CONNECTICUT VOICES FOR CHILDREN

Just Who *Are* Connecticut's Middle Income Families?

By Douglas Hall, Ph.D.

March 2007

"Put it on the people who can most afford it….leave the middle class alone"

House Speaker Jim Amann

Amid early public discussions about who should pay for significant new state investments in public education, decision makers and the public should understand more about the distribution of income and how it varies throughout our state. Determining who are Connecticut's "middle income families" is not as straightforward as it may seem; middle income in one part of Connecticut may be just barely enough to get by in other parts of the state. Some have noted that both the cost of living and incomes are significantly higher in Connecticut's wealthiest towns, including much of Fairfield County. Connecticut's Self Sufficiency Standard – a measure of what it actually costs to make ends meet – clearly indicates that "getting by" in Stamford, for instance, costs much more than in Windham. For a two-parent family with two school age children, it costs about $57,174 a year to make ends meet in Stamford, compared to $43,827 in Windham.[1]

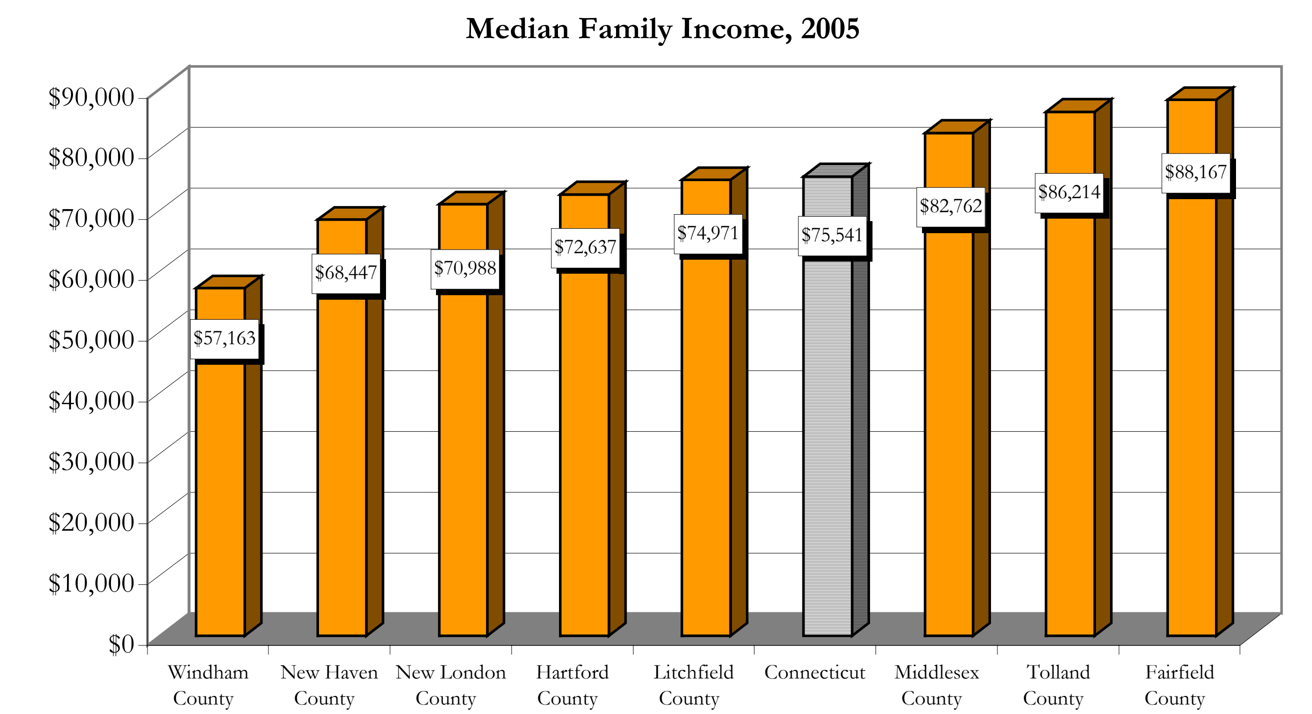


Figure 1: Source US Census Bureau, American Community Survey, 2005

[1] Diana Pearce, *The Real Cost of Living in 2005: The Self-Sufficiency Standard for Connecticut* (2005), cited in Douglas Hall and Shelley Geballe, *The State of Working Connecticut, 2006*, (Connecticut Voices for Children, 2006).

