

ITEP and Pew reports on Vermont's income distribution and tax system

Based on data from the
Census and American Community Survey

Joint Fiscal Office
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Focus on household income

- What is a household?
- Includes all the persons who occupy a housing unit as their usual place of residence.
 - House, apartment, mobile home, group of rooms, or a single room as separate living quarters
 - Separate living quarters implies the occupants live and eat separately from any other persons in the building and have direct access from outside the building or through a common hall
- People not living in households are classified as living in group quarters

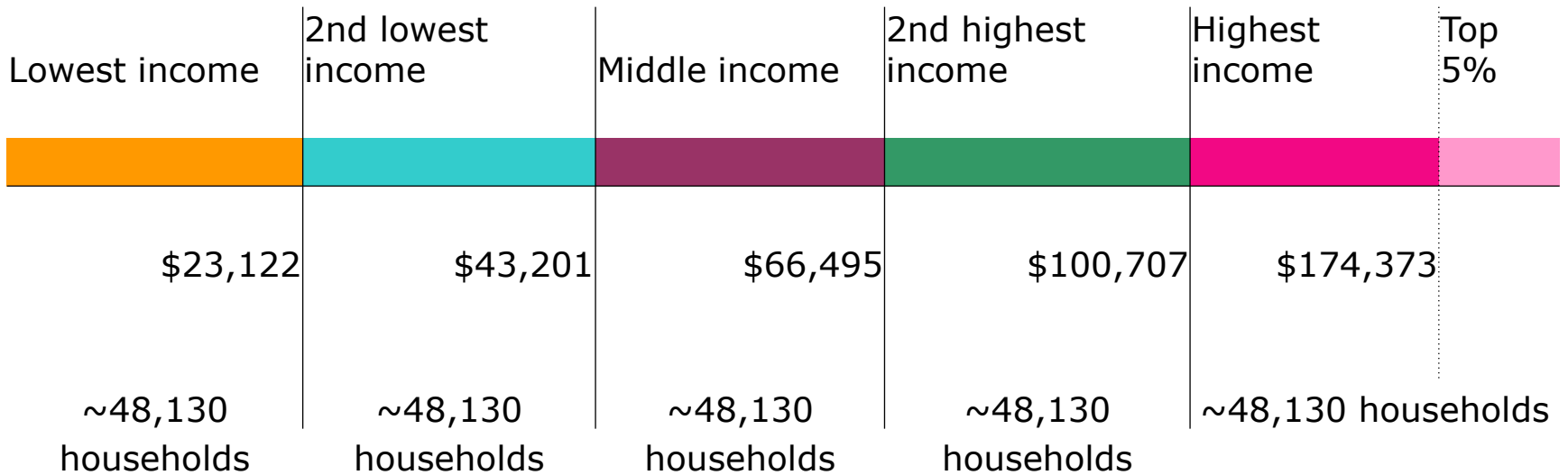
The Census and the ACS

- The intent of the decennial census is to count **everyone** in a population rather than a fraction.
 - However, population censuses relies on a sampling frame to count the population.
 - The sampling frame used by census is almost always an address register.
- The American Community Survey is an ongoing statistical survey by the U.S. Census Bureau, sent to approximately 250,000 addresses monthly (or **3 million per year**).

