



FACT SHEET: *April 18, 2011*

Thank Taxes: Tax Day 2011

WHO PAYS TAXES?

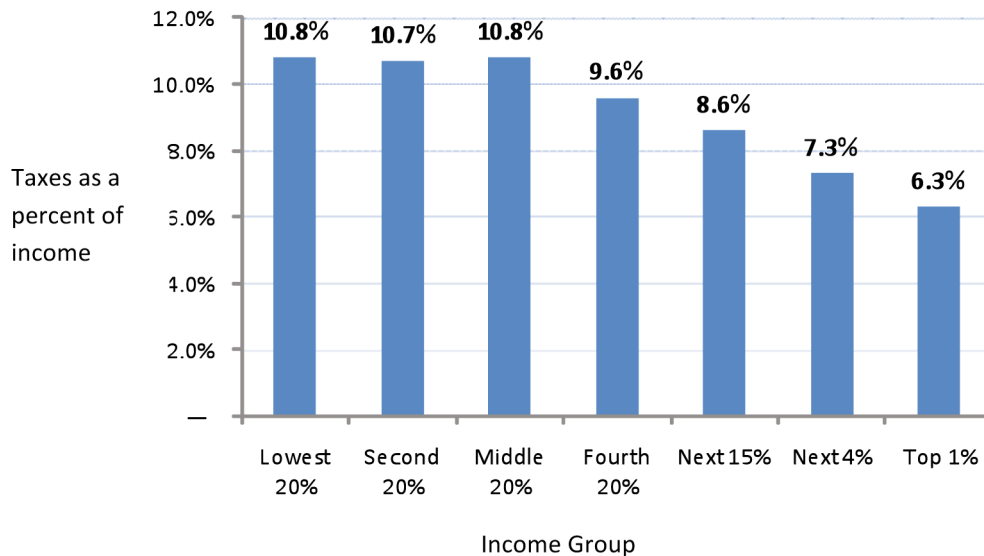
Everyone pays taxes and everyone benefits from taxes. Everyone who gets a paycheck pays payroll taxes. Everyone who buys anything at a local store or fills up their car with gas pays taxes. Individuals and businesses alike, benefit from the public structures paid for by taxes.

The figure below shows the estimated share of state and local taxes as a percentage of income for different income groups in Mississippi. The lowest, second, and middle 20% income groups pay the largest share of taxes as a percentage of income, while the top 20% pay the lowest.

One of the principles on which tax systems in America were founded is that the amount of a family's taxes should be based on that family's ability to pay.

However, in practice, this principle has eroded over the years, and the share of taxes paid by high income earners and corporations has been declining while that of lower income earners has increased.

ESTIMATED STATE AND LOCAL TAXES AS A PERCENTAGE OF INCOME BY INCOME GROUP



Source: *The Institute on Taxation and Economic Policy, Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, November 2009 (based on 2007 tax year data)*



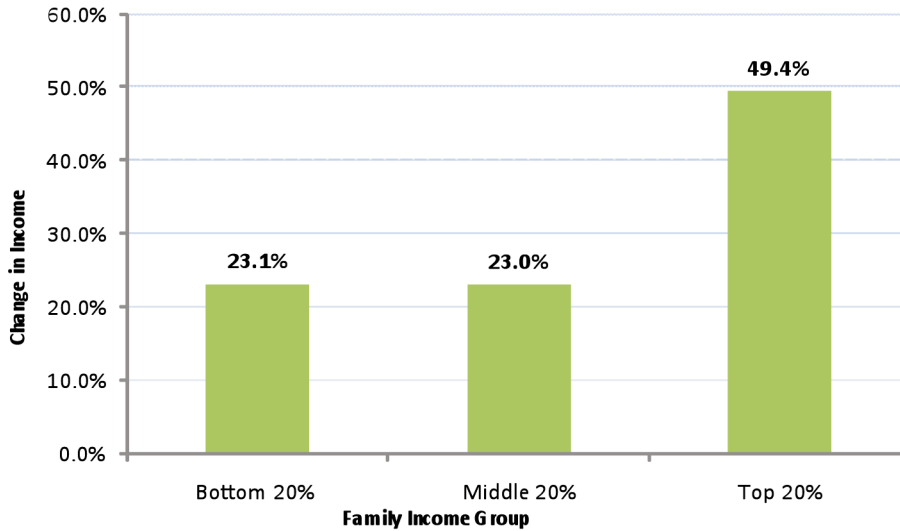
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Thank Taxes: Tax Day 2011 cont.

One of the reasons for the differences includes the fact that the state's income tax brackets have not been updated in over 25 years. Including standard exemptions and deduction, a family of four with two children that makes over \$29,600 finds itself in the state's highest income tax bracket.

While income tax brackets and rates have remained the same over the last two decades, the top 20% of income earners have experienced over twice the rate of income growth of the bottom and middle 20% of earners in Mississippi.

INCOME GROWTH IN LAST TWO DECADES BY INCOME GROUP



Source: Center on Budget and Policy Priorities, "Pulling Apart: A State by State Analysis of Income Trends" April 2008

RECOMMENDATIONS:

State general fund revenue collections have declined over \$400 million since FY 2008 due to the recession. To maintain investments in the public structures, the state needs adequate, sustainable revenue.

Updating the state's 25 year old tax brackets, adding more services to the sales tax, and closing corporate tax loopholes would begin to build the type of revenue system needed to maintain investments in the state's future.