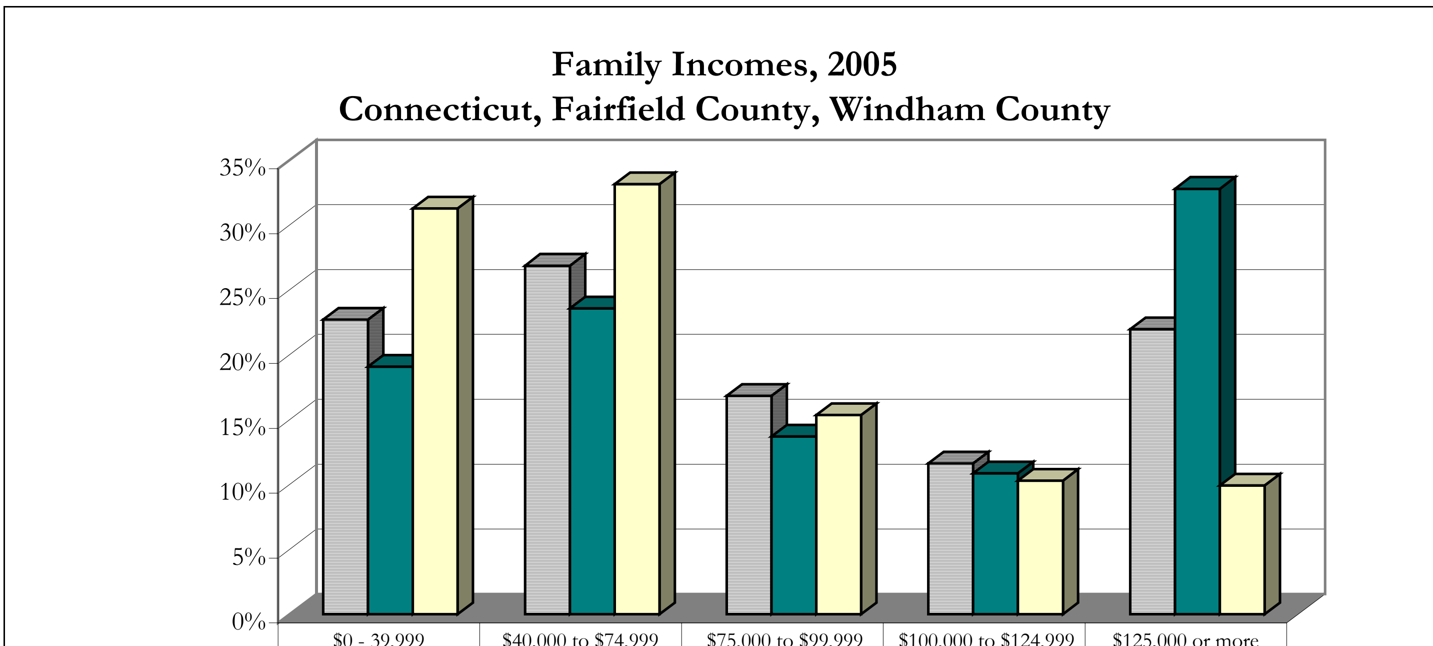
New Haven Office: 33 Whitney Ave. • New Haven CT 06510 • Phone: 203.498.4240 • Fax: 203.498.4242
Hartford Office: 53 Oak St. Suite 15 • Hartford CT 06106 • Phone: 860.548.1661 • Fax: 860.548.1783
Web Site: www.ctkidslink.org
E-mail: voices@ctkidslink.org

