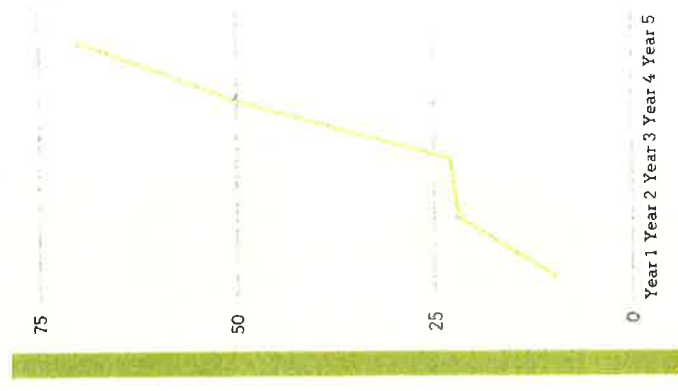




FISCAL POLICY

# Mississippi Tax Study Hearings



1. Taxes are a significant source of *revenue* for the state and are one of the main sources of funding for key state programs and services.
2. Mississippi's *regressive tax system* adversely affects the state's ability to raise revenue, contributes to disinvestment in our local communities, and worsens existing inequalities amongst the state's residents.
3. Tax cuts that benefit the wealthy harm everyone and everything else. The goal of tax reform in our state should center on **equitable policies** that advance the shared priorities of all Mississippians.

## STATE TAX SYSTEMS & ECONOMIC GROWTH



- “...[n]ational and international economy.
- a state’s natural resources,
- the education of its workforce,
- the proximity to major markets, and
- the mix of state industries

... are among the major factors that determine the growth of state economies.”