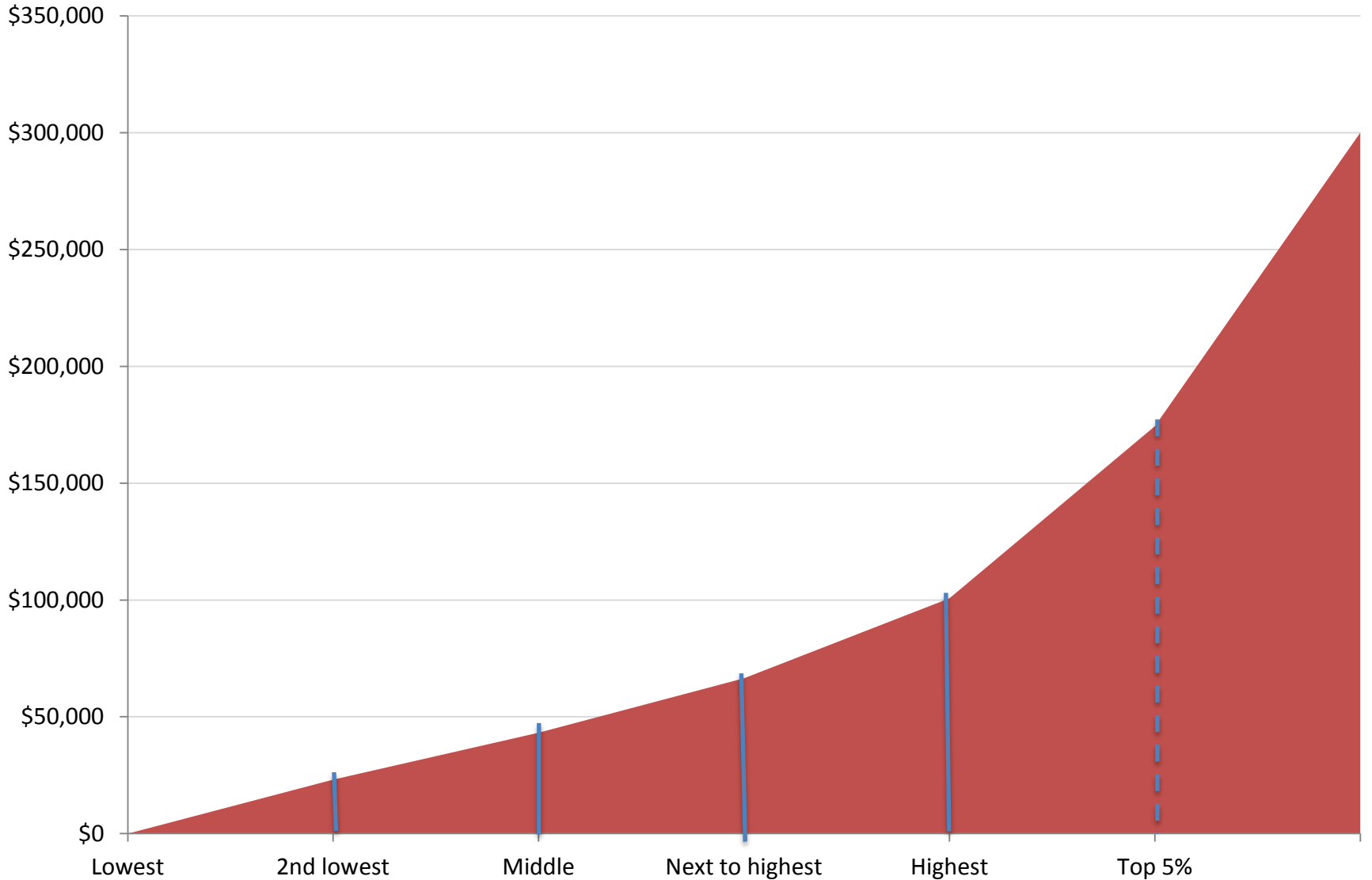
ITEP study looks at household income quintiles

- Look at income for each household using the American Community Survey
- Order households from lowest household income to highest household income
- The lowest fifth of households ranked by household income is called the lowest quintile
- The highest fifth of households ranked by household income is called the highest quintile

Income cut-offs for Vermont's quintiles by household income, 2013



Ranges for VT household income quintiles



Who Pays? A Report by the Institute on Taxation and Economic Policy

- The report looks at the state and local taxes that will be paid in 2015 by different income groups as a share of their incomes.
 - But they include one feature of federal taxes: the federal offset that allows federal tax itemizers to deduct state and local tax payments (income tax and property tax)
- Fairness = each quintile pays the same share of income in taxes; most states rank poorly
 - Vermont ranks 46th from the bottom: that's good

