

Advancing Racial Equity With State Tax Policy

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Advancing Racial Equity With State Tax Policy

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States and localities could do more to help undo the harmful legacies of past racism and the damage caused by continuing racial bias and discrimination. If state budget and tax policies were better designed to address these harms and create more opportunities for people of color, state economies would be more equitable and likely also would be stronger, which in turn could benefit many state residents of all backgrounds.

States and local governments account for nearly half of all domestic public-sector spending, and most of the funding for education and certain other investments important for economic growth. As such, how states and localities raise and spend revenue, including what services they finance, has major implications for racial and ethnic equity. Yet, while in recent decades people of color have made progress in many areas, state and local fiscal policies too often have not been part of this progress and instead have extended or cemented racial disparities in power and wealth.



State and local tax policy
is a powerful structural force in our lives



Explicitly racist tax policies of the past



CALIFORNIA GOLD RUSH 1849



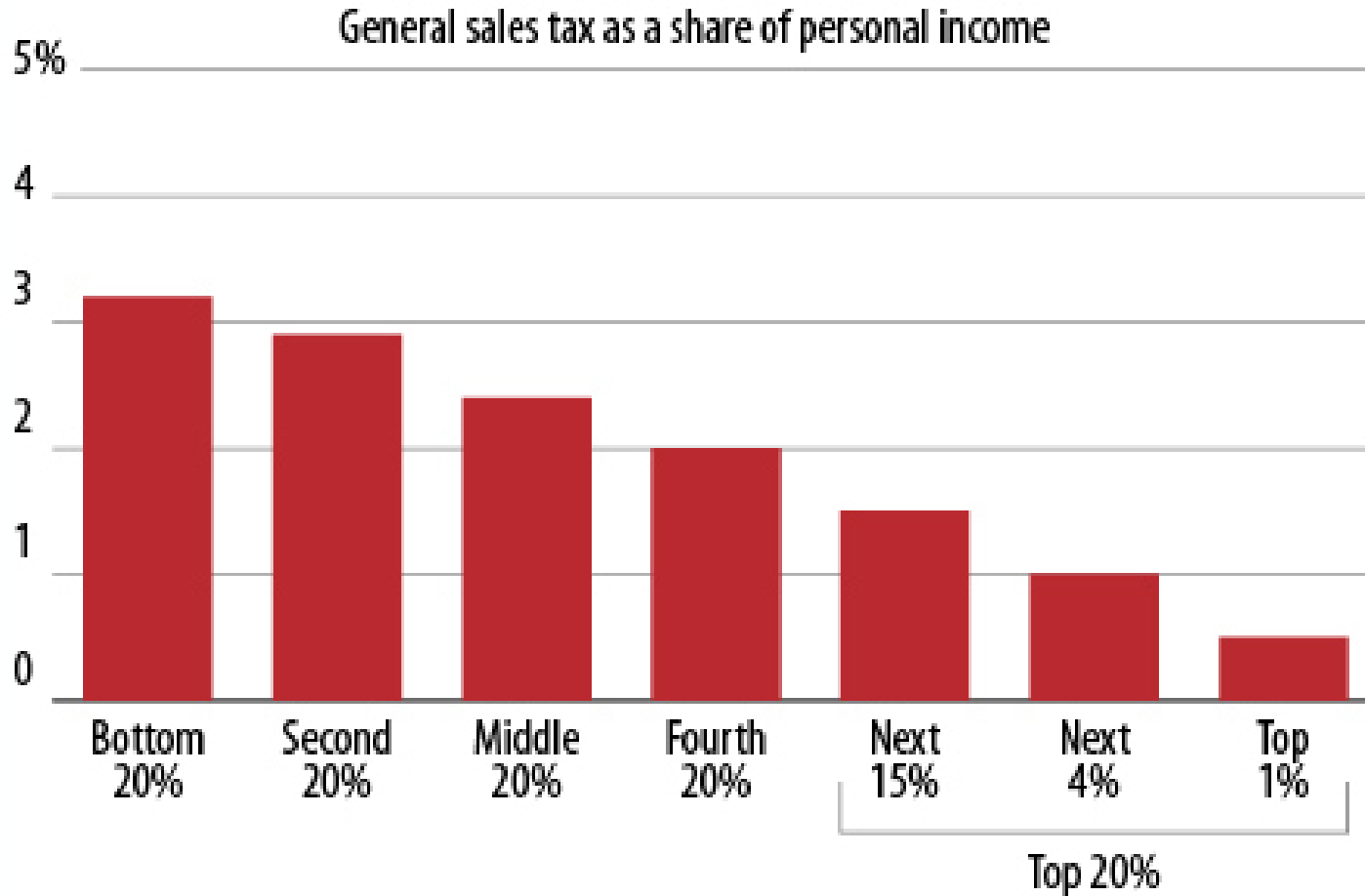
USA
33

1999



The Racist Roots of Sales Taxes

Sales Taxes Fall Hardest on Those With the Least Income





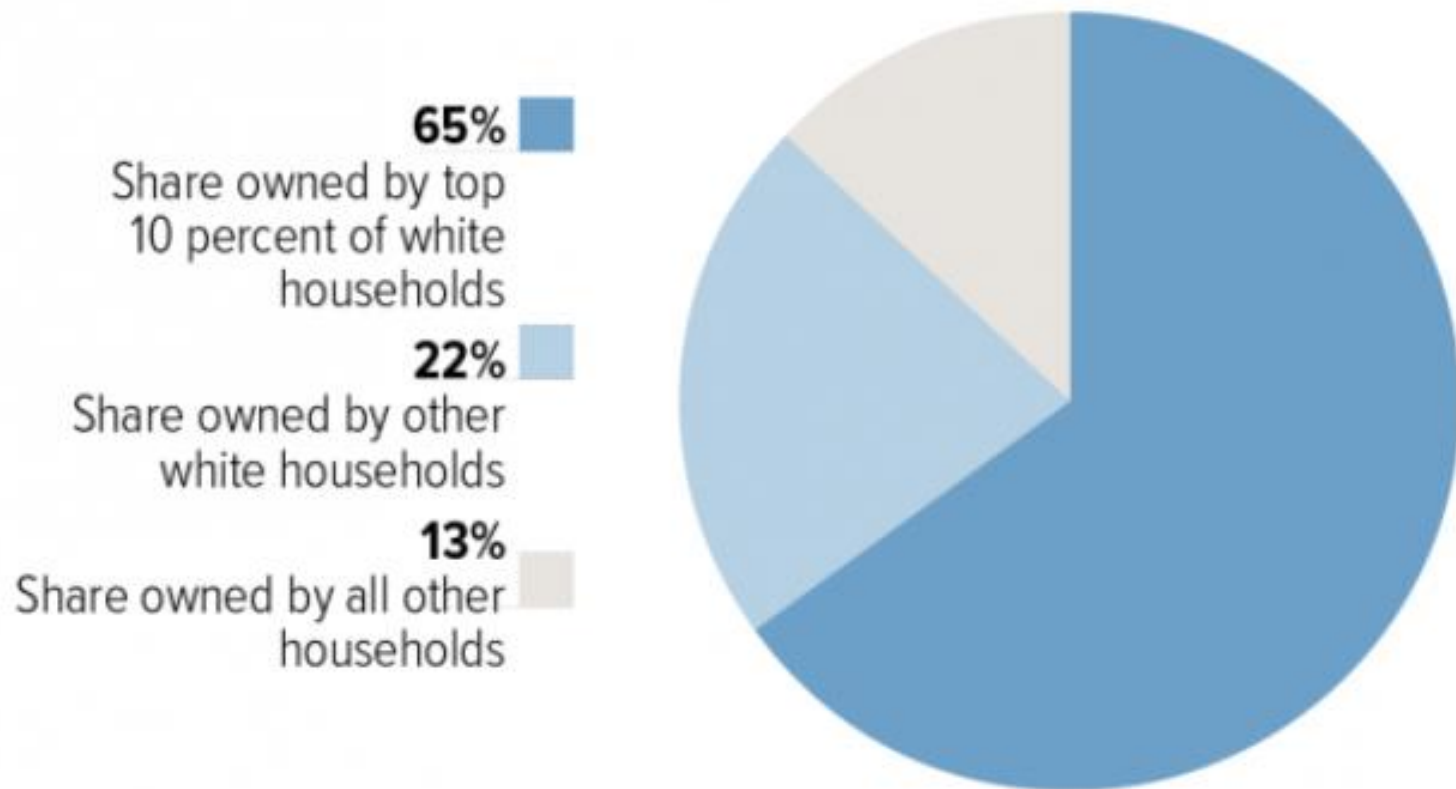
Other tax policies with white supremacist roots that are still on the books

