Taxing the Poor
Doing Damage to the Truly Disadvantaged

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Taxing the Poor: Road Map

- Regional differences in income poverty & poverty related outcomes
- Historical patterns of property tax
- Emergence of supermajority rules
- Growth of sales tax in the south
- Patterns of revenue and spending
- Total tax liabilities for the poor over last 25+ years
- Federal government: progressive change
- State policies:
  - non-southern states follow federal lead
  - Southern states do not
- Relationship between state/local tax and poverty outcomes
  - Change over time
  - Fixed effects models
- Taxing the Poor: Public Policy and Public Health
Infant Mortality (2003-2005)

Source: CDC-Division of Vital Statistics

Non-Hispanic Whites
Deaths per 1,000 live births
Deaths from Stroke (2006)

Non-Hispanic Whites
Deaths Death from Stroke or Cerebrovascular Disease per 100,000

Source: CDC-National Center for Health Statistics
Deaths from Heart Disease (2006)

Non-Hispanic Whites
Deaths per 100,000

Source: CDC-National Center for Health Statistics
Teens who are High School Dropouts (2007)

Percentage of persons age 16-19 who are not enrolled in high school and are not high school graduates.

Source: 2008 American Community Survey
Teen Birth (2005)

Teen Birth Rate per 1,000

Source: Guttmacher Institute
Tax Revenue on the Eve of the Civil War

State and Local Property Tax Revenue Per Capita, 1860
First Black Congressmen of the Reconstruction Era
Property Tax Revenue in Radical Reconstruction

State and Local Property Tax Revenue Per Capita, 1870
<table>
<thead>
<tr>
<th>Year</th>
<th>Average Value per Acre (dollars)</th>
<th>Tax Rate (mills)</th>
<th>Value (dollars)</th>
<th>Tax (dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1848</td>
<td>3.82</td>
<td>2.5</td>
<td>611.2</td>
<td>1.53</td>
</tr>
<tr>
<td>1850</td>
<td>4.54</td>
<td>1.25</td>
<td>726.4</td>
<td>0.91</td>
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<tr>
<td>1852</td>
<td>5.7</td>
<td>1.6</td>
<td>812</td>
<td>1.46</td>
</tr>
<tr>
<td>1853</td>
<td>5.67</td>
<td>1.6</td>
<td>907.2</td>
<td>1.45</td>
</tr>
<tr>
<td>1854</td>
<td>5.57</td>
<td>1.6</td>
<td>891.2</td>
<td>1.43</td>
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<tr>
<td>1857</td>
<td>6.97</td>
<td>1.6</td>
<td>1115.2</td>
<td>1.78</td>
</tr>
<tr>
<td>1871</td>
<td>4.38</td>
<td>9</td>
<td>700.8</td>
<td>6.31</td>
</tr>
<tr>
<td>1872</td>
<td>4.33</td>
<td>8.5</td>
<td>692.8</td>
<td>5.89</td>
</tr>
<tr>
<td>1873</td>
<td>4.26</td>
<td>12.5</td>
<td>681.6</td>
<td>8.52</td>
</tr>
<tr>
<td>1875</td>
<td>4.01</td>
<td>7.25</td>
<td>641.6</td>
<td>4.65</td>
</tr>
<tr>
<td>1876</td>
<td>4.04</td>
<td>6.5</td>
<td>646.4</td>
<td>4.2</td>
</tr>
<tr>
<td>1877</td>
<td>4.03</td>
<td>5</td>
<td>644.8</td>
<td>3.22</td>
</tr>
<tr>
<td>1878</td>
<td>4.07</td>
<td>3.5</td>
<td>651.2</td>
<td>2.28</td>
</tr>
<tr>
<td>1879</td>
<td>2.72</td>
<td>3.5</td>
<td>435.2</td>
<td>1.52</td>
</tr>
<tr>
<td>1880</td>
<td>2.76</td>
<td>3</td>
<td>441.6</td>
<td>1.32</td>
</tr>
</tbody>
</table>
Supermajorities and Constitutional Limits on Taxing and Spending

Redemption/Jim Crow Era
- Alabama: Constitutional Limit on Property Tax and Education Spending (1875; 1901). Statewide Referendum required to approve any state/local tax increase (1901).
- Louisiana: Constitutional Limit on Property Tax and Spending (1870s); Change in land assessments to devalue property (1870s)

Great Depression Era
- Arkansas (1934): Supermajority required to raise any tax, except alcohol and sales tax.