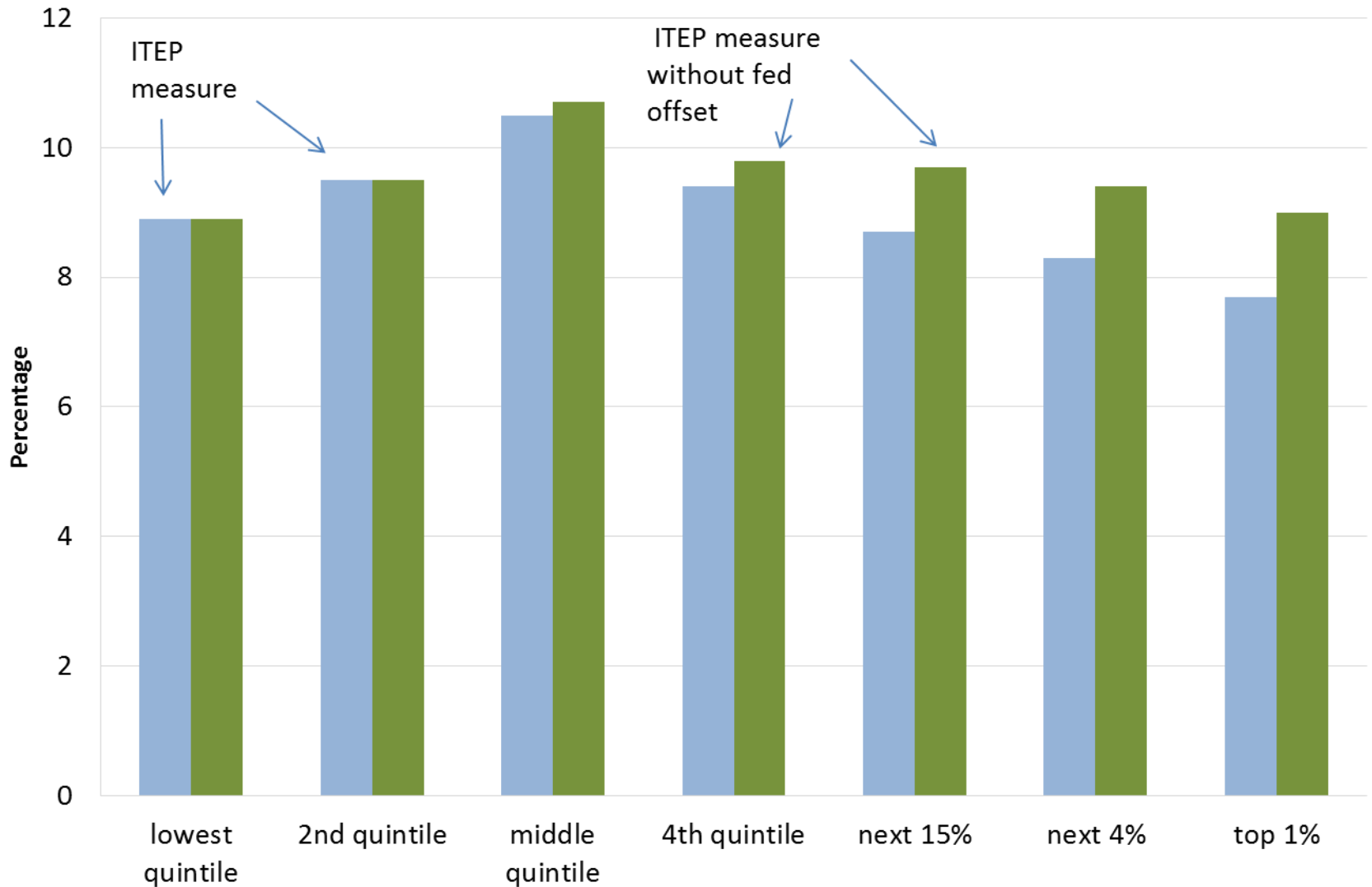
Vermont's results in ITEP report

- Lowest 20%: 8.9%
- Second 20%: 9.5%
- Middle 20%: 10.5%
- Fourth 20%: 9.4%
- Next 15%: 8.7%
- Next 4%: 8.3%
- Top 1%: 7.7%

Vermont ITEP if ignore federal offset

- Lowest 20%: 8.9%
- Second 20%: 9.5%
- Middle 20%: 10.7%
- Fourth 20%: 9.8%
- Next 15%: 9.7%
- Next 4%: 9.4%
- Top 1%: 9.0%

ITEP: Vermont's state and local taxes as a share of household income



Regressive features of VT tax code highlighted by ITEP

- Provides partial inc tax deductions for state income taxes paid
- Provides a capital gains tax break
- Comparatively high cigarette tax rate

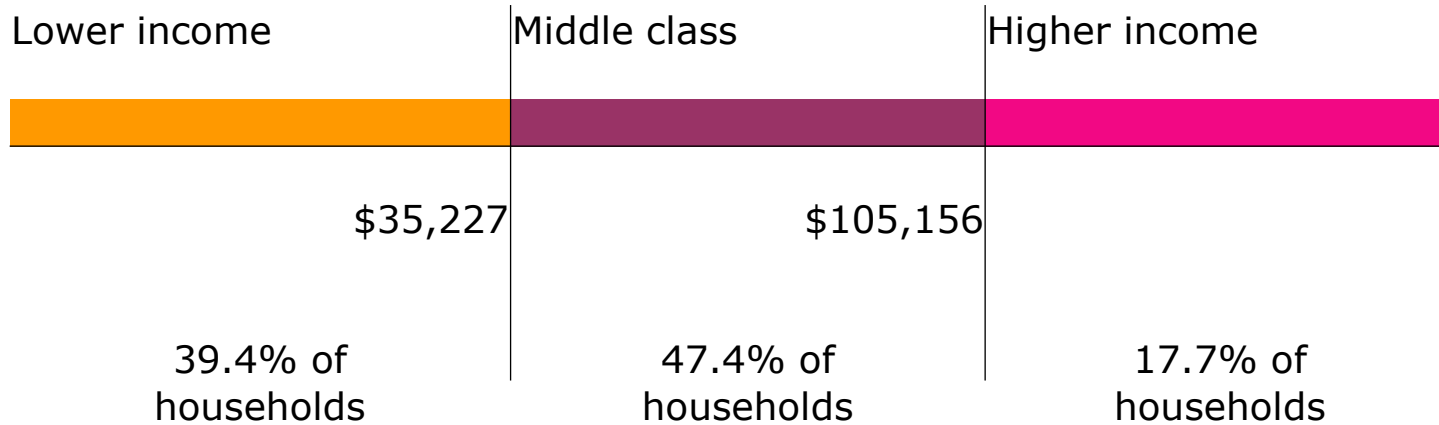
Pew blogs on the shrinking middle class, defined differently

- Use data from the American Community Survey to put Vermont households into three groups relative to median household income
- Half the households have income less than the median income, half have more
 - Lower income: < 67% of median income
 - Middle class: between 67% and twice median income
 - Higher income: more than twice median income

Income cut-offs for Pew blogs on the shrinking middle class

Middle class = households with income between 2/3 and twice the median income

2013 Median income = \$52,578



2000 Median income = \$56,300

