# State Tax Relief for the Poor

***David S. Liebschutz and Steven D. Gold***

This paper summarizes highlights of the book *State Tax Relief for the Poor* by David S. Liebschutz, associate director of the Center for the Study of the States, and Steven D. Gold, the former director of the Center.[1] It examines the policies that states can adopt to provide tax relief for the poor.

Poor families are generally exempt from paying federal income tax, but they pay a large amount in taxes to state and local governments. In most states, state and local taxes take a much larger share of income from low-income families than from families with higher incomes. According to a 1991 study by the Citizens for Tax Justice, people with the lowest income paid nearly 14% of that income in state and local taxes. People in higher income brackets paid well under 10%. Most of this disparity is due to general sales and property taxes, which tend to be highly regressive at the lower end of the income scale.

Many states substantially increased personal exemptions or credits in 1987 as a result of federal tax reform, but they have failed to change them since then to keep up with inflation.[2]

In addition, many proposals to "devolve" federal entitlement programs to the states, especially the conversion of welfare into a block grant, would make state tax relief for the poor a more attractive option. States will no longer have an incentive to spend more of their own funds in order to attract federal matching dollars. Under the prior welfare system, Aid to Families with Dependent Children (AFDC), a state was given a 50% match from the federal government for each dollar it spent on welfare. It was less expensive for states to give assistance to the poor through welfare than through tax relief, where they had to pay for the entire cost of the program. Under the new welfare legislation, this incentive disappears.

The poverty line for a family of four in 1995 was approximately $15,570. That standard places about one out of every seven people in the United States among the poor. The number of poor people rose sharply in the early 1980s and 1990s. Currently, it is considerably higher than it was throughout the 1970s.

The demographics of poverty have changed in the past 25 years. More children, female-headed households, and low-wage workers, but fewer senior citizens, are poor now. The increase in the number of poor people gives an even greater incentive for states to find creative ways of reducing their tax burden.

Table 1 shows the frequency of five major tax relief programs for the poor in each of the states. All but eight states[3] have at least one of these programs. Eight states[4] provide at least three of the five programs. The most common provisions

give preferential tax treatment to individuals filing as the head of a household (in 34 states) or offer a property tax circuitbreaker (in 29 states). The least common is a comprehensive tax relief program, currently only found in New Mexico.

### Framework for evaluating relief

In order to evaluate tax relief for the poor, it is important to establish some criteria. Nine desirable features of tax relief provisions are as follows:

1. The budgetary cost of the relief should be reasonable.
2. All or most of the benefits should go to the intended beneficiaries.
3. Benefits should be distributed appropriately among beneficiaries.
4. All people who meet the criteria should receive some benefits.
5. The difference in benefits between those in the program and those who barely fail to qualify for it should not be large.
6. Undesirable incentive effects, such as discouraging work or saving, should be minimized. If possible, tax systems should provide positive incentives.
7. The relief should not be very expensive to administer.
8. The provisions should be uncomplicated. Intended beneficiaries should not be discouraged from claiming benefits.
9. The cost of providing the relief should be borne by the state government because it is more able to bear the burden than local governments.

Trade-offs exist among some of the features. Other features tend to reinforce each other. For example, keeping the cost of relief reasonable is consistent with the goal of concentrating the relief on the poor, but both these objectives may lead to "notch" effects,[5] undesirable incentive effects, and complexities. These trade-offs deserve consideration, but they are likely to be less serious for state tax relief than they might be for a federal income maintenance program because the amounts of money involved are likely to be considerably smaller.