CONSTITUTIONAL
Montgomery Alabama, Septe

H. Curtis, S. F. Rice, W. M. Lowe, J. E. P. Flournoy, H. W. Laird, G.
H. Watts, R. W. Gibbs, G. B. Gullitt, R. C. Torry, B. M. Scowen, S. J.
R. A. Long, S. Forwood, G. H. Parks, T. J. Burton, R. H. Moore, R.
J. B. Kelly, J. P. Rawls, A. A. Sturrett, J. W. Jones, W. A. S.
H. Hargrove, W. J. G. J. Cox, J. B. Biss, L. P. Walker, E. S.
Edwin, P. A. Dean, Doorkeeper,
J. D. Meadows, C. B. Taylor, J. A. Foster, R. H. Post,
M. T. Akers, A. W. Plowman, A. J. Inglis, M. L. W.

Wealthiest 10 Percent of White Households Own Two-Thirds of U.S. Wealth

87 percent of wealth owned by white households



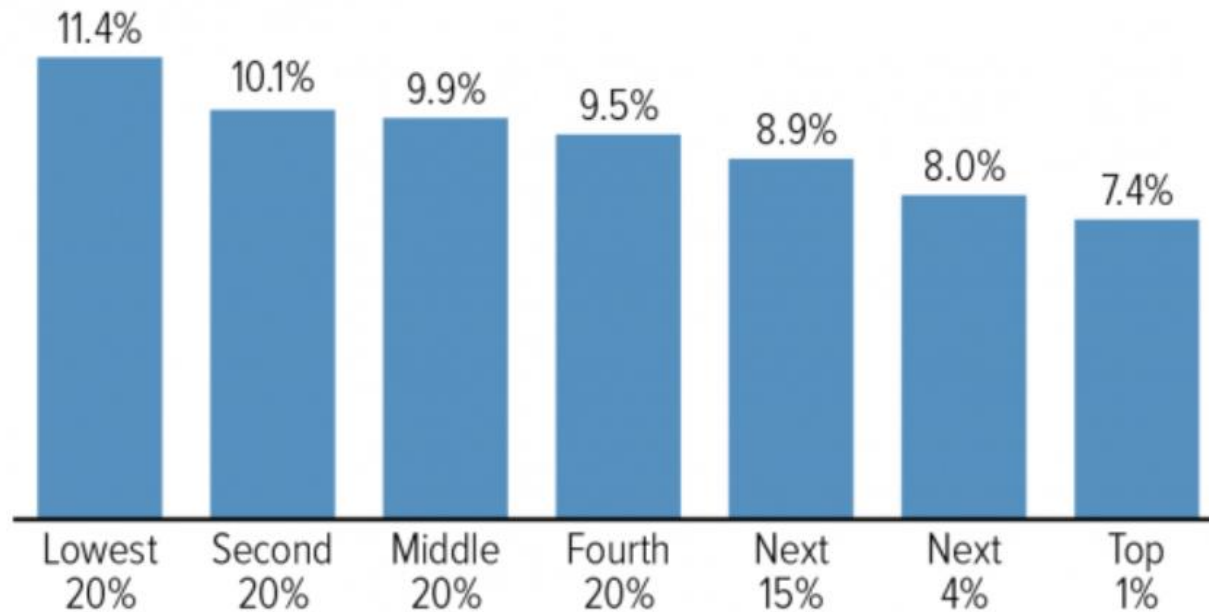
Source: Federal Reserve's Survey of Consumer Finances

