


APPENDIX E: Lookahead Analyses of Select Upcoming Changes to State Tax Law


Effective Tax Rates by Income Group if Select Upcoming Changes to State Tax Law Had Been in Effect for Tax Year 2024 (*Individual figures may not sum to totals due to rounding*)

Alabama

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	11.9%	11.5%	10.5%	9.3%	8.4%	6.7%	5.4%	-6.0%	12
Lookahead	11.7%	11.4%	10.4%	9.2%	8.3%	6.7%	5.4%	-5.8%	14
Change	-0.2%	-0.1%	-0.1%	-0.1%	-0.0%	-0.0%	-0.0%	+0.1%	+2


Sales tax rate on groceries will decline from 3% to 2% when revenue condition is met.

Colorado

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	8.3%	9.0%	9.9%	9.3%	8.5%	7.6%	7.0%	-1.8%	39
Lookahead	9.2%	9.4%	9.9%	9.3%	8.5%	7.6%	7.0%	-2.4%	36
Change	+1.0%	+0.4%	+0.0%	+0.0%	+0.0%	0.0%	0.0%	-0.6%	-3


EITC reduction from 38% to 20% of the federal credit between 2024 and 2026.

District of Columbia


	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	4.8%	10.6%	11.5%	12.4%	12.1%	10.9%	11.4%	+3.1%	51
Lookahead	2.8%	10.2%	11.5%	12.4%	12.1%	10.9%	11.4%	+4.1%	51
Change	-2.0%	-0.4%	-0.0%	0.0%	0.0%	0.0%	0.0%	+1.0%	0

EITC increase for workers with children, from 70% to 100% of federal between 2024 and 2026.


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	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	10.3%	10.1%	9.6%	9.8%	9.3%	8.0%	6.9%	-3.2%	33
Lookahead	10.2%	9.9%	9.4%	9.5%	8.9%	7.7%	6.5%	-3.4%	32
Change	-0.1%	-0.2%	-0.3%	-0.3%	-0.4%	-0.4%	-0.4%	-0.2%	-1

Personal income tax rate reduction from 5.49% to 4.99% between 2024 and 2029.

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	13.3%	11.0%	10.4%	9.7%	8.7%	7.4%	6.2%	-5.9%	14
Lookahead	13.2%	10.8%	10.2%	9.5%	8.5%	7.3%	6.1%	-5.8%	14
Change	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	+0.0%	0


Personal income tax rate reduction from 3.05% to 2.9% by 2027.

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	11.6%	11.4%	10.5%	10.7%	10.6%	8.9%	7.2%	-5.1%	23
Lookahead	11.5%	11.0%	9.9%	9.7%	9.4%	7.7%	5.8%	-5.1%	16
Change	-0.0%	-0.4%	-0.7%	-1.0%	-1.2%	-1.2%	-1.3%	0.0%	-7

Personal income tax from 5.7% (top rate) graduated to 3.9% flat. Corporate rate from 7.1% to 5.5%.


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Kansas

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	11.4%	11.2%	11.7%	11.2%	10.8%	9.0%	7.5%	-3.8%	26
Lookahead	11.2%	11.1%	11.6%	11.1%	10.8%	8.9%	7.5%	-3.7%	29
Change	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%	-0.0%	-0.0%	+0.1%	+3


Sales tax on groceries reduced from 2% to 0% in 2025. Food Sales Tax Credit eliminated.

Kentucky

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	12.4%	10.9%	11.0%	10.3%	10.0%	8.4%	6.6%	-5.0%	17
Lookahead	12.3%	9.1%	8.2%	7.1%	6.6%	5.3%	3.5%	-6.8%	8
Change	-0.1%	-1.7%	-2.8%	-3.2%	-3.4%	-3.1%	-3.1%	-1.8%	-9

Elimination of state-level personal income tax (contingent on revenue trigger).


Louisiana

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	13.1%	12.7%	12.5%	10.9%	10.1%	8.7%	6.5%	-6.3%	10
Lookahead	13.3%	12.9%	12.5%	10.9%	10.1%	8.7%	6.5%	-6.4%	9
Change	+0.2%	+0.2%	+0.0%	+0.0%	0.0%	0.0%	0.0%	-0.1%	-1

EITC reduction from 5% to 3.5% of the federal credit in 2031.


