRICT 3 STATES			
Alaska	\$1.00	MARYLAND	\$1.00
Maine	1.00		
HIGHER THAN THE DISTRICT 12 STATES			
Arizona	\$1.18	Washington	\$1.425
Vermont	1.19	New York	1.50
Michigan	1.25	Connecticut	1.51
Oregon	1.28	Massachusetts	1.51
Hawaii 1/	1.3221	Rhode Island	1.71
Pennsylvania	1.35	New Jersey	2.05

1/ Cigarette tax rate will increase from \$1.3221 to \$1.4238 per pack of 20, effective July 1, 2004.

TABLE 24

MOTOR FUEL TAX RATES

(Per Gallon)

DISTRICT OF COLUMBIA: \$.20

LOWER THAN THE DISTRICT 20 STATES			
Georgia	\$.075	Missouri	\$.1703
Alaska	.08	VIRGINIA	.175
Wyoming	.14	Alabama	.18
Florida	.143	Arizona	.18
New Jersey	.145	Indiana	.18
Kentucky	.15	California	.18
Hawaii	.16	Mississippi	.18
South Carolina	.16	Illinois	.19
New Mexico	.17	Michigan	.19
Oklahoma	.17	New Hampshire	.195
SAME AS THE DISTRICT 4 STATES			
Louisiana	\$.20	Texas	\$.20
Minnesota	.20	Vermont	.20
HIGHER THAN THE DISTRICT 26 STATES			
Iowa	\$.203	Oregon	\$.24
West Virginia	.205	Ohio ^{1/}	.24
Massachusetts	.21	Utah	.245
North Dakota	.21	North Carolina	.2455
Tennessee	.214	Maine	.246
Arkansas	.215	Connecticut	.25
Colorado	.22	Idaho	.25
South Dakota	.22	Nebraska	.257
New York	.226	Pennsylvania	.262
Delaware	.23	Montana	.27
Nevada	.23	Washington	.28
MARYLAND	.235	Wisconsin ^{2/}	.285
Kansas	.24	Rhode Island	.30

1/ Motor fuel tax rate will increase from \$0.24 to \$0.26, effective July 1, 2004.

2/ Motor fuel tax rate will increase from \$0.285 to \$0.291, effective April 1, 2004.

TABLE 25

MOTOR VEHICLE SALES AND EXCISE TAXES

**PAID AT TIME OF SALES OR TITLING
46 STATES AND D.C.**

DISTRICT OF COLUMBIA: 1/ 6% of fair market value - 3,499 pounds or less 7% of fair market value - 3,500 pounds or more			
Alabama (.125-2.5%)	2.00%	Mississippi	5.0%
Delaware	2.75%	North Dakota	5.0%
Colorado	2.9%	South Carolina 2/	5.0%
North Carolina	3.0%	West Virginia	5.0%
New Mexico	3.0%	Wisconsin (.6%)	5.0%
South Dakota	3.0%	Arkansas (0%-3%) 3/	5.125%
VIRGINIA	3.0%	Nebraska	5.5%
Wyoming (1%)	3.0%	California (1.25%-2.5%)	6.0%
Oklahoma	3.25%	Connecticut	6.0%
Georgia (3%)	4.0%	Florida	6.0%
Hawaii	4.0%	Kentucky	6.0%
Louisiana (1%-5%)	4.0%	Michigan	6.0%
Missouri (.375-3%)	4.225%	New Jersey	6.0%
New York (3.0%-4.5%)	4.25%	Pennsylvania	6.0%
Utah (1.85%)	4.75%	Ohio (0%-3%)	6.0%
Kansas (0%-2%)	4.9%	Vermont	6.0%
Arizona (1.0%-3%)	5.0%	Illinois (.25%-1%)	6.25%
Idaho	5.0%	Texas	6.25%
Indiana	5.0%	Minnesota	6.5%
Iowa	5.0%	Nevada	6.5%
Maine	5.0%	Washington (.5%-2.3%)	6.5%
MARYLAND	5.0%	Tennessee (2.75%) 4/	7.0%
Massachusetts	5.0%	Rhode Island	7.0%
NO TAX 4 STATES			
Alaska Montana New Hampshire Oregon			

1/ Tax does not apply to vehicles previously titled in another jurisdiction, when owners move to the District.

2/ Maximum of \$300.00.

3/ Local sales taxes are capped at \$25 per 1 percent of tax on a single transaction.

4/ Maximum of \$44.00 (2.75% on 1st \$1,600). Memphis tax maximum is \$36 (2.25% of 1st \$1,600); additional state tax is maximum of \$44 (2.75% of excess single article sale over \$1,600 to \$3,200).

TABLE 26

STATE MOTOR VEHICLE REGISTRATION FEES

Automobile Costing \$7,900, Bought New and Weighing 3,522 Pounds
(4-Door, 6-Passenger, 8-Cylinder)

DISTRICT OF COLUMBIA: \$ 115.00

LOWER THAN THE DISTRICT 49 STATES			
Arizona ^{1/}	\$ 8.00	Washington	\$ 30.00
Indiana	12.00	West Virginia	30.00
Kentucky	12.00	New Hampshire	31.20
South Carolina	12.00	Florida	32.50
Mississippi	15.00	Nevada	33.00
Nebraska	15.00	Alaska	34.00
Oregon	15.00	Connecticut	35.00
Wyoming	15.00	Pennsylvania	36.00
Montana	18.75	Missouri	39.00
Delaware	20.00	Ohio ^{2/}	39.50
Georgia	20.00	MARYLAND ^{3/}	40.50
North Carolina	20.00	New Mexico	42.00
Tennessee	21.50	South Dakota	42.00
New York	22.50	Vermont	43.00
Alabama	23.00	Hawaii	46.42
Utah	24.50	Idaho	48.00
Arkansas	25.00	Wisconsin	55.00
Kansas	25.00	Texas	59.80
Maine	25.00	Illinois	78.00
Massachusetts	25.00	North Dakota	79.00
Louisiana	26.50	New Jersey	81.00
Colorado	28.74	Oklahoma ^{4/}	92.00
VIRGINIA	29.50	Iowa	93.00
California	30.00	Minnesota ^{5/}	108.75
Rhode Island	30.00		
OTHER BASIS			
Michigan			

^{1/} There is also a \$1.50 fee earmarked for air quality.

