

Beware devolved tax powers because those on lowest income...

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There are those who think that devolving tax powers to individual parts of the UK will be economically beneficial. I do think that is possible if well designed devolved powers are put in place on appropriate taxes. That is an issue I will be addressing in *The Joy of Tax* (now due later this year: deadlines have slipped). But if the wrong taxes are devolved the warning on the likely outcome is all too clear from the USA. With [permission from the Tax Justice Network](#) I share this (lightly edited for use here) blog which graphically illustrates the point:

The U.S. Institute on Taxation and Economic Policy (ITEP) has published the 5th edition of [Who Pays](#), its signature report that examines tax systems in all 50 states and the District of Columbia. These are the highlights:

* *Every state tax system (Washington D.C. excepted) **taxes its poorest residents at significantly higher rates than the very wealthiest 1 percent** of tax payers.*

* *The nation's lowest-income 20 percent of taxpayers pay an average state tax rate of 10.9 percent v. 5.4 percent for the top 1 percent of taxpayers.*

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In the “Terrible 10”³ — the 10 states with the most regressive tax structures, the bottom 20 percent pay up to seven times as much of their income in taxes as their wealthy counterparts. Washington State is the most regressive, followed by Florida, Texas, South Dakota, Illinois, Pennsylvania, Tennessee, Arizona, Kansas, and Indiana.

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States commended as “low tax” are often high tax states for low- and middle-income families. The 10 states with the highest taxes on the poor are Arizona, Arkansas, Florida, Hawaii, Illinois, Indiana, Pennsylvania, Rhode Island, Texas, and Washington. Seven of these are also among the “terrible ten” because they are not only high tax for the poorest, but low tax for the wealthiest.

As the ITEP note:

“There are moral and practical reasons that state policymakers should address this gaping disparity. Unfair, regressive state tax systems not only exacerbate widening income inequality, they also make it more difficult for state tax systems to raise enough revenue to pay for priorities, from education to infrastructure, public safety and health.”

It is no coincidence that U.S. state tax systems are more regressive than the federal tax system, overall. Summing up perhaps the main reason, in two words: [Tax Wars](#).

And if that stuff isn't eyebrow-raising enough, [try this](#).

Might those arguing for devolved tax here please note?