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Mississippi

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	12.4%	10.8%	11.0%	10.1%	9.6%	8.2%	6.9%	-4.7%	19
Lookahead	12.3%	10.7%	10.8%	9.7%	9.1%	7.8%	6.4%	-5.1%	16
Change	-0.0%	-0.1%	-0.3%	-0.4%	-0.5%	-0.5%	-0.5%	-0.4%	-3


Personal income tax rate reduction from 4.7% to 4.0% by 2026. Franchise tax elimination by 2028.

Missouri

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	9.8%	8.5%	8.6%	8.9%	8.7%	7.3%	5.7%	-3.4%	31
Lookahead	9.8%	8.4%	8.5%	8.7%	8.5%	7.1%	5.5%	-3.6%	30
Change	-0.0%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-1

Top PIT bracket eliminated and top rate cut from 4.8% to 4.5%.


Nebraska

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	11.2%	10.1%	11.0%	10.1%	10.2%	9.1%	7.2%	-3.5%	30
Lookahead	11.2%	10.0%	10.6%	9.4%	9.2%	7.9%	6.0%	-4.5%	20
Change	-0.0%	-0.1%	-0.4%	-0.7%	-0.9%	-1.1%	-1.2%	-1.1%	-10

Top PIT bracket eliminated and top rate cut from 5.84% to 3.99%. CIT converted from graduated tax with 5.58% top rate to flat tax with 3.99% rate.


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New Hampshire

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	8.9%	6.0%	6.7%	6.3%	5.2%	4.2%	2.8%	-4.8%	18
Lookahead	8.9%	6.0%	6.7%	6.3%	5.2%	4.1%	2.6%	-5.0%	18
Change	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.2%	0


Interest & Dividends tax eliminated in 2025 (tax at 3% rate in baseline scenario).

North Carolina

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	10.5%	9.6%	9.3%	9.1%	8.5%	7.2%	6.0%	-4.0%	24
Lookahead	10.3%	8.8%	8.2%	7.8%	7.0%	5.7%	4.4%	-5.0%	17
Change	-0.2%	-0.7%	-1.1%	-1.3%	-1.5%	-1.5%	-1.6%	-1.0%	-7

PIT rate cut from 4.5% to 2.49% (contingent on revenue trigger). CIT eliminated by 2030.


South Carolina

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	10.1%	8.2%	8.8%	9.5%	9.4%	8.1%	6.5%	-2.9%	34
Lookahead	10.1%	8.2%	8.7%	9.4%	9.2%	7.9%	6.3%	-3.1%	34
Change	0.0%	-0.0%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	0

Top personal income tax rate reduced from 6.4% to 6.0% (contingent on revenue trigger).


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Virginia

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	8.7%	9.7%	10.3%	10.3%	9.6%	8.5%	7.2%	-2.1%	37
Lookahead	9.6%	10.5%	10.9%	10.6%	9.8%	8.5%	7.2%	-2.9%	34
Change	+0.9%	+0.8%	+0.5%	+0.3%	+0.2%	+0.1%	+0.0%	-0.8%	-3

Personal income tax standard deduction reduced in 2026.

West Virginia

	Total State and Local Tax Shares of Family Income							ITEP Inequality Index	
	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	Index Value	Index Rank
Baseline	11.6%	10.9%	10.0%	9.6%	9.3%	8.6%	7.2%	-3.7%	28
Lookahead	11.0%	8.9%	7.6%	6.3%	5.5%	4.7%	3.2%	-6.2%	11
Change	-0.6%	-2.0%	-2.4%	-3.3%	-3.8%	-3.9%	-4.0%	-2.5%	-17

Elimination of state-level personal income tax (contingent on revenue trigger).

Note: "PIT" refers to personal income tax; "CIT" refers to corporate income tax; "EITC" refers to Earned Income Tax Credit. This appendix only presents those changes already scheduled to occur in statute. Some of the larger changes, such as outright income tax elimination, are likely to necessitate the enactment of other revenue measures to offset at least some of their revenue loss. Those other potential measures are not explored here.

Source: Institute on Taxation and Economic Policy (ITEP)