Source: Center on Budget and Policy Priorities

# FUNDING SOURCES FOR APPROPRIATIONS

## FY 2022 BUDGET

47.33%



Federal Government  
\$11,027,463,940

24.97%



General Funds  
\$5,819,026,888

23.92%



Other Special Funds  
\$5,572,472,988

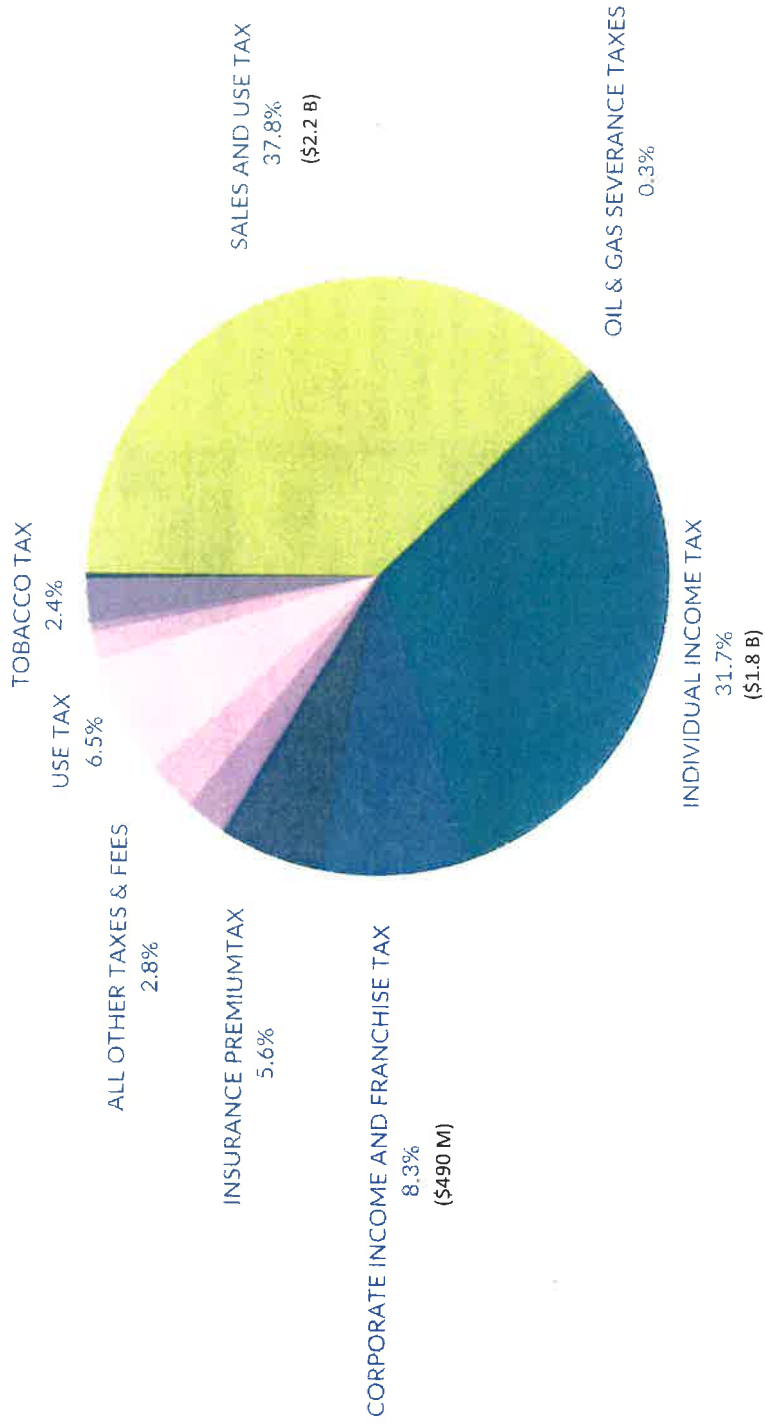
3.78%



State Support Special Funds  
\$881,891,773

Source: Mississippi Legislative Budget Office, FY 2022 Budget Bulletin

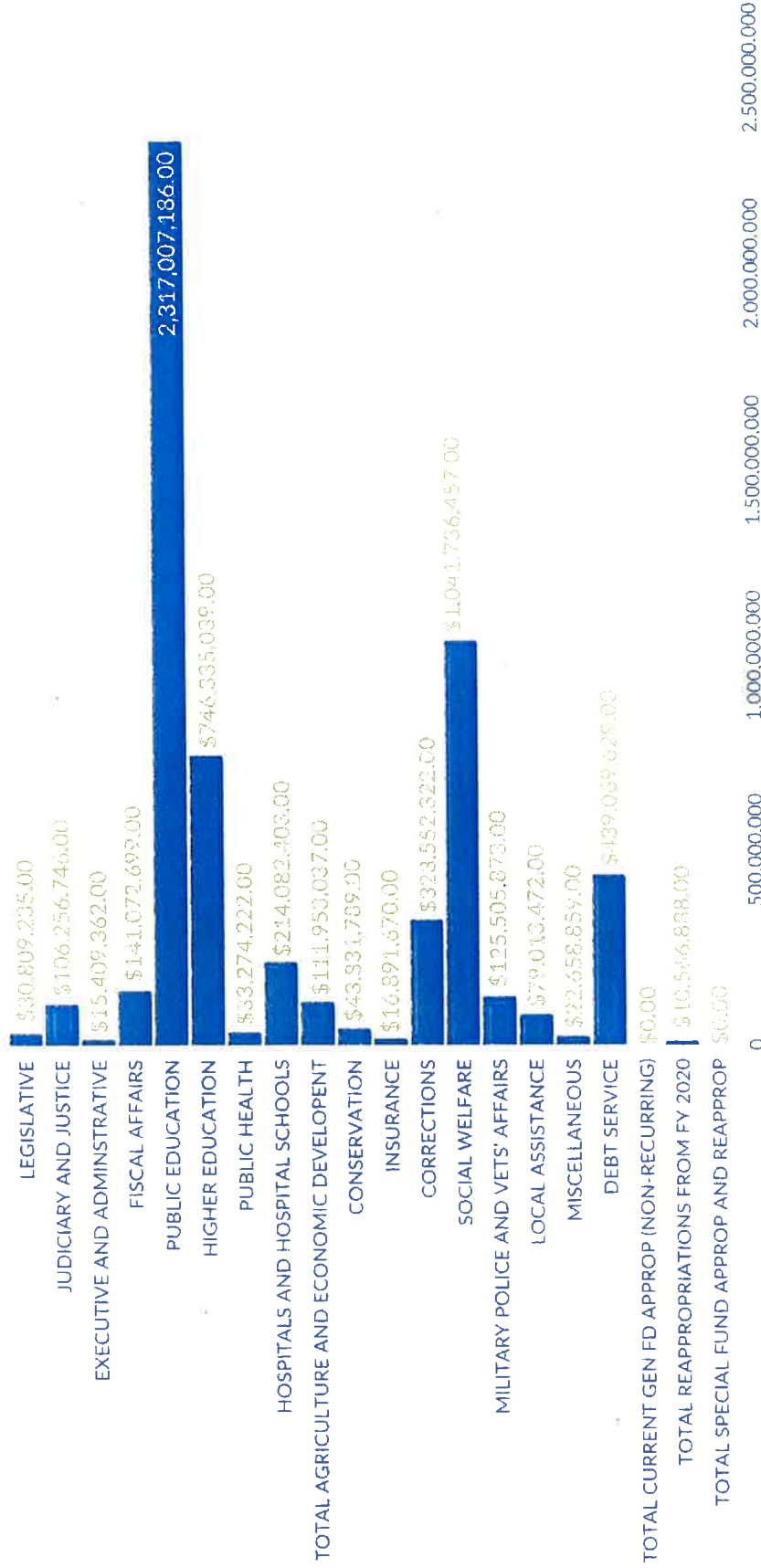