Intention vs. Impact

This is what structural racism looks like

Lowest-Income Households Pay Highest State and Local Taxes

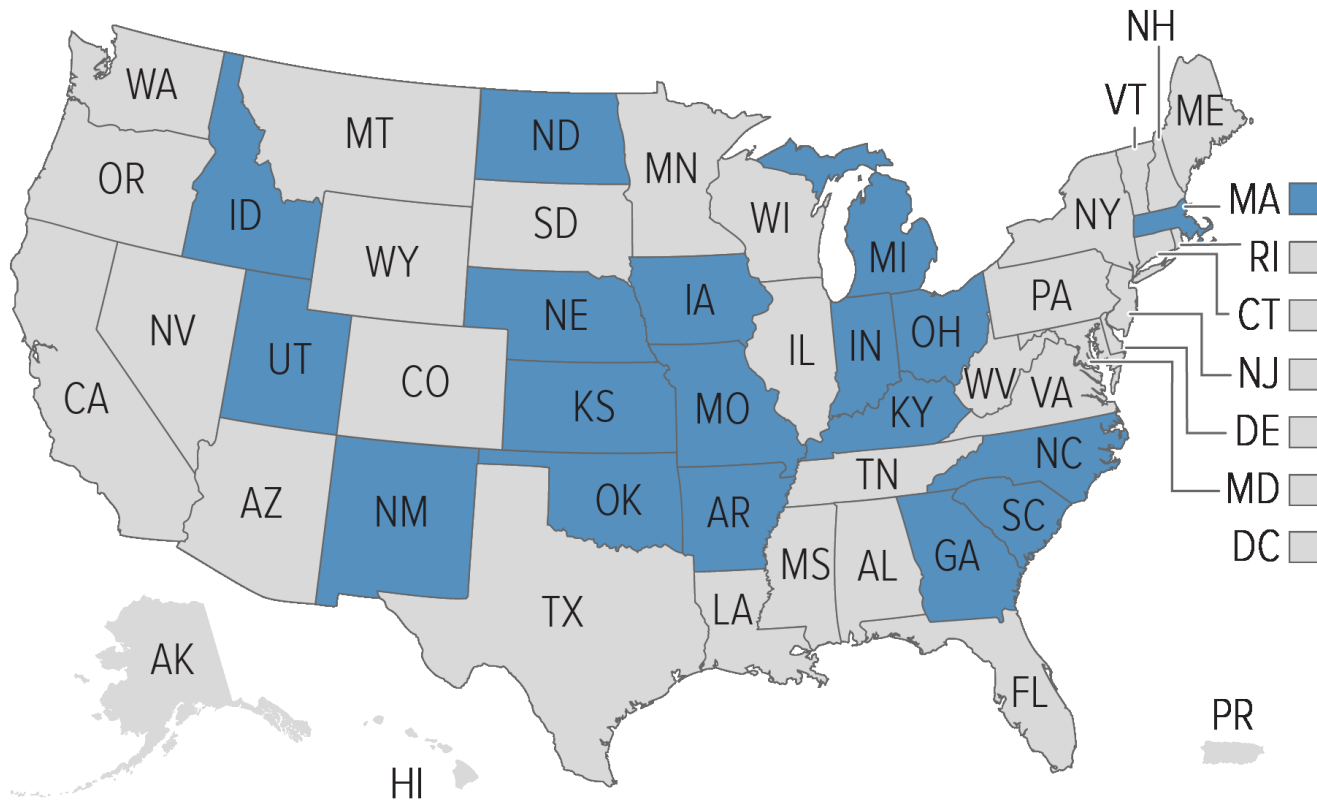
Total state and local taxes that non-elderly residents paid as a share of their income in 2018



A group of men in suits are laughing together in an ornate room. The man in the foreground is laughing heartily, looking upwards. Other men behind him are also smiling and laughing. The room has gold-colored wall decorations and a large mirror.

