


# APPENDIX F: Analyses of Select Proposals to Reduce or Eliminate Personal Income Taxes


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

## Arkansas

	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
Lookback (A)	13.1%	11.6%	12.4%	10.9%	10.7%	9.5%	7.3%	-5.1%	15
Baseline (B)	13.1%	11.1%	11.7%	10.1%	9.4%	8.1%	5.8%	-6.4%	9
Proposal (C)	13.0%	10.1%	9.8%	7.7%	6.3%	4.9%	2.9%	-8.6%	2
Change, A to C	-0.1%	-1.5%	-2.6%	-3.1%	-4.4%	-4.6%	-4.4%	-3.4%	-13
Change, B to C	-0.0%	-0.9%	-1.9%	-2.3%	-3.1%	-3.2%	-2.9%	-2.2%	-7

Lookback is 2018 law. Baseline is 2024 law. Proposal shows elimination of state-level personal income tax.


## Indiana

	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 (A)	13.3%	11.0%	10.4%	9.7%	8.7%	7.4%	6.2%	-5.9%	14
Lookahead (B)	13.2%	10.8%	10.2%	9.5%	8.5%	7.3%	6.1%	-5.8%	14
Proposal (C)	11.9%	9.0%	8.0%	7.1%	6.0%	4.9%	3.8%	-6.4%	9
Change, A to C	-1.4%	-1.9%	-2.4%	-2.5%	-2.7%	-2.5%	-2.4%	-0.6%	-5
Change, B to C	-1.3%	-1.8%	-2.3%	-2.4%	-2.5%	-2.4%	-2.4%	-0.6%	-5

Baseline is 2024 law. Lookahead is PIT rate reduction from 3.05% to 2.9% by 2027. Proposal shows elimination of state-level PIT, including refundable credits.


# APPENDIX F: Analyses of Select Proposals to Reduce or Eliminate Personal Income Taxes (cont.)

## Iowa

	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
Lookback (A)	13.0%	12.7%	11.7%	11.6%	11.5%	9.8%	8.0%	-4.6%	20
Baseline (B)	11.6%	11.4%	10.5%	10.7%	10.6%	8.9%	7.2%	-4.1%	23
Lookahead (C)	11.5%	11.0%	9.9%	9.7%	9.4%	7.7%	5.8%	-5.1%	16
Proposal (D)	12.7%	9.7%	8.1%	7.3%	6.9%	5.1%	3.0%	-7.7%	6
Change, A to D	-0.4%	-3.0%	-3.5%	-4.3%	-4.6%	-4.7%	-5.0%	-3.1%	-14
Change, B to D	+1.1%	-1.7%	-2.4%	-3.5%	-3.7%	-3.8%	-4.2%	-3.6%	-17
Change, C to D	+1.1%	-1.3%	-1.7%	-2.4%	-2.5%	-2.6%	-2.8%	-2.6%	-10

Lookback is 2018 law. Baseline is 2024 law. Lookahead shows full implementation of scheduled PIT and CIT cuts. Proposal shows elimination of state and local personal income taxes, including refundable credits administered through those taxes. (Iowa’s local income taxes are a percentage of state tax liability.)


## 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
Lookback (A)	13.1%	12.0%	12.0%	10.9%	10.3%	8.8%	7.4%	-5.1%	16
Baseline (B)	12.4%	10.8%	11.0%	10.1%	9.6%	8.2%	6.9%	-4.7%	19
Lookahead (C)	12.3%	10.7%	10.8%	9.7%	9.1%	7.8%	6.4%	-5.1%	16
Proposal (D)	12.3%	10.3%	9.4%	7.3%	6.1%	5.0%	3.4%	-7.1%	8
Change, A to D	-0.8%	-1.7%	-2.7%	-3.6%	-4.1%	-3.8%	-4.0%	-2.0%	-8
Change, B to D	-0.0%	-0.5%	-1.7%	-2.8%	-3.5%	-3.3%	-3.5%	-2.4%	-11
Change, C to D	-0.0%	-0.4%	-1.4%	-2.4%	-3.0%	-2.8%	-3.0%	-2.0%	-8

Lookback is 2017 law. Baseline is 2024 law. Lookahead is 2028 law. Proposal is personal income tax elimination.


# APPENDIX F: Analyses of Select Proposals to Reduce or Eliminate Personal Income Taxes (cont.)

## Oklahoma

	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
<b>Baseline (A)</b>	12.2%	10.3%	10.5%	9.8%	8.9%	7.9%	6.3%	-5.0%	16
<b>Proposal (B)</b>	12.4%	8.8%	7.9%	6.6%	5.4%	4.5%	3.1%	-7.2%	8
<b>Change, A to B</b>	+0.1%	-1.5%	-2.6%	-3.2%	-3.5%	-3.3%	-3.2%	-2.2%	-8

Eliminate state-level personal income tax, including refundable credits.

## 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
<b>Baseline (A)</b>	8.7%	9.7%	10.3%	10.3%	9.6%	8.5%	7.2%	-2.1%	37
<b>Proposal (B)</b>	9.0%	9.7%	10.3%	10.1%	9.4%	8.1%	6.8%	-2.6%	35
<b>Change, A to B</b>	+0.3%	+0.1%	-0.1%	-0.2%	-0.3%	-0.3%	-0.4%	-0.5%	-2

Cut PIT rates to 1.75%, 2.65%, 4.4%, 5.1%. Increase state sales tax from 4.3% to 5.2%. Increase nonrefundable EITC from 20% to 25% of federal.

Note: "PIT" refers to personal income tax; "CIT" refers to corporate income tax; "EITC" refers to Earned Income Tax Credit. The larger changes in this Appendix, 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)