# GENERAL FUND REVENUES ESTIMATED FY 2022 BUDGET



General Fund Revenue Estimate FY 2022 (Chart Total): \$5,927,000,000

Source: Mississippi Legislative Budget Office, FY 2022 Budget Bulletin

## FY 2022 TOTAL GENERAL FUNDS APPROPRIATIONS



Source: Mississippi Legislative Budget Office, FY 2022 Budget Bulletin

# EVALUATING MISSISSIPPI'S TAX SYSTEM

## Progressive Features of the State Tax Code



- Graduated personal income tax structure

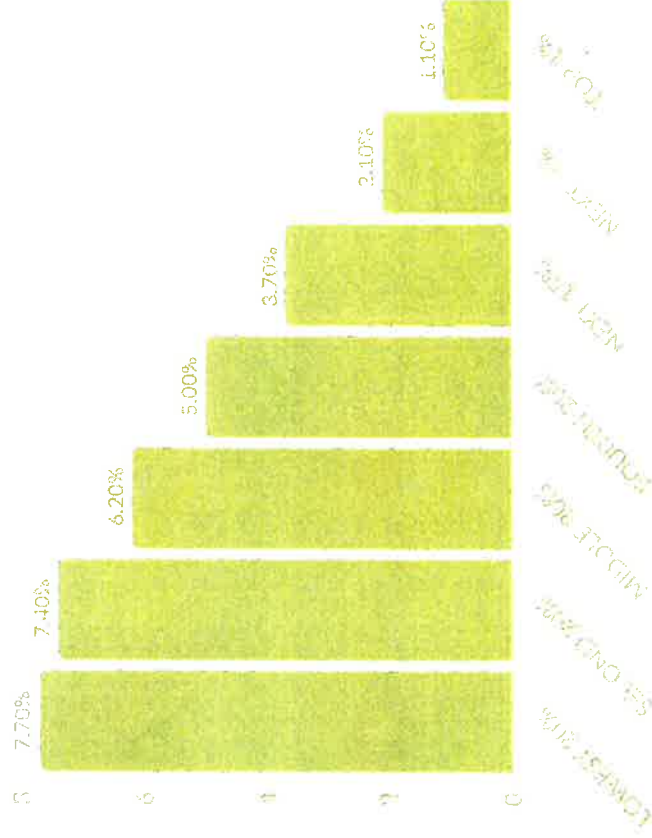
## Regressive Features of the State Tax Code