***State government is more able than local governments to bear the burden of tax relief for the poor.***

### Income tax relief

Of the 41 states with personal income taxes, only 18 exempted a family of four persons below the poverty line from paying income taxes in 1995. In 9 states, families with incomes of less than half of the poverty line were subject to income tax. Five major alternatives for relieving income taxes of low-income households are as follows:

1. Increasing the personal exemption or personal credit
2. Providing a targeted credit that phases out as income rises
3. Providing an earned income tax credit

4. Establishing or increasing a minimum standard deduction
5. Setting an income threshold below which taxpayers are exempt from the income tax

All of these alternatives are used in at least one state. All but 1 of the 41 states that have state income taxes have a personal exemption or credit. Fifteen states have targeted tax credits.[6] Seven states have earned income tax credits. Thirty-three states allow some type of standard deduction. Eighteen states set income tax thresholds above the poverty line.

***The heaviest tax on the poor imposed by state or local governments is the property tax.***

Policies differ in terms of how much they cost, how well they target relief to low-income taxpayers, whether they cover all or only some of the poor, and whether they incorporate a smooth transition between those who are eligible and those who are not covered.

### Earned income tax credit

The number of states offering an earned income tax credit (EITC) has expanded from one in 1986 to seven in 1995. The EITC gives low- and moderate-income working families and individuals a credit against their state and federal income taxes. This program is attractive to the states for three reasons: (a) it provides a work incentive for welfare recipients and low-income workers, (b) it is well-targeted, and (c) it is easy for states to administer by piggybacking on the federal credit.

All of the state credits are based on a percentage of the federal EITC, but there are slight differences in some of the features among states. For example, all of the credits use a different percentage of the federal credit to set their benefit level. These differences range from 50% in Maryland to 6.5% in Iowa. In addition, only four of the seven programs provide refundable credits. A refundable credit allows those with no tax liability to get a check from the state for the credit.

### Property tax

The property tax is the heaviest tax on the poor imposed by state or local governments. Most property taxes are levied by local governments, but states have a critical role in relieving the property tax because local tax systems usually are created by state law. Most property tax relief programs also are financed by state taxes.

The most efficient way to relieve the property tax paid by the poor is through a "circuitbreaker"—a state-financed property tax credit that is phased out as income increases. This credit benefits renters as well as homeowners because a proportion of rent is treated as a property tax payment. Of the 29 states that have such credits, 20 restrict eligibility to senior citizens.

Circuitbreakers are always refundable if they exceed income tax liability. A refundable credit provides a direct payment if its value is greater than the amount of income tax owed. Many are not administered with the income tax.

Other property tax relief mechanisms include homestead exemptions and credits, renter deductions and credits, and deferral programs. Some of these programs are restricted to people with relatively low incomes, but others are not.

### Sales tax

Eight states have refundable credits that offer relief for the highly regressive sales tax. In four states, people in all age groups are eligible. Two states allow the benefit only for senior citizens and disabled persons. Two states cover senior citizens, the disabled, and families with dependent children under the age of 18. Two of these states have no income tax. One other state administers the refund program separately from its income tax. In several programs, benefits vary according to the size of a household.

### Comprehensive tax relief

New Mexico has a rebate program that provides comprehensive tax relief for the poor. Originally, this program was intended to eliminate the regressive nature of all state and local taxes below the poverty line—to make the tax system proportional for low-income persons. The program works to relieve a portion of the taxes of the poor, but it has not achieved the objective of eliminating the regressive nature of taxes because of inadequate funding.

### Children and tax relief

Children represent nearly 22% of the poor. The way they are treated by tax relief provisions merits special attention. Children are disadvantaged by two features of some tax relief mechanisms:

- Some provisions make no allowance for the size of a household. Large families do not receive greater benefits than small households.
- Some provisions treat one-parent households that include children the same as single individuals, even though special treatment is provided to two-parent households. Thirty-four states allow some "head of household" preference that is relatively close to that allowed for people filing joint returns.

Twenty-three states allow credits or deductions for the costs of caring for a dependent while a worker is employed. Most of these credits are tied to the federal dependent care credit, but at least six states have credits that are targeted more to low-income households. Two of these six states have refundable credits, which are worth considerably more to low-income workers than the typical credit that is not refundable if its value exceeds income tax liability.