There is greater variation among median family incomes for counties than among self-sufficiency standards across regions of the state. Median family income data from the American Community Survey seen in Figure 1 above shows that the statewide median family income – the income at which half of Connecticut's families have family incomes above and half below – is $75,541. This measure masks significant regional disparity. The median family income in Windham County, Connecticut's poorest county, is lowest at $57,163, while the median family income in Fairfield County, our wealthiest county, is highest at $88,167.[2]

Distribution of Connecticut Families by County, 2005		
	# of families	% of families
Connecticut	893,288	100%
Windham County	27,458	3%
Tolland County	36,169	4%
Middlesex County	43,603	5%
Litchfield County	52,005	6%
New London County	69,259	8%
New Haven County	210,752	24%
Hartford County	225,107	25%
Fairfield County	228,935	26%

Table 1: American Community Survey, 2005

Figure 2 below highlights the fact that fully one third of Fairfield County families have family incomes of $125,000 or more, compared with less than one quarter of families statewide, and just ten percent of families in Windham County, Connecticut's poorest county. Determining who should pay for a bold overhaul of Connecticut's education system should reflect who within the state has the capacity to shoulder a larger share of that important investment. The relative capacity and responsibility of Connecticut's counties to shoulder a larger proportion of new state investments is also reflected by the relative size of each county. Table 1 shows, for instance, that Fairfield County contains more than one in four Connecticut families, with three quarters of Connecticut's families concentrated in just three of Connecticut's eight counties – Fairfield County, Hartford County and New Haven County.



	$0 - 39,999	$40,000 to $74,999	$75,000 to $99,999	$100,000 to $124,999	$125,000 or more
Connecticut	23%	27%	17%	12%	22%
Fairfield County	19%	24%	14%	11%	33%
Windham County	31%	33%	15%	10%	10%

Figure 2: Source US Census Bureau, American Community Survey, 2005

[2] Town level ACS data are not yet available for most of Connecticut's 169 towns.

Robert McIntyre from the Institute of Taxation and Economic Policy (ITEP) notes that "Connecticut's income tax fails to offset the regressivity of its sales and excise taxes, giving the state an unfair, regressive tax system. Taxes ought to be based on people's ability to pay them, which means that the share of income paid in taxes should rise as income grows, not fall as is the case in Connecticut."[3] A new report forthcoming from ITEP will note whether Connecticut has made any progress in making its overall tax structure less regressive. Previous results showed that Connecticut's highest income earners – those in the top 1% -- paid just 4.4% of their household income in overall state and local taxes (after taking advantage of federal income tax deductions), compared with 10.2% of household income for families in the bottom twenty percent.[4]

Various options for raising revenues through the income tax should consider the distribution of income among Connecticut taxpayers. Figure 3 below shows the distribution of incomes for all Connecticut tax filers for the 2004 tax year. Over half (56%) of all filers in TY2004 had Connecticut Adjusted Gross Incomes (AGI) of less than $50,000, while 82% of filers had incomes less than $100,000. The comparatively small number of filers with incomes in the highest ranges highlights why measures aimed at significantly enhancing revenues would be more easily achieved by raising rates on a broader range of filers. With just 0.6% of filers earning incomes over $1 million, a so-called 'millionaires tax' would require a prohibitively large rate increase to raise significant revenues. Importantly, these data significantly mask the great wealth in the very top of the income range. Among Connecticut filers with incomes exceeding $2 million, the average 2004 income was $7 million.[5]