Civil Rights Era Supermajorities

Spread throughout South and beyond
- South Dakota (1978), California (1979), Oklahoma (1992), Kentucky (2000), and others.
State & Local Social Expenditure Per Capita
By Region 1982-2006

Year

Northeast
South
Midwest
West

Constant Dollars
Individual Income Tax Revenue Per Capita
By Region 1982-2006

Northeast
Midwest
South
West
State/Local Property Tax Revenue Per Capita
By Region 1982-2006

Northeast
Midwest
South
West
Proportion of Total Tax Revenue

Northeast South Midwest West

Total State/Local Tax Revenue by Source, 2006

Property Tax Sales Tax Income Tax Corporate Income Tax
Modeling Tax Liability of the Poor

Uniform Assumptions of Hypothetical Family
• Family of 3 at the federal poverty line
• One working adult, two dependant children under 18
• Renters (not homeowners).

State Income Tax Liability-NBER’s Taxsim Data
• Includes state/local income tax liability and all offsetting credits (refundable and nonrefundable) delivered through the tax filing process.
• Double checked using turbo tax

State/Local Sales Tax Liability
• Survey of Consumer Expenditure: Spending on tangible goods, clothing, food, etc. for each year from 1982-2008
• State Tax Handbooks (1980-2008): State and Local tax rates on each category of goods (clothes, food, etc.)

Total tax liability is income tax plus sales tax.

All numbers are adjusted for inflation.

Alaska is excluded from analysis.
Federal Tax Liability (FICA + Income) for Family of 3 at Poverty Line 1982-2008
State/Local Sales Tax Liability for Family of 3 at Poverty Line
Northeast 1982-2008

Year

Constant Dollars

1980 1990 2000 2010

ME VT MD MA
RI CT NY NJ
PA DE NH

0 200 400 600

ME  VT  MD  MA
RI  CT  NY  NJ
PA  DE  NH
State/Local Sales Tax Liability for Family of 3 at Poverty Line
South 1982-2008

Constant Dollars

Year

1980 1990 2000 2010

AL AR VA SC
WV GA TN MS
NC LA FL OK
KY TX

State/Local Sales Tax Liability for Family of 3 at Poverty Line
South 1982-2008

Constant Dollars

Year

1980 1990 2000 2010

AL AR VA SC
WV GA TN MS
NC LA FL OK
KY TX
State Income Tax Liability for Family of 3 at Poverty Line
South 1982-2008
Total State/Local Tax Liability for Family of 3 at Poverty Line
By Region 1982-2008

Year
1980 1990 2000 2010

Constant Dollars

Northeast South Midwest West
Taxes and Poverty Related Outcomes

Primary Question: Is there a relationship between taxing the poor and poverty related outcomes?

Analytic Strategy

- State and Year Fixed Effects Regressions
- Mechanisms
Change in Property Crime and Change in Tax on Poor

Graph showing the relationship between change in property crime and change in tax on poor across different states.
Change in Violent Crime and Change in Tax on Poor

-30 -20 -10 0 10

-4 -2 0 2 4

Change in Violent Crime (Slope)

Change in Tax (Slope)
State and Year Fixed Effects Regressions

- State Fixed Effects: Control for the unique (time invariant) characteristics of each state
- Year Fixed Effects: Control for factors that change over time and equally impact all states (e.g. federal policy shift such as the EITC)

