



## How Do Pennsylvania Taxes Stack Up?

Since 1990, Pennsylvania has gone from 24<sup>th</sup> in state and local tax burden to 11<sup>th</sup>. Yet Gov. Rendell has proposed another round of tax hikes—including raising the state Personal Income Tax, increasing the Cigarette Tax, and creating new taxes on other tobacco products and on natural gas extraction. This PolicyPoints looks at Pennsylvania’s tax burden in the national context.

### TAX FREEDOM DAY

Tax Freedom Day is the day of the calendar year when Americans have finally earned enough money to pay all of their federal, state, and local taxes. The following table shows the dates to which Pennsylvanians had to work in 2009 in order to foot the bill.

	Date	Total Tax Burden	Rank
Tax Freedom Day 2009	Apr. 14	28.5%	11
Tax Freedom Day (Including Fed. Deficit)	May 30	41.1%	11

Source: Tax Foundation

- In 2009, Pennsylvanians worked **104 days**—January 1 to April 14—just to pay their tax bill.
  - ⇒ Federal, state, and local taxes consume **28.5%** of Pennsylvanians’ income (41% if federal deficit spending is added to the mix).
  - ⇒ Overall, Pennsylvanians will spend more of their income on taxes than they will on **food, clothing, and housing combined**.
  - ⇒ Pennsylvania has the **11<sup>th</sup> latest Tax Freedom Day** in the nation.

### STATE AND LOCAL TAXES

While Tax Freedom Day considers all taxes, much of the variance among states is based on differences in federal taxes paid (which would vary with average incomes). State and local taxes, however, also vary greatly among states.

**Pennsylvania State and Local Taxes**

Tax	Rate	Fiscal Year	Rank	Per-Capita	Fiscal Year	Rank
Total Tax Burden	10.20%	2008	11	\$4,463	2009	11
Spending				\$8,416	2009	17
Revenues				\$8,825	2009	21
Property Tax				\$1,148	2009	20
Personal Income				\$995	2009	16
Sales				\$1,152	2009	37
Corporate Income				\$171	2009	16
Debt				\$8,562	2009	8

Source: Tax Foundation

- Pennsylvania taxpayers pay \$4,463 per capita in state and local taxes, **10.2% of their** income, as opposed to the national average of only 9.7%.
- Pennsylvania has the **11<sup>th</sup> highest state and local tax burden**.
- Pennsylvania ranks 20<sup>th</sup> or higher in state and local *total taxes, spending, property taxes, income taxes, corporate taxes, and debt* per capita.

## STATE TAXES

Governor Rendell consistently states that Pennsylvania has the “2nd lowest” state income tax rate to justify his proposed tax hike. However, this is misleading, given that **nine states have no income tax** at all, and fails to consider Pennsylvania’s combined state and local tax burden, detailed above, which is what businesses and families have to deal with. However, even looking only at state taxes, Pennsylvania is hardly among the most competitive states:

**Pennsylvania State Taxes**

Tax	Rate	Fiscal Year	Rank	Per-Capita	FY	Rank
Tax Collections				\$2,483	2009	25
Revenues				\$6,715	2009	23
Spending				\$5,500	2009	26
Corporate Income	9.99%	2009	2	\$184	2009	17
Personal Income	3.07%	2009	40	\$790	2009	28
General Sales Tax	6%	2009	13	\$698	2009	29
Selective Sales Taxes				\$469	2009	14
Cigarette	\$1.35/pack	2009	21			
Gasoline	\$.323/gal.	2009	10			
Spirits	\$6.65/gal.	2009	14			
Beer	\$.08/gal.	2009	45			
Lottery	44.60%	2009	13	\$248	2009	13
Debt				\$2,990	2009	28

Source: Tax Foundation

- Pennsylvania ranks in the middle of the 50 states in total **state taxes, revenues, and spending per capita**.
- Pennsylvania has the **2<sup>nd</sup> highest Corporate Income Tax rate** in the U.S. (combined with the federal tax rate, this is the 2<sup>nd</sup> highest rate in the world).
- Pennsylvania has the 13<sup>th</sup> highest sales tax rate, 10<sup>th</sup> highest gasoline tax rate, and 13<sup>th</sup> highest implicit tax on lottery sales.

For more on **Taxes**, visit [www.CommonwealthFoundation.org](http://www.CommonwealthFoundation.org)

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