***A shortcoming of many tax relief programs is that many eligible people do not participate in them.***

### Administration of tax relief

Many tax relief programs have an important shortcoming—many eligible people do not participate in them. Intensified publicity programs can help alleviate this

problem. But this pattern of nonparticipation implies that tax relief does not cost a state as much as it would if participation were universal among eligible households.

The experience in three states shows that tax relief for the poor can be administered even when a state does not levy an income tax. Alaska, for example, has a dependent care credit even though it has no income tax. If there is an income tax, some evidence suggests that participation in a relief program tends to be greater if it is tied to that tax. But tying relief to the income tax may interfere with the public's understanding that the relief is intended to help the poor with the property tax or sales tax.

### Changes since 1987

States greatly expanded tax relief for the poor in 1987. Many states have further reduced taxes on the poor since then. However, inflation has eroded many of the improvements enacted in 1987. On balance, the income tax burden for the poor is considerably less onerous than in 1986, but most states have not recognized increases in the burden of the property tax, sales tax, or other taxes.

***Most of the state income tax benefits to the poor resulted from raising personal exemptions and standard deductions.***

Most states responded to federal tax reform in 1987 by enacting reforms of their own. Many states made changes to avoid the large automatic increases in state income tax burdens that would have occurred if states had merely incorporated the federal changes into their own tax systems.

Most state income taxes closely follow the federal definitions of itemized deductions and income subject to taxation. In 1986, the federal government increased taxable income by reducing deductions and defining income subject to taxation more broadly. If the states had merely conformed to these new provisions without changing their tax rates or other provisions, they would have received large revenue windfalls.

States could have avoided these windfalls simply by reducing tax rates across the board. If they had done so, there would have been relatively little benefit to the poor. But that is not what states did. Instead, they made their income taxes more progressive by tilting tax relief to low- and moderate-income households. This meant greater benefits for the poor.

Most of the benefits to the poor resulted from raising personal exemptions and standard deductions. These actions were similar to those enacted by the federal government, although many states did not enact increases that were as large as those at the federal level. In addition, eight states either established or raised a no-tax floor, and one state enacted an earned income credit.

As shown in Table 2, between 1987 and 1995 only 15 states raised their personal exemptions or credits enough to offset inflation. Of these, seven states increased them more than inflation whereas eight states kept them in line with inflation. In 25 states, the value of the personal exemption declined.[7]

### Highlights of the changes since 1987

#### Low-income floors

New Jersey raised its low-income floor from $4,000 to $7,500. Arizona, Iowa, Massachusetts, and West Virginia raised their existing low-income floors.

#### Earned income tax credits

The biggest change is the increase in the number of states with earned income tax credits. Until 1987, Rhode Island was the only state that had one. Now there are seven.

#### Other income tax credits targeted to low-income levels

In 1986, 15 states had targeted credits that phased out as income rose. Six of these states did not limit the credits to senior citizens. North Carolina and Vermont subsequently repealed these credits while they were relieving income tax burdens in other ways. The net result in both cases was to reduce tax burdens on the poor. On the other hand, California eliminated its low-income credit without adding any new tax programs aimed at the poor. During the same period, Kentucky enacted a new low-income credit and Pennsylvania significantly increased the one it had in 1986.

#### Sales tax credit

There has been little net change in the frequency of sales tax credits. Some new states have adopted them, whereas other states have dropped them. In 1986, seven states had refundable credits intended to relieve sales taxes. Four of those programs covered all age groups. Two were limited to the elderly. The seventh state limited the credit to the elderly and households with at least one child under the age of 18. New Mexico and Vermont, two of the four states that formerly had sales tax credits for all age groups, have repealed them. These two states have increased other targeted credits to compensate. Hawaii formerly had both a general sales tax credit and a credit for the sales tax on food and medical services. It repealed the general credit and the medical credit and cut the food credit from $55 to $27 per qualified exemption. On the other hand, two new sales tax credits were established in Georgia and Oklahoma at the same time that those states raised the sales tax rate. Among states that retained sales tax credits, none increased them. This means that the credit's inflation-adjusted value has decreased considerably since 1986.