Additional Controls for Fixed Effects Regressions:
- Racial Composition of each state: percent Black, percent Hispanic
- State Poverty Rate
- State Direct Expenditure
- State GDP Per Capita
- State Unemployment Rate
- State Gini Coefficient (Inequality)
- Federal Intergovernmental Revenue
<table>
<thead>
<tr>
<th>Outcome</th>
<th>Years</th>
<th>Taxes on the Poor (β)</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Age-Adjusted Mortality Rate (N=147)</td>
<td>1982; 1990; 2005</td>
<td>.0666997***</td>
<td>0.0122106</td>
</tr>
<tr>
<td>State Property Crime Rate Per 100,000 (N=1127)</td>
<td>1982-2006</td>
<td>.7828382***</td>
<td>0.0740552</td>
</tr>
<tr>
<td>State Violent Crime Rate per 100,000 (N=1127)</td>
<td>1982-2006</td>
<td>.1233097***</td>
<td>0.0140618</td>
</tr>
<tr>
<td>State High School Completion Rate (N=980)</td>
<td>1982-2002</td>
<td>-.0025866 ***</td>
<td>0.000761</td>
</tr>
<tr>
<td>Births to Unmarried Mothers as Percent of All Births (N=735)</td>
<td>1990-2006</td>
<td>.0006583*</td>
<td>0.0003656</td>
</tr>
</tbody>
</table>

Controls: % Black, % Hispanic, Poverty Rate, State GDP per Capita, State Direct Expenditure, Unemployment, Federal Intergovernmental Revenue, State Gini Coefficient

Notes: ***p<.01; **p<.05; *p<.1; Alaska excluded from analysis.
# State/Local Sales Taxes on Poor on Percentage of Obese Adults (1990 & 1995-2006)

## State and Year Fixed Effects Regression

<table>
<thead>
<tr>
<th>Outcome</th>
<th>State/Local Sales Tax Coefficient</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Obese Adults</td>
<td>.00565 ***</td>
<td>.0017881</td>
</tr>
</tbody>
</table>

***p<.01; **p<.05; *p<.1

*Controls: % Black, % Hispanic, Poverty Rate, State GDP per Capita, State Direct Expenditure, Unemployment, Federal Intergovernmental Revenue, State Gini Coefficient*

Note: Alaska excluded from analysis.

Source: CDC, National Center for Health Statistics
Alicia Smith lives with her two children and their visiting stepsister in a single-wide trailer near Snow Hill, Alabama. Her son, Chris, has ADHD and has been diagnosed with borderline autism.
An entire month’s shopping on the floor of Alicia’s kitchen. She can afford to go to the store only once every four weeks because she must pay a church friend $20 to take her there and back.
Alicia’s trailer sits on scrubland off a dirt road. Without a car it is impossible to go anywhere from her home.
The only store within walking distance of the Quarters no longer takes food stamps and has very little to offer customers. The shelves hold a sparse collection of dry goods, canned goods, cereals, and candy.
Bea shops carefully to make her money last. She rarely buys fresh food, since canned goods are less expensive.
<table>
<thead>
<tr>
<th>Item</th>
<th>Price</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUNT'S KETCH</td>
<td>$1.19</td>
<td>TF</td>
</tr>
<tr>
<td>(STORE SAVINGS)</td>
<td>$0.10</td>
<td></td>
</tr>
<tr>
<td>RAGU SPAG SAUCE</td>
<td>$1.67</td>
<td>TF</td>
</tr>
<tr>
<td>(STORE SAVINGS)</td>
<td>$0.68</td>
<td></td>
</tr>
<tr>
<td>TAMPICO PEACH/OR</td>
<td>$2.69</td>
<td>TF</td>
</tr>
<tr>
<td>TAMPICO STRAWBER</td>
<td>$2.69</td>
<td>TF</td>
</tr>
<tr>
<td>FLORDIA ORANGES</td>
<td>$5.99</td>
<td>TF</td>
</tr>
<tr>
<td>BANANAS</td>
<td>$1.07</td>
<td>TF</td>
</tr>
<tr>
<td>2.18 lb @ $0.49/lb</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Food for home consumption is taxed at 10 percent in Birmingham. Bea has to pay almost $9 more for this shopping trip.