- Lack of refundable income tax credits
- Exemption of all retirement income from personal income tax
- High reliance on sales tax
- Grocery Tax
- Corporate income tax structure
- No estate or inheritance tax

## WHO PAYS, MISSISSIPPI?

SALES & EXCISE TAXES PAID AS A PERCENTAGE OF INCOME BY INCOME GROUPS

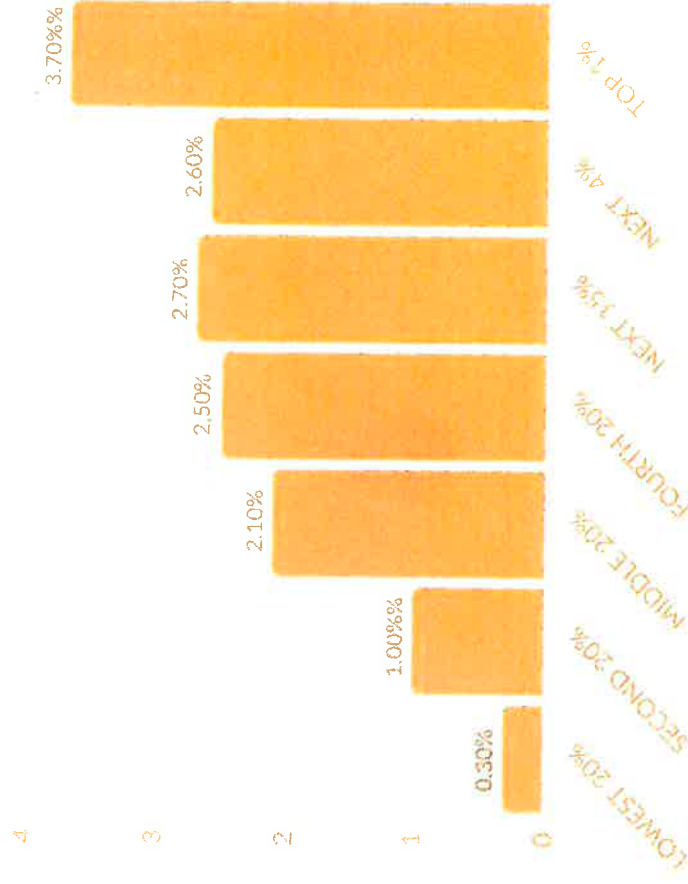


Source: Analysis from Institute on Taxation and Economic Policy, Who Pays? 6th Edition, October 17, 2018



## WHO PAYS, MISSISSIPPI?

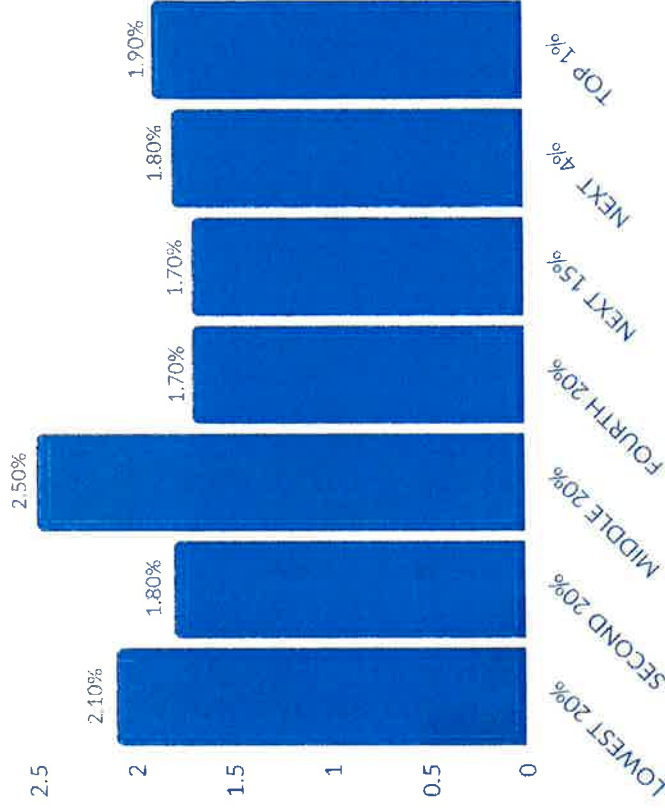
INCOME TAXES PAID AS A  
PERCENTAGE OF INCOME  
BY INCOME GROUPS



Source: Analysis from Institute on Taxation and Economic Policy, Who Pays? 6<sup>th</sup> Edition, October 17, 2018