***Fewer changes have occurred in property tax relief than in income tax relief.***

#### Circuitbreakers

Fewer changes have occurred in property tax relief than in income tax relief. The only new circuitbreaker was in New Jersey. Initially, it was provided to all homeowners and renters. Now it is restricted to senior citizens. Iowa and Maine made non-senior citizens eligible for their circuitbreakers. Maryland extended eligibility to nonelderly renters, who formerly were excluded. Oregon repealed a circuitbreaker that covered all low-income homeowners and renters with incomes under $17,500 but retained only one for elderly renters. Only four states in-

creased the maximum benefit enough to offset inflation, and just six states raised the maximum income for eligibility sufficiently to keep up with inflation.

### Summary of changes since 1987

Tax relief for the poor made substantial advances in 1987 as states responded to federal tax reform. Much less progress has been made since then, but many states have lowered the personal income tax paid by low-income families. States have paid less attention to the burdens imposed by property and sales taxes, even though those taxes are a much heavier burden on the poor. Inflation has eroded many of the improvements enacted in 1987. As shown in Table 2, only 15 states raised their personal exemptions or credits enough to offset inflation.

### Conclusions

States have developed many programs to relieve the taxes of the poor, but the tax burden on the poor in all the states is still heavy. A conservative estimate is that state and local taxes claim more than 10% of income from the poor. In some cases, the percentage is even higher.

***Although the federal government eliminated most of the income tax burden on the poor in 1986, the state-local tax burden has increased.***

Although the federal government eliminated most of the income tax burden on the poor in 1986, the state-local tax burden on the poor is much greater than the pre-reform federal income tax burden. Since 1986, states have made considerable progress in reducing income tax burdens on the poor. They have done relatively little to relieve the burden of sales and property taxes. In fact, the burden of sales and property taxes is far heavier than that of the state income tax. The overall state and local tax burden on the poor is more onerous than it was in 1986.

In the short run, states may choose not to eliminate the entire burden on the poor from all forms of taxation, but rather to make a start in that direction. States should consider eight guidelines for this effort:

1. Relieve the property and sales taxes as well as the income tax. Those two taxes are a much heavier burden on the poor.
2. Target relief through credits that are phased out as income rises. This will limit the budgetary cost of the relief. If a program is meant to relieve taxes for the poor, it must have an income ceiling.
3. Make credits refundable if they exceed a family's income tax liability. Because many of the poor have relatively low income tax liability, nonrefundable credits will not help them much.
4. Do not restrict relief to senior citizens. There are more than 3 million poor seniors, but they account for only one tenth of the entire poor population.
5. Design relief so that large families receive greater benefits than small families.
6. Recognize that single-parent families have more in common with two-parent families than with single persons. Structure tax provisions accordingly.

7. Index the relief or periodically review it to adjust for inflation.

8. Have the state finance the relief. State government has much greater resources than many local governments.

### Notes

1. The book, which has much more detailed analysis of particular state programs, can be obtained from the Center for the Study of the States, 411 State Street, Albany, New York 12203-1003, phone (518) 443-5285, fax (518) 443-5274, email: santosr@rockinst.org.

2. This resulted in a real decline of the value of the exemption of nearly 32% between 1987 and 1995. See Table 2.

3. Alabama, Alaska, Delaware, Indiana, Louisiana, Mississippi, Nebraska, and South Carolina.

4. Georgia, Iowa, Maryland, Minnesota, New Mexico, New York, South Dakota, and Wisconsin.

5. That is, where there is a steep increase in the amount of taxes paid when one is just above the income limitation of the tax programs.

6. Georgia has two credits and Hawaii's credit is not directly related to exemptions.

7. It should be noted, however, that the standard deduction has been increased in over a dozen states since 1987, offsetting somewhat the effects of inflation.