The Attack on Income Taxes

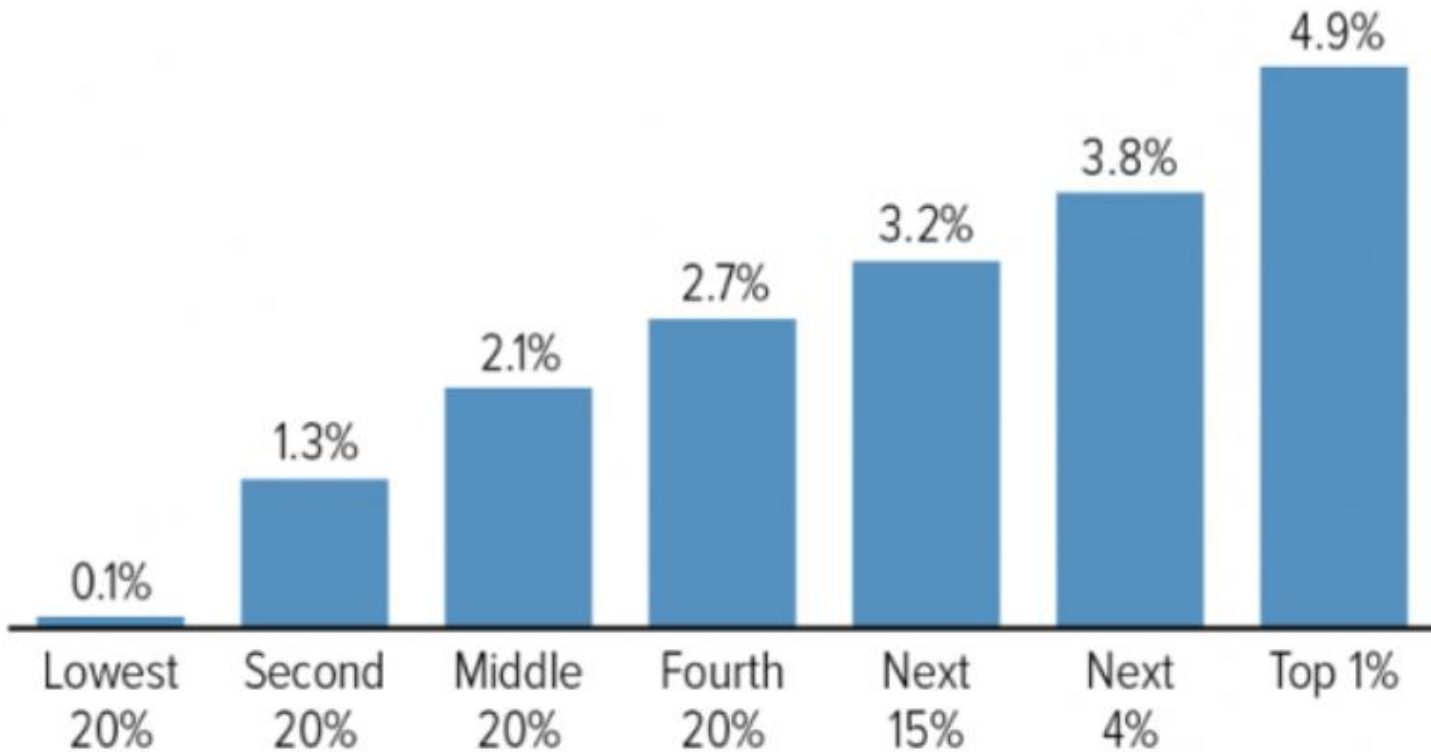
Eighteen States Have Cut Personal Income Tax Rates Since the Last Recession



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State and Local *Income* Taxes Based on Ability to Pay

Total state and local income taxes that non-elderly residents paid as a share of their income in 2018



Note: Income ceilings: \$21,000 for bottom 20%; \$37,000 for second 20%; \$60,000 for middle 20%; \$104,000 for fourth 20%; \$227,000 for next 15%; \$553,000 for next 4%.

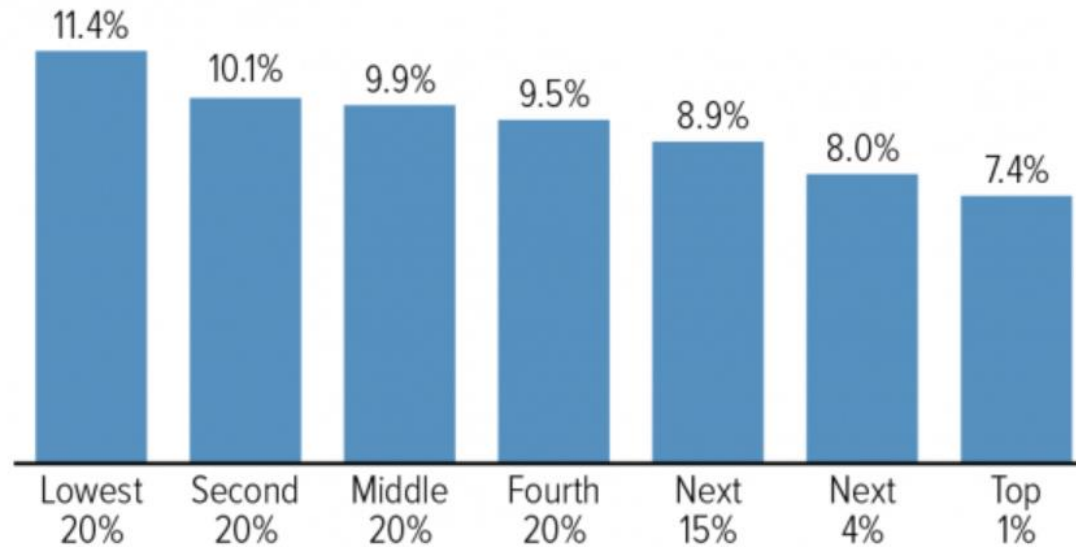
Source: Institute on Taxation and Economic Policy



This is what structural racism looks like

Lowest-Income Households Pay Highest State and Local Taxes

Total state and local taxes that non-elderly residents paid as a share of their income in 2018





**Tax policy is not race neutral.
But it's a powerful tool for racial equity.**

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