## WHO PAYS, MISSISSIPPI?

PROPERTY TAXES PAID AS A PERCENTAGE OF INCOME BY INCOME GROUPS



Source: Analysis from Institute on Taxation and Economic Policy, Who Pays? 6<sup>th</sup> Edition, October 17, 2018

# WHO PAYS, MISSISSIPPI?

Wealthier tax payers, on average, pay a lower effective state and local tax rate than lower-income people, they also collectively contribute a smaller share of state and local taxes than their share of all income.

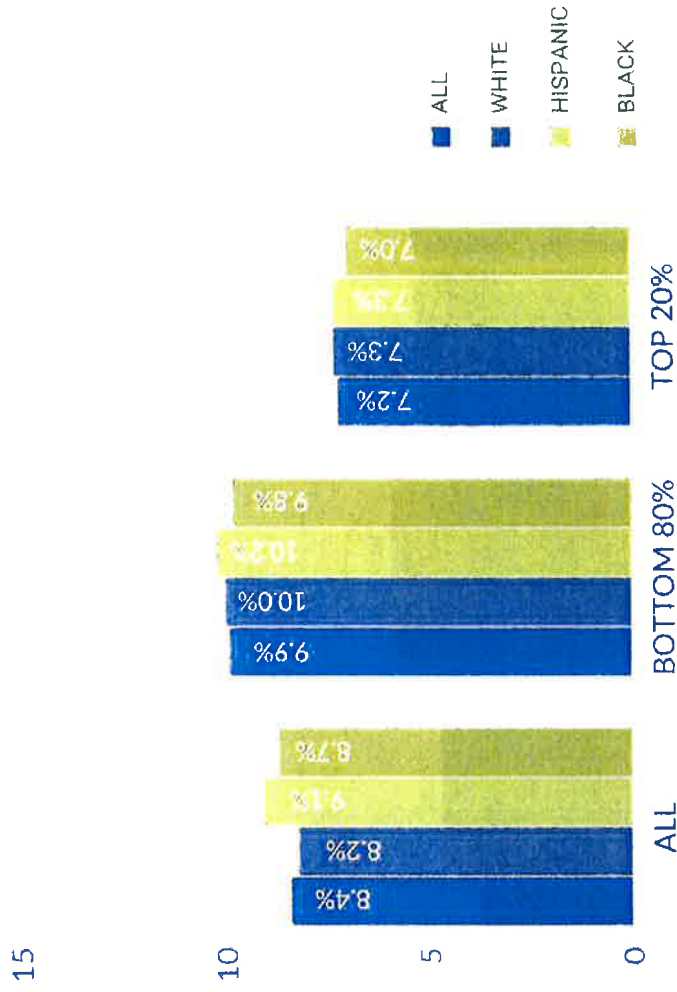
## NEW WHO PAYS RESULTS REFLECTING POLICY CHANGES AND METHODOLOGICAL ENHANCEMENTS

15



Source: Produced by the Institute on Taxation and Economic Policy and provided to One Voice on 1/29/21.

# STATE AND LOCAL TAXES AS A SHARE OF FAMILY INCOME BY INCOME LEVEL AND RACE/ETHNICITY



EFFECTIVE TAX RATE TOTAL STATE AND LOCAL TAXES

Source: Produced by the Institute on Taxation and Economic Policy and provided to One Voice on 1/29/21.

