

Immediate Release

January 14, 2015

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New Analysis: Low- and Middle-Income Taxpayers in West Virginia Pay a Higher Tax Rate than the Richest West Virginians

[Charleston, WV] - A new study released today by the Institute on Taxation and Economic Policy (ITEP) and the West Virginia Center on Budget and Policy finds that the low- and middle-income West Virginians pay more in state and local taxes as a percent of their income compared to the state's wealthiest residents.

The study, *Who Pays?*, analyzes tax systems in all 50 states and factors in all major state and local taxes, including personal and corporate income taxes, property taxes, sales and other excise taxes.

"West Virginia tax system is out of balance, hitting low-income families harder than those at the top of the income ladder," stated Ted Boettner, executive director of the West Virginia Center on Budget and Policy. "Legislators could help reverse this by enacting a refundable state Earned Income Tax Credit (EITC) that would not only make our tax system more progressive but also induce more people to join the workforce."

West Virginia's tax system is unfair, or regressive, because it relies more heavily on sales taxes to raise revenue. The state's marginal personal income tax rates have not been adjusted to reflect inflation since 1987. While West Virginia does better than other states in terms of tax fairness, all states, including West Virginia, have a long way to go to make state tax systems fairer.

How West Virginia taxes residents matters for myriad reasons. In recent years, anti-tax advocates have pushed for tax policies across the country that would reduce tax rates for the wealthy and businesses. There are clear problems with this agenda. Foremost, many anti-tax proposals would make regressive tax structures even worse in part because they often rely on hiking taxes that fall more heavily on poor and middle-income families to pay for tax cuts at the top. Second, aggressive tax cuts that favor businesses and the wealthy can result in states having difficulty adequately funding basic public obligations such as education.

There's also a more practical reason for West Virginia and all states to be concerned about regressive tax structures, according to ITEP. If the nation fails to address its growing income inequality problem, states will have difficulty raising the revenue they need over time. The more income that goes to the wealthy (and the lower a state's tax rate on the wealthy), the slower a state's revenue grows over time.

"In recent years, multiple studies have revealed the growing chasm between the wealthy and everyone else," said Matt Gardner, executive director of ITEP. "Upside down state tax systems didn't cause the growing income divide, but they certainly exacerbate the problem. State policymakers shouldn't wring their hands or ignore the problem. They should thoroughly explore and enact tax reform policies that will make their tax systems fairer."

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The report is available online at www.whopays.org. The Institute on Taxation and Economic Policy (ITEP) is a 501 (c) (3) non-profit, non-partisan research organization that works on federal, state, and local tax policy issues. ITEP's mission is to ensure that elected officials, the media, and the general public have access to accurate, timely, and straightforward information that allows them to understand the effects of current and proposed tax policies. www.itep.org.

The Virginia Center on Budget and Policy (www.wvpolicy.org) is a public policy research organization that is nonpartisan, nonprofit, and statewide. The Center focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families.