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Closer Look At Tax Burden Rankings Reflects Disparities, Notes UMaine Study

ORONO, Maine -- Is Maine's tax burden really a millstone? Not necessarily, say University of Maine researchers. It all depends on the factors and numbers used to arrive at a ranking. The perceived weight of Maine's tax burden as the 10th highest in the nation has been the driving force behind Gov. Angus King's tax reform plan. And Money magazine's recent state-by-state tax burden ranking placing Maine in the number five slot has made headlines statewide. "Burden is in the eye of the beholder and the statistician," says Walter McIntire, director of the Center for Research and Evaluation at the University of Maine College of Education. There are a number of ways to define burden, according to McIntire, which is reflected in a new study from the research center. The overview of tax rankings is intended to add information and perspective to the tax burden debate. Money's ranking, based on the total of state and local taxes each state would charge the magazine's typical subscriber, certainly doesn't mirror the average Maine resident, according to McIntire. The typical family subscribing to Money has an annual income of $88,764 and spends $37,304 on clothing, food, household goods, medicine, a new car, and other items. The average personal income per person in Maine was $19,482 in 1994, according to the National Education Association's 1995 "Rankings of the States." Other rankings place Maine in the middle in terms of tax load. For example, a Citizens for Tax Justice ranking places Maine in a tie with three other states (Kansas, Mississippi and North Carolina) for 29th place. This 1995 ranking was based on an average wage of $30,000 for Maine families who paid about 9.8 percent of their income in taxes.

Even relatively small changes can cause broad fluctuation in rankings. For example, a California Taxpayers Association study based on taxes paid per $1,000 of personal income in 1992 ranked Maine 20th in terms of tax burden. However, a decrease of only 10 percent ($14.49) would cause Maine to slip to 42nd in the ranking. States vary widely in the types of taxes, fees and other assessments levied and collected to provide services, which also complicates the problem of comparing data, McIntire cautions. New Hampshire, for instance, which is ranked third lowest in tax burden by Money Magazine, doesn't have an income or sales tax, but it has a higher corporate income tax than Maine, a greater reliance on liquor sales, and citizens and visitors pay a substantial tax on meals and rooms and higher fees to use the Interstate. It's not that residents of states such as New Hampshire are taxed less, but that they are taxed under the label of fees and assessments, McIntire explains. The study points out another misleading placement in the Money ranking which describes Alaska as a "tax heaven" because it has the nation's lowest tax burden. But is it a valid comparison? Alaskans do not pay income or sales tax because the state earns its revenue in the form of royalties from oil, which, under similar circumstances, would make Maine a tax heaven as well, according to the study. Tax burden rankings also commonly fail to factor in differences in the cost of living, population and income, and that makes a real difference in the cost of providing services, says McIntire. Maine residents must spend more of their income to support a basic level
of service in a cold-weather, rural state, but the number and quality of services might also be considered in determining tax encumbrance, he points out. The bulletin, "About Tax Burden Ranking," was prepared by Center for Research and Evaluation research associate Susan Woodward in cooperation with Ralph Townsend, UMaine professor of economics. It is available by contacting the Center at 581-2493.

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