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**Table 1. Major State Tax Relief Provisions for the Poor, 1995**

| | Earned income credit | Other credits related to income[a] | Circuitbreaker[b] | Property tax deferral | Comprehensive tax relief | Number of provisions in each state | Income tax threshold (1995) |
|---|---|---|---|---|---|---|---|
| Total state provisions | 7 | 17 | 29 | 22 | 1 | | |
| New England | | | | | | | |
| Connecticut | | | E, H&R | | | 1 | $24,100 |
| Maine | | | AA, H&R; E, H&R | X | | 2 | 15,000 |
| Massachusetts | | I | | X | | 2 | 14,000 |
| New Hampshire | | | | X | | 1 | n/a |
| Rhode Island | X | | E, H&R | | | 2 | 22,400 |
| Vermont | X | | AA, H&R | | | 2 | 22,400 |
| Mid Atlantic | | | | | | | |
| Delaware | | | | | | 0 | 8,600 |
| Maryland | X | I | AA, H&R | X | | 4 | 20,900 |
| New Jersey | | | E, H&R | | | 1 | 7,500 |
| New York | X | I | AA, H&R | | | 3 | 18,700 |
| Pennsylvania | | I | E, H&R | | | 2 | 15,300 |
| Great Lakes | | | | | | | |
| Illinois | | | E, H&R | X | | 2 | 4,000 |
| Indiana | | | | | | 0 | 4,000 |
| Michigan | | | AA, H&R | X | | 2 | 9,600 |
| Ohio | | I | | | | 1 | 10,500 |
| Wisconsin | X | | AA, H&R | X | | 3 | 16,400 |
| Plains | | | | | | | |
| Iowa | X | | E, H&R | X | | 3 | 16,100 |
| Kansas | | S | AA, H&R | | | 2 | 13,000 |
| Minnesota | X | | AA, H&R | X | | 3 | 20,000 |
| Missouri | | | E, H&R | | | 1 | 9,900 |
| Nebraska | | | | | | 0 | 16,600 |
| North Dakota | | | E, H&R | X | | 2 | 17,100 |
| South Dakota | | S | E, H | X | | 3 | n/a |

**Table 1 *(Continued)***

| | Earned income credit | Other credits related to income[a] | Circuitbreaker[b] | Property tax deferral | Comprehensive tax relief | Number of provisions in each state | Income tax threshold (1995) |
|---|---|---|---|---|---|---|---|
| Southeast | | | | | | | |
| Alabama | | | | | | 0 | $ 4,600 |
| Arkansas | | | E, H | | | 1 | 10,700 |
| Florida | | | | X | | 1 | n/a |
| Georgia | | S, I | | X | | 3 | 11,100 |
| Kentucky | | I | | | | 1 | 5,000 |
| Louisiana | | | | | | 0 | 11,000 |
| Mississippi | | | | | | 0 | 15,900 |
| North Carolina | | I | | | | 1 | 16,000 |
| South Carolina | | | | | | 0 | 16,600 |
| Tennessee | | | E, H | X | | 2 | n/a |
| Virginia | | | | X | | 1 | 8,200 |
| West Virginia | | | E, H&R | | | 1 | 8,000 |
| Southwest | | | | | | | |
| Arizona | | I | E, H | | | 2 | 20,000 |
| New Mexico | | S | E, H&R | | X | 3 | 16,600 |
| Oklahoma | | S | E, H | | | 2 | 11,600 |
| Texas | | | | X | | 1 | n/a |
| Rocky Mountain | | | | | | | |
| Colorado | | | E, H&R | X | | 2 | 16,600 |
| Idaho | | S | E, H | | | 2 | 16,600 |
| Montana | | | E, H&R | | | 1 | 7,400 |
| Utah | | | E, H&R | X | | 2 | 14,100 |
| Wyoming | | S | | X | | 2 | n/a |