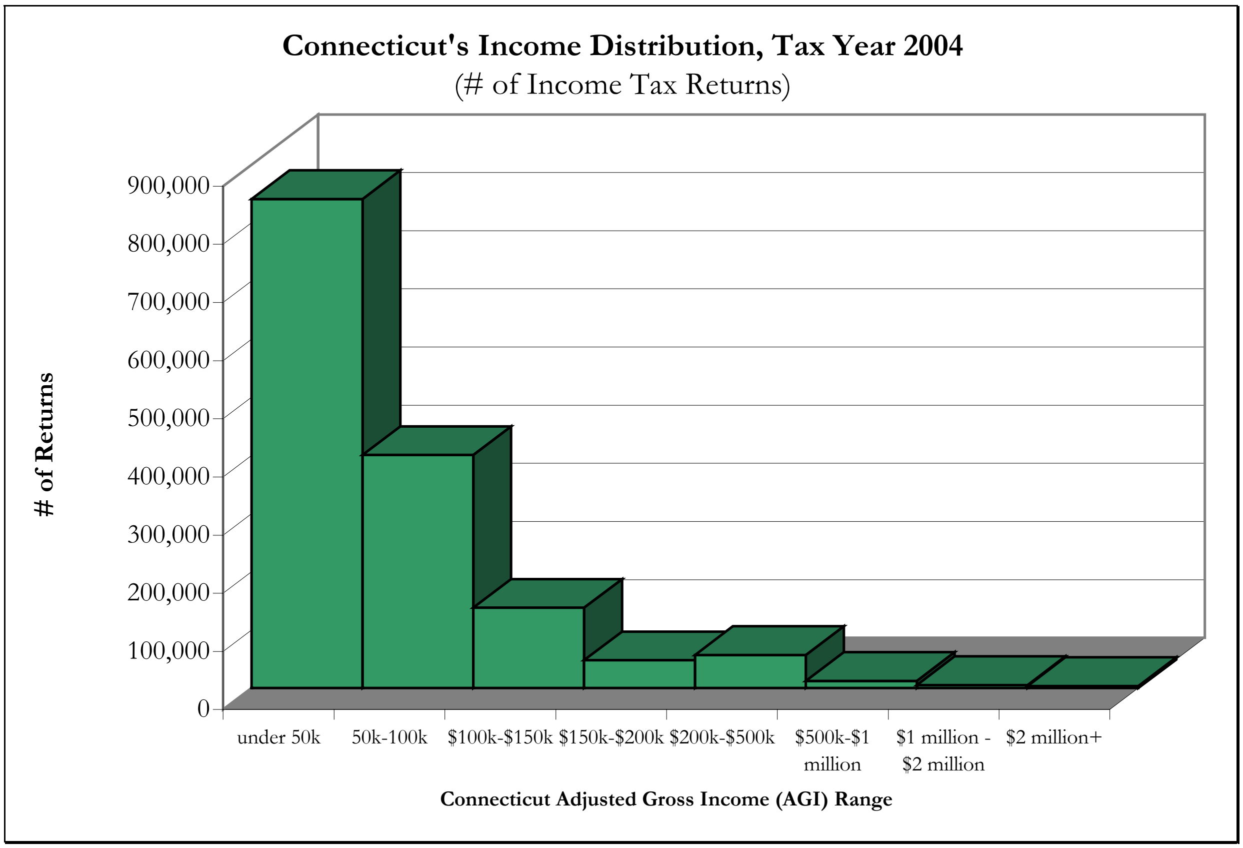


Figure 3: Source: Connecticut Department of Revenue Services, 2006.

[3] Robert McIntyre, "Connecticut Taxes Hit Poor & Middle Class Harder than the Wealthy", *Press Release*, January 2003.
[4] Robert McIntyre et al, *Who Pays?: A Distributional Analysis of the Tax Systems in All 50 States, 2nd Edition*, (ITEP, 2003). These percentages reflect the incidence of taxation after incorporating offsets resulting from federal income tax treatment.
[5] The differences in the proportion of filers reporting higher incomes to the Census Bureau (seen in Figure 2) and to the Department of Revenue (seen in Figure 3) is certainly noteworthy.