



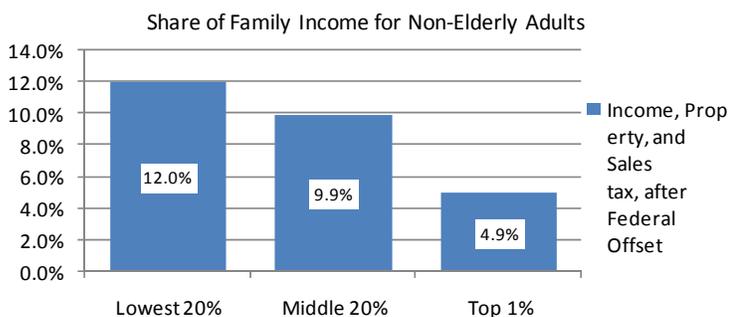
## Making Connecticut's Income Tax More Progressive

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**A progressive personal income tax is one of the most effective ways to close the budget gap, protect services, and correct imbalances in state and local tax systems.** Connecticut's personal income tax is more regressive than many of its regional peers, with relatively few rate tiers – e.g., Connecticut families earning \$30,000 per year pay the same rate as those earning \$900,000. Without making needed reforms to the personal income tax, the pain of eliminating the deficit will be further concentrated on Connecticut's middle- and lower-income residents.

**A more progressive income tax could be an important revenue source for Connecticut, paid for by those who can best afford it.** By modestly raising income tax rates for the state's wealthiest residents Connecticut could raise nearly \$1 billion to help close the state's revenue gap while keeping income taxes the same for the bottom 80% of income tax earners. This could be done, for example, by only imposing an average tax change of 1.6% of income for the top one percent of income-earners, 0.5% for the next highest four percent of income earners, and 0.1% for the next 15 percent.

**Connecticut State and Local Taxes By Income Group, 2007**



Note: Graph reflects changes in law enacted through October 2009

**Reforming the income tax would make Connecticut's state and local tax system less imbalanced.** In Connecticut, wealthy residents pay a

much smaller share of their income in state and local taxes than residents struggling to make ends meet. After federal income tax deductions, our wealthiest families pay an average of 4.9% of their income in state and local taxes, compared to 9.9% for middle-income and 12.0% for poor residents. Furthermore, last year's reduction in the estate/gift tax made Connecticut's tax system more regressive by lowering a tax paid by the state's wealthiest residents.

**Progressive income tax reforms would protect Connecticut's economy better than the alternative – cuts to essential services.** Cutting vital services that support families as they struggle to find good work and provide for their families will harm the economy when it is most vulnerable. According to Nobel Prize winning economist Joseph Stiglitz, "Reductions in government spending on goods and services, or reductions in transfer payments to lower-income families, are likely to be more damaging to the economy in the short run than tax increases focused on higher-income families, since lower-income families are more likely to spend any additional income than higher-income families."

**Under this progressive income tax proposal, Connecticut's effective tax rates for high-income families would remain lower than those in neighboring New York.** Even disregarding this fact, recent research in the National Tax Journal found little evidence that personal income tax rates had an effect on residents moving between states.

**Connecticut residents of all income levels benefit from our public structures -- our schools, roads, and public safety agencies.** We all have a stake in ensuring that we have the revenues we need to protect the services that protect our quality of life and help make our state an inviting place to live and work.