*(Table continues)*

**Table 1 *(Continued)***

| | Earned income credit | Other credits related to income[a] | Circuitbreaker[b] | Property tax deferral | Comprehensive tax relief | Number of provisions in each state | Income tax threshold (1995) |
|---|---|---|---|---|---|---|---|
| Far West | | | | | | | |
| Alaska | | | | | | 0 | n/a |
| California | | | E, H&R | X | | 2 | $23,000 |
| Hawaii[c] | | S | | | | 1 | 6,300 |
| Nevada | | | E, H&R | | | 1 | n/a |
| Oregon | | | | X | | 1 | 11,100 |
| Washington | | | | X | | 1 | n/a |

*Notes:*
Blanks indicate no state program.
n/a = not applicable.
[a]I = income tax credit; S = sales tax credit.
[b]AA = all ages; E = elderly only; H = homeowners only; H&R = homeowners and renters.
[c]Hawaii's current sales tax credit does not technically relate to income, only the number of exemptions.

*Sources:*
*State tax guide,* Commerce Clearing House, 1995, Chicago: Author; *State income tax burdens on low-income families in 1995: Answering the burden and opportunities for relief,* 1996, Center on Budget and Policy Priorities, Washington, DC: Author.

**Table 2. Personal Exemptions and Credits for Income Taxes, 1987 and 1995 (in 1995 dollars)[a]**

| | 1987 | | | 1995 | | | Difference | | |
|---|---|---|---|---|---|---|---|---|---|
| State | Single return | Joint return | Dependents | Single return | Joint return | Dependents | Single return | Joint return | Dependents |
| Federal taxes—exemptions | $2,500 | $5,000 | $2,500 | $2,500 | $5,000 | $2,500 | $0 | $0 | $0 |
| New England | | | | | | | | | |
| Maine | 1,315 | 2,630 | 1,315 | 2,100 | 4,200 | 2,100 | 785 | 1,570 | 785 |
| Massachusetts | 2,893 | 5,786 | 1,315 | 2,200 | 4,400 | 1,000 | (693) | (1,386) | (315) |
| Rhode Island | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | — |
| Vermont | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | — |
| Middle Atlantic | | | | | | | | | |
| Delaware | 1,315 | 2,630 | 1,315 | 1,250 | 2,500 | 1,250 | (65) | (130) | (65) |
| Maryland | 1,315 | 2,630 | 1,315 | 1,200 | 2,400 | 1,200 | (115) | (230) | (115) |
| New Jersey | 1,315 | 2,630 | 1,315 | 1,000 | 2,000 | 1,500 | (315) | (630) | 185 |
| New York | 1,184 | 2,367 | 1,184 | — | — | 1,000 | (1,184) | (2,367) | (184) |
| Pennsylvania | — | — | — | — | — | — | — | — | — |
| Great Lakes | | | | | | | | | |
| Illinois | 1,315 | 2,630 | 1,315 | 1,000 | 2,000 | 1,000 | (315) | (630) | (315) |
| Indiana | 1,315 | 3,630 | 1,315 | 1,000 | 1,000 | 1,000 | (315) | (1,630) | (315) |
| Michigan | 1,973 | 3,945 | 1,973 | 2,400 | 4,800 | 2,100 | 428 | 855 | 128 |
| Ohio[b] | 855 | 1,710 | 855 | 650 | 1,300 | 650 | (205) | (410) | (205) |
| Plains | | | | | | | | | |
| Kansas | 1,315 | 2,630 | 1,315 | 2,000 | 4,000 | 2,000 | 685 | 1,370 | 685 |
| Minnesota | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | — |
| Missouri | 1,578 | 1,578 | 526 | 1,200 | 2,400 | 400 | (378) | 822 | (126) |
| North Dakota | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | — |

