While the federal tax system is progressive, meaning that higher-income people pay a greater share of their income in taxes, Connecticut’s tax system is the opposite – asking the most of those with the least.

In Connecticut, the wealthiest 1% of taxpayers pay about half the share of their income on state and local taxes (5.5%) that middle-income (10.5%) and lower-income (11%) residents pay. Our tax code is regressive, unlike the federal tax code and those of most wealthy nations.

While still regressive, Connecticut’s tax system was improved substantially by the implementation of a state earned income tax credit (EITC) in tax year 2011. The state EITC helped to offset the regressive impact of the sales tax increases passed in the same year, and continues to play an important role in improving the fairness of the state’s tax code. The credit benefited some 180,000 households in Connecticut, all of which were made up of low- and moderate-income people who earned income through work. Cuts to the EITC would make Connecticut’s tax system less fair, increasing total taxes on the lowest-income working families in our state – and ultimately worsening an already regressive tax structure.

Figures 1 and 2. Source: Institution on Taxation and Economic Policy
While richer people pay a higher dollar amount in taxes, it is because their incomes are so much higher than everyone else’s, not because they are taxed far more heavily.

Nationally, the top 1% of income earners pay 21.6% of federal, state and local taxes, but they capture 21% of all income. At the same time, the middle 20% earn 11.4% of income and pay 10.3% of total taxes, while the poorest 20% earn 3.4% of income and pay 2.1% of taxes. Put simply, each group’s share of taxes parallels its share of income.

![Nationally, Shares of Total Taxes Mirror Shares of Total Income](image)

Figure 3. Source: Institution on Taxation and Economic Policy

Indeed, the most striking fact about the top 1% is not how much they pay in taxes, but the huge share of income they claim: more than one in five dollars of total income. While the wealthiest in our state contribute the largest fraction of total tax dollars, they also enjoy incomes that far outpace the majority of other earners.

**Connecticut should consider tax changes that increase fairness, reduce inequality, close the budget deficit, and create a revenue system that is built to last.**

Specifically, policymakers should:

- Protect the state earned income tax credit, making sure that it remains at its current level (30% of the federal EITC amount). Cuts to the EITC mean a tax increase for Connecticut’s lowest-income working families, making our state’s tax system less fair in the process.

- Raise marginal income tax rates on our state’s wealthiest residents to align with those in New York State. Raising Connecticut’s rates just on income over $1 million could generate over $400 million annually.

- Close corporate tax loopholes that reward companies that ship profits and jobs out of state. Instituting mandatory combined reporting and the throwback rule would increase state revenues by over $100 million next year, while leveling the playing field for the small businesses that are vital to Connecticut’s economy.

- Report regularly on how much people at different income levels and businesses of different sizes pay in state and local taxes (tax incidence analysis), which will provide policymakers with a clear picture of taxes in Connecticut, and will help to inform complicated tax policy debates in an objective, data-driven fashion.