

TEXAS



NEW JERSEY

Every year, the Tax Foundation, a nonpartisan tax research group based in Washington, D.C., calculates Tax Freedom Day to illustrate what portion of the year citizens must work to pay their federal, state, and local taxes. In 2014, it estimated that the average American works about 111 days out of the year to pay his or her taxes, making Tax Freedom Day fall on April 21.

By the Tax Foundation's estimate, Tax Freedom Day comes a few days earlier (April 13) for Texans, placing Texas thirty-second among the fifty states in terms of total state taxes paid per capita. The most heavily taxed states, according to the Tax Foundation, are New Jersey and Connecticut.ⁱ One of the reasons for New Jersey's high taxes is that its citizens are relatively prosperous, with a median household income of \$71,637, compared to Texas's median household income of \$51,563 and the national average median of \$53,046.ⁱⁱ Because families in Texas have lower incomes, they naturally pay lower federal income taxes than families in higher-income states, such as New Jersey and Connecticut. In addition to the federal income tax, New Jersey has a separate state income tax with six brackets and a top rate of 8.97 percent (the sixth-highest individual state income tax rate in the nation).

Overall, the highest rates of taxation are found in the Northeast, with Connecticut (#1), New Jersey (#1), New York (#3), and

Massachusetts (#5) having the four highest rates in the nation. In contrast, taxes are generally lower in the South, with Alabama (#46), Tennessee (#47), Mississippi (#49), and Louisiana (#50) among the least-taxed citizens.

THINKING *Critically*

- ★ Can you think of some advantages of living in a state with a high income tax, such as New Jersey? What might these be?
- ★ Can you identify problems in Texas that might be better addressed if the state had more revenue?
- ★ Can you think of other ways the state might raise revenue without imposing income taxes?

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- i. Kyle Pomerleau and Lyman Stone, "Tax Freedom Day 2014 is April 21, Three Days Later Than Last Year," Tax Foundation, April 7, 2014, <http://taxfoundation.org/article/tax-freedom-day-2014-april-21-three-days-later-last-year> (accessed May 23, 2014).
 - ii. U.S. Census Bureau, State Fact Sheets, www.census.gov.