^{2/} Local fees not included.

^{3/} Includes \$6.75 fee earmarked for Emergency Medical Services System.

^{4/} Effective September 1, 2003 through August 30, 2005, a fee of \$2.00 is levied upon every vehicle being registered.

^{5/} Maximum tax.

TABLE 27

STATE REAL ESTATE DEED RECORDATION AND TRANSFER TAX RATES

(Per \$500 of Consideration)

DISTRICT OF COLUMBIA: \$ 15.00

LOWER THAN THE DISTRICT 36 STATES			
Colorado	\$.05	South Carolina	\$ 1.85
Alabama	.50	Tennessee	1.85
Georgia	.50	Arizona	2.00
Hawaii	.50	New Jersey ^{1/}	2.00
Illinois	.50	New York	2.00
Ohio	.50	Rhode Island	2.00
South Dakota	.50	Massachusetts (\$10.25)	2.28
Oklahoma	.75	MARYLAND (\$ 10.25) ^{2/}	2.50
VIRGINIA (\$.25)	.75	Nevada ^{3/}	2.55
Iowa	.80	Connecticut	3.05
Nebraska	.875	Florida	3.50
North Carolina	1.00	Kentucky	3.50
Maine	1.10	Michigan (.55%)	3.75
West Virginia (\$1.10)	1.10	Pennsylvania (\$5.00)	5.00
Kansas	1.30	Vermont	5.00
Wisconsin	1.50	Washington (\$2.50)	6.40
Arkansas	1.65	New Hampshire	7.50
Minnesota	1.65	Delaware (\$5.00)	10.00
NO TAX 14 STATES			
Alaska		Montana	
California (\$.55)		New Mexico	
Idaho		North Dakota	
Indiana		Oregon	
Louisiana		Texas ^{4/}	
Mississippi		Utah	
Missouri		Wyoming	

NOTE: Maximum local rate in parentheses.

^{1/} An additional tax of \$3.35 per \$500 of consideration in excess of \$150,000 but not in excess of \$200,000 is also imposed. An additional tax of \$3.90 is imposed for every \$500 of consideration in excess of \$200,000.

^{2/} State transfer tax rate only. Rate is \$1.25 for first-time home buyers. State recordation tax is only collected in certain instances and is not reflected in this number.

^{3/} In county whose population is 400,000 or less, \$1.95 to \$2.00.

^{4/} Includes Harris County \$1.00 for population of 50,000 or more.

TABLE 28

TYPES OF STATE INHERITANCE AND ESTATE TAXES

INHERITANCE TAX STATES WITH AN ESTATE TAX TO ABSORB FEDERAL CREDIT 12 STATES	
Connecticut Idaho Indiana Iowa Kentucky Louisiana	MARYLAND ^{2/} Nebraska New Hampshire New Jersey Pennsylvania Tennessee
ESTATE TAX STATES WITH AN ESTATE TAX TO ABSORB FEDERAL CREDIT 10 STATES	
Alaska Illinois Massachusetts Mississippi Montana	Ohio Oklahoma Rhode Island South Dakota West Virginia
ESTATE TAX TO ABSORB FEDERAL CREDIT 29 STATES AND D.C.	
Alabama Arizona Arkansas California Colorado Delaware District of Columbia ^{1/} Hawaii Florida Georgia Kansas Maine Minnesota Michigan Missouri	Nevada New Mexico New York North Carolina ^{3/} North Dakota Oregon South Carolina Texas Utah Vermont VIRGINIA Washington Wisconsin ^{4/} Wyoming

1/ The District's Estate Tax is no longer in conformity with the Federal Estate Tax. Except for raising the filing threshold from \$600,000 to \$675,000 (January 1, 2002), the District's Inheritance and Estate Tax Act of 2002 retains all aspects of the District Estate Tax, as it existed on January 1, 1986. Hence, the District Estate Tax is decoupled from recent and forthcoming Federal Estate Tax law changes as stipulated in the Federal Economic Growth and Tax Relief Reconciliation Act of 2001.

2/ Decoupled from federal estate tax except for thresholds.

3/ NC will not conform to the phase-out of the state death tax credit enacted in the Federal Economic Growth and Tax Relief reconciliation Act of 2001 until July 1, 2005. For estates of decedents dying prior to July 1, 2005, the NC estate tax is equal to the state death tax credit for federal purposes without regard to the phase-out and termination of the federal credit.

4/ For deaths after September 30, 2002, and before January 1, 2008, Wisconsin's estate tax equals the credit allowed under federal law in effect in December 31, 2000. Thus, Wisconsin will not follow phase-out of the state death tax credit enacted in the Federal Economic Growth and Tax Relief Reconciliation Act of 2001, until January 1, 2008.

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