



News Release

33 Whitney Avenue
New Haven, CT 06510
Voice: 203-498-4240
Fax: 203-498-4242
www.ctvoices.org

DECEMBER 15, 2016

Contact: Roger Senserrich
Communications Director
203-498-4240 x117
rsenserrich@ctvoices.org

Connecticut Among States with Highest Income Inequality

NEW HAVEN – Connecticut is among the states with the highest income inequality in the country, according to a new report from the Center on Budget and Policy Priorities. Connecticut ranks third in the country, with its richest residents—the top five percent of households—having average incomes 17 times as large as the bottom 20 percent of households and five times as large as the middle 20 percent of households. The top five percent of Connecticut’s households receive 20 percent of the state’s income, even without counting capital gains.

The report, *How State Tax Policies Can Stop Increasing Inequality and Start Reducing It*, also shows that the concentration of income among the wealthiest residents is striking in every state – reflecting three and a half decades of unequal income growth:

- The top 1 percent’s share of income rose in every state and the District of Columbia — and it doubled nationally, from 10 percent to 20 percent — between 1979 and 2013, according to a recent analysis of IRS data.
- The average income of the top 5 percent of households in every state is at least 10 times that of the bottom 20 percent, even excluding capital gains.
- In the typical state, the average income of the richest 5 percent of families (\$325,928) dwarfs that of the poorest 20 percent (\$22,014) and middle-income families (\$66,165).
- In 17 states, the top 20 percent of households received more than 45 percent – close to half –of all income in the state, excluding capital gains.

For more than three decades, income gains in the American economy have accrued largely to the richest households, while many middle and lower-income Americans haven’t shared in the nation’s growing prosperity. This has reduced opportunities for working people striving to get ahead and weakened our overall economy.

“Though the growth in inequality reflects a host of long-standing national and global economic trends that are largely outside state policymakers’ control, Connecticut policy choices can make matters worse or improve them, said Fiscal Policy Fellow, Derek Thomas.

“Connecticut should avoid short-term solutions to the coming budget crisis. Rather, lawmakers should continue efforts toward building an equitable and sustainable revenue system. Doing so avoids painful cuts to investments in child and family opportunity and well-being and promotes broadly shared prosperity.”

The report offers recommendations about how state tax policies can be used to begin to reduce inequality. They include:

- Retain or expand taxes on inherited wealth, such as the estate tax.
- Regularly review costly tax breaks for corporations and eliminate those that are ineffective.
- Broaden the sales tax base to include more services consumed by wealthy individuals — such as investment counseling or country club memberships.
- Enact or expand earned income tax credits, which boost incomes among low-and moderate-wage working families.
- Maintain an overall tax system that raises sufficient revenue to pay for the building blocks of shared prosperity.

“The fact that the lion’s share of income gains has gone to the wealthiest residents contradicts the basic American belief that hard work should pay off — that the people who contribute to the nation’s economic growth should reap their share of the benefits of that growth,” said Elizabeth McNichol, a senior fellow at CBPP and the author of the report. “Such inequality is both a barrier to Americans striving to provide for themselves and their families and a drag on future economic growth. Reducing it should be a high priority for state policymakers.”

How State Tax Policies Can Stop Increasing Inequality and Start Reducing It is available on the CBPP website at www.cbpp.org. For more information or to set up an interview about this report, contact Roger Senserrich, Communications Director, at rsenserrich@ctvoices.org, 203.565.7298.

.....

About Connecticut Voices for Children: Connecticut Voices for Children is a research-based policy think tank based in New Haven, Connecticut. Our Mission is to promote the well-being of all of Connecticut's young people and their families by advocating for strategic public investments and wise public policies. To achieve these objectives, Connecticut Voices for Children produces high quality research and analysis, promotes citizen education, advocates for policy change at the state and local level and works to develop the next generation of leaders.