# STATES WITHOUT INDIVIDUAL INCOME TAXES EXPERIENCED

**01** slower economic growth

**03**

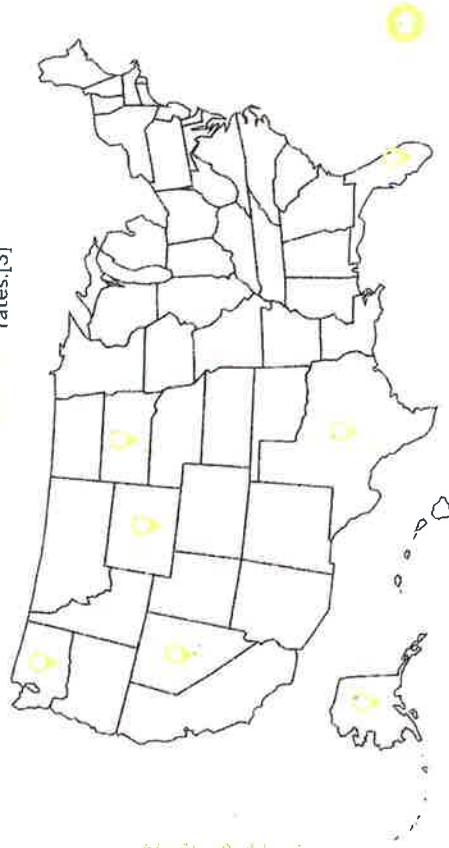
little to no improvement on the economic outcomes of residents despite population growth

**02** slower growing average income for residents

**04**

higher tax burdens on the poor than states with the highest tax rates.[3]

"Without exception, the lowest state and local tax rates in the nation for high-income taxpayers are confined to the nine states that do not levy personal income taxes."



Source: Institute on Taxation and Economic Policy

LARGEST SOURCE OF TAX REVENUE - OTHER REVENUE SOURCE(S)

STATES WITHOUT

Alaska	Property tax (51.8%)	Oil
Florida	Property tax (36.4%)	Tourism
Nevada	Sales tax (41.1%)	Tourism (gaming revenue)
South Dakota	Sales tax (38.7%)	Federal Aid
Texas	Property tax (45%)	Oil
Washington	Sales tax (46.4%)	
Wyoming	Property tax (36.7%)	Oil, natural gas, coal and other mineral extraction

Source: USA Today

## STATE COMPARISON: ECONOMIC PERFORMANCE

	GDP (rank, 2020)	Per Capita Personal Income (rank, 2020)	Personal Income (rank, 2020)	Population (rank, 2020 Census)	Unemployment Rates, (rank, July 2021)
Alaska	43 <sup>rd</sup>	9 <sup>th</sup>	47 <sup>th</sup>	48 <sup>th</sup>	39 <sup>th</sup>
Florida	4 <sup>th</sup>	26 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup> *	28 <sup>th</sup>
Nevada	32 <sup>nd</sup>	30 <sup>th</sup>	32 <sup>nd</sup>	32 <sup>nd</sup> *	50 <sup>th</sup>
South Dakota	47 <sup>th</sup>	21 <sup>st</sup>	46 <sup>th</sup>	46 <sup>th</sup>	3 <sup>rd</sup>
Texas	2 <sup>nd</sup>	28 <sup>th</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	38 <sup>th</sup>
Washington	14 <sup>th</sup>	6 <sup>th</sup>	14 <sup>th</sup>	13 <sup>th</sup> *	28 <sup>th</sup>
Wyoming	48 <sup>th</sup>	11 <sup>th</sup>	49 <sup>th</sup>	50 <sup>th</sup>	30 <sup>th</sup>
Mississippi	35 <sup>th</sup>	50 <sup>th</sup>	35 <sup>th</sup>	34 <sup>th</sup>	36 <sup>th</sup>

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, United State Census Bureau; U.S. Bureau of Labor Statistics

## STATE COMPARISON: KANSAS

- 2012 Senate Substitute for HB 2117
  - “Shot of adrenaline...”
  - \$760 million a year
- One year later...
  - \$700 million budget shortfall
  - Spending cuts
- 2017 Senate Bill 30
  - Restored many of the pre-2012 tax policies



Source: Kansas Center for Economic Growth



# HOUSE BILL 1439-2021 LEGISLATIVE SESSION

Impact of General Sales Tax Rate Increase to 9.5%

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income (2019 Incomes)	\$11,000	\$23,000	\$39,000	\$63,000	\$115,000	\$248,000	\$924,000
Tax Change as % of Income	+1.9%	+2.0%	+1.7%	+1.4%	+1.0%	+0.6%	+0.3%
Resident Share of Tax Increase	+6%	+13%	+19%	+24%	+25%	+9%	+4%

Source: Produced by the Institute on Taxation and Economic Policy and provided to One Voice upon request, 2/24/21.