*(Table continues)*

**Table 2 *(Continued)***

| State | 1987 | | | 1995 | | | Difference | | |
|---|---|---|---|---|---|---|---|---|---|
| | Single return | Joint return | Dependents | Single return | Joint return | Dependents | Single return | Joint return | Dependents |
| Southwest | | | | | | | | | |
| Alabama | 1,973 | 3,945 | 395 | 1,500 | 3,000 | 300 | (473) | (945) | (95) |
| Georgia | 1,973 | 3,945 | 1,973 | 1,500 | 3,000 | 2,500 | (473) | (945) | 528 |
| Louisiana | 5,918 | 11,835 | 1,315 | 4,500 | 9,000 | 1,000 | (1,418) | (2,835) | (315) |
| Mississippi | 7,890 | 12,493 | 1,973 | 6,000 | 9,500 | 1,500 | (1,890) | (2,993) | (473) |
| North Carolina | 1,447 | 2,893 | 1,052 | 2,000 | 4,000 | 2,000 | 554 | 1,107 | 948 |
| South Carolina | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | — |
| Virginia | 921 | 1,841 | 921 | 800 | 1,600 | 800 | (121) | (241) | (121) |
| West Virginia | 2,630 | 5,260 | 2,630 | 2,000 | 4,000 | 2,000 | (630) | (1,260) | (630) |
| Southwest | | | | | | | | | |
| Arizona | 2,625 | 5,249 | 1,575 | 2,100 | 4,200 | 2,300 | (525) | (1,049) | 725 |
| New Mexico | 2,630 | 5,260 | 2,630 | 2,500 | 5,000 | 2,500 | (130) | (260) | (130) |
| Oklahoma | 1,315 | 2,630 | 1,315 | 1,000 | 2,000 | 1,000 | (315) | (630) | (315) |
| Rocky Mountain | | | | | | | | | |
| Colorado | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | — |
| Idaho | 2,500 | 5,000 | 2,500 | 2,500 | 5,000 | 2,500 | — | — | |
| Montana | 1,394 | 2,788 | 1,394 | 1,430 | 1,430 | 1,430 | 36 | (1,358) | 36 |
| Utah | 986 | 1,973 | 986 | 1,875 | 3,750 | 1,875 | 889 | 1,778 | 889 |
| Far West | | | | | | | | | |
| Hawaii | 2,499 | 4,997 | 2,499 | 1,040 | 2,080 | 1,040 | (1,459) | (2,917) | (1,459) |

**Table 2 *(Continued)***

| State | 1987 | | | 1995 | | | Difference | | |
|---|---|---|---|---|---|---|---|---|---|
| | Single return | Joint return | Dependents | Single return | Joint return | Dependents | Single return | Joint return | Dependents |
| Credits | | | | | | | | | |
| Arkansas | $26 | $53 | $26 | $20 | $40 | $20 | (6) | (13) | (6) |
| California | 67 | 134 | 67 | 65 | 130 | 65 | (2) | (4) | (2) |
| Iowa | 26 | 53 | 20 | 15 | 30 | 40 | (11) | (23) | 20 |
| Kentucky | 26 | 53 | 26 | 20 | 40 | 20 | (6) | (13) | (6) |
| Oregon | 112 | 224 | 112 | 116 | 232 | 116 | 4 | 8 | 4 |
| Wisconsin | 0 | 0 | 66 | 0 | 0 | 50 | — | — | (16) |

*Notes:*
The states not listed did not have a broad based personal income tax in 1987 and 1995.
[a]The deflator of 31.5% is based on the Consumer Price Index (CPI) in adjusting the personal exemptions and credits from 1987 to 1995.
[b]Ohio also allows a tax credit for working spouses of up to $650.

*Sources:*
*Significant features of fiscal federalism, 1988 & 1994*, Advisory Commission on Intergovernmental Relations, 1989, 1995, Washington, DC: Author; *RIA all states tax guide* (pp. 115–122),1994, New York; *State tax relief for the poor,* by S. D. Gold, 1987, Denver, CO: NSCL.