# HOUSE BILL 1439-2021 LEGISLATIVE SESSION

Combined Impact of General Sales Tax Rate Increase to 9.5% and Food Tax Cut to 3.5%



	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income (2019 Incomes)	\$11,000	\$23,000	\$39,000	\$63,000	\$115,000	\$248,000	\$924,000
Tax Change as % of Income	+1.6%	+1.7%	+1.5%	+1.2%	+0.9%	+0.5%	+0.3%
Resident Share of Tax Cut	+6%	+13%	+19%	+24%	+25%	+9%	+4%

Source: Produced by the Institute on Taxation and Economic Policy and provided to One Voice upon request, 2/24/21.

## HOUSE BILL 1439-2021 LEGISLATIVE SESSION

Combined Impact of Full Income Tax Elimination, General Sales Tax Rate Increase to 9.5%, Food Tax Cut to 3.5% and Cigarette Tax Increase (.50)

Bottom 60 %



Top 40 %



	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income (2019 Incomes)	\$11,000	\$23,000	\$39,000	\$63,000	\$115,000	\$248,000	\$924,000
Tax Change as % of Income	+2.0%	+1.1%	+0.1%	-0.2%	-1.3%	-1.5%	-3.1%
Average Tax Change	+\$220	+\$270	+\$30	-\$120	-\$1,450	-\$3,760	-\$28,610

Source: Produced by the Institute on Taxation and Economic Policy and provided to One Voice upon request, 2/24/21.

## THE IMPACT OF FULL TAX ELIMINATION

	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Average Income (2019 Incomes)	\$11,000	\$23,000	\$39,000	\$63,000	\$115,000	\$248,000	\$924,000
Tax Change as % of Income	-0.2%	-0.9%	-1.6%	-1.5%	-2.2%	-2.1%	-3.4%
% with Income Tax Cut	+18%	+65%	+69%	+63%	+84%	+95%	+98%
Avg. Tax Cut for Those w/ Cut	-\$100	-\$310	\$-880	-\$1,530	-\$3,070	-\$5,410	-\$32,060
Share of Tax Cut	+0%	+3%	+10%	+15%	+31%	+17%	+24%

Source: Produced by the Institute on Taxation and Economic Policy and provided to One Voice upon request. 2/24/21.

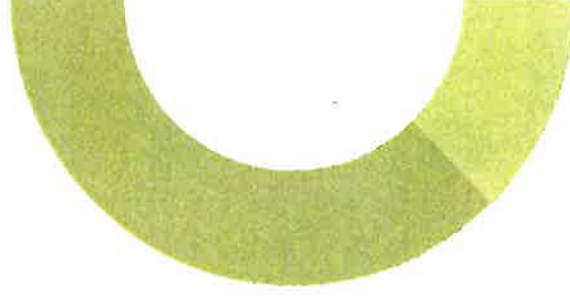
**PROMOTING AN EQUITABLE TAX SYSTEM IN MISSISSIPPI**

To equity within the state's tax code, state lawmakers should:

- Implement a more graduated personal income tax rate structure.
- Eliminate retirement income tax exemptions for the wealthy.
- Reduce the state's reliance on sales taxes.
- Broaden the state's corporate income tax base.
- Restore an estate tax on high levels of wealth.

State lawmakers should also implement the following policies to lift up low-income families and enhance racial equity in Mississippi:

- Provide refundable tax credits for workers, renters and families with children.
- Raise the minimum wage.
- Fully fund education.
- Expand Medicaid.
- Eliminate fines & fees collections based on one's ability to pay.
- Pass a state equal pay law.



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