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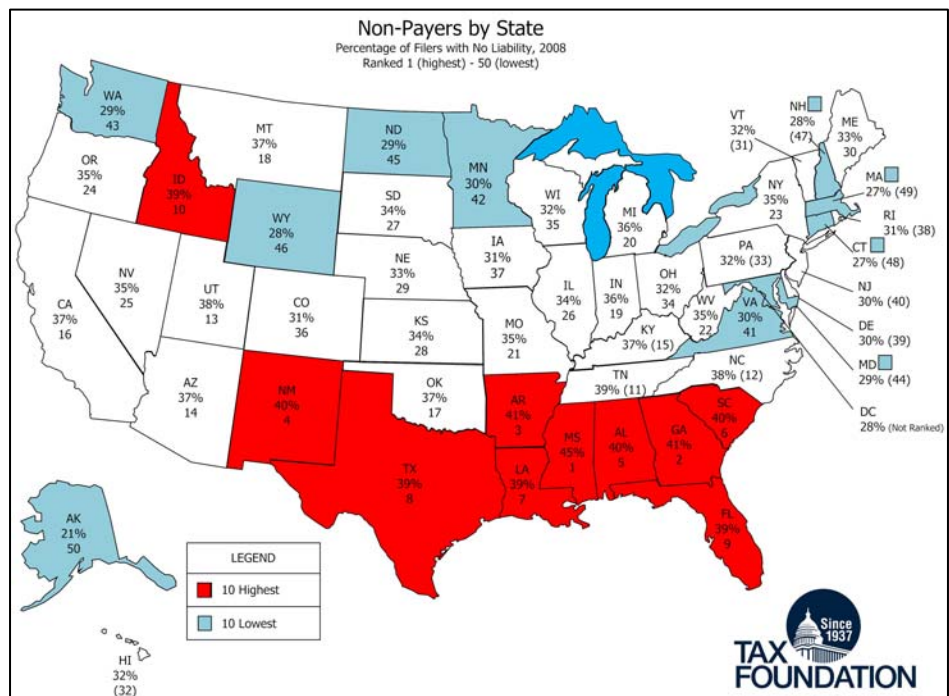
## States Vary Widely in Number of Tax Filers With No Income Tax Liability

*Southern States Have Highest Percentages of “Nonpayers”*

By Scott A. Hodge

One of the most reported topics during the latest tax filing season was the record number of Americans who filed an income tax return but had no income tax liability after taking their credits and deductions.

According to the latest IRS figures for 2008, a record 52 million filers – 36 percent of the 143 million who filed a tax return – had no tax liability because their credits and deductions reduced their liability to zero. Indeed, tax credits such as the child tax credit and earned income tax credit have become so generous that a family of four earning up to about \$52,000 can expect to have their income tax liability erased entirely.<sup>1</sup>



<sup>1</sup> Scott A. Hodge, “Record Numbers of People Paying No Income Tax; Over 50 Million ‘Nonpayers’ Include Families Making over \$50,000,” *Tax Foundation Fiscal Fact*, No. 214, March 10, 2010.

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There are millions of other Americans who have some income but not enough to be required to file a tax return. The Tax Policy Center has estimated that when these people are added to the 52 million nonpaying filers, some 47 percent of all households pay no income taxes at all.<sup>2</sup>

New data from the IRS allow us to calculate the number of nonpayers in each state who filed a tax return. Here we compare the percentage of nonpayers in each state, both the absolute number of returns and the percentage of returns filed in each state.

Generally speaking, the most populated states have the most nonpayers. More than 6 million tax-filing Californians paid nothing to Uncle Sam for the 2008 tax year. That was 37 percent of the 16.4 million tax filers in California.

The map on page 1 and the table below show the percentage of tax filers in each state who have no income tax liability as well as the state's rank among the other 50 states. Nine of the ten states with the largest percentage of nonpayers are in the South and Southwest. In Mississippi, 45 percent of federal tax returns remit nothing or receive money with their federal tax returns; that is the highest percentage nationally. Georgia is next at 41 percent, followed by Arkansas at 41 percent, and Alabama, South Carolina, and New Mexico at 40 percent.

All of the top 10 ranking states have among the lowest median family incomes in the country. Of this group, Georgia has the highest median family income at \$60,268. Mississippi has the lowest at \$46,668.

By contrast, the states with the lowest percentage of nonpayers are not as geographically concentrated. What they tend to have in common is higher incomes. Half of the 10 with the lowest percentage of nonpayers are in the Northeast and half are in the West and Northern Plains states. Alaska has the lowest percentage of nonpayers, 21 percent of filers. Massachusetts has the second lowest at 27 percent, followed by Connecticut (27 percent), New Hampshire (28 percent), and Wyoming (28 percent) to round out the bottom five.

<b>Nonpayers of Federal Income Taxes by State Calendar Year 2008</b>					
<b>State</b>	<b>Total Filers</b>	<b>Filers with a Tax Liability</b>	<b>Filers with No Tax Liability</b>	<b>Percentage of Filers with No Liability</b>	<b>Rank (Most to Least)</b>
US Total	143,490,468	95,520,933	51,045,911	36%	
Mississippi	1,254,942	719,916	567,195	45%	1
Georgia	4,255,054	2,598,415	1,753,675	41%	2
Arkansas	1,223,637	755,772	498,682	41%	3
New Mexico	923,431	573,865	372,148	40%	4
Alabama	2,076,195	1,288,134	833,877	40%	5
South Carolina	2,047,201	1,273,969	818,631	40%	6
Louisiana	1,983,957	1,250,519	780,097	39%	7
Texas	10,792,258	6,822,725	4,226,513	39%	8
Florida	8,875,483	5,645,900	3,468,156	39%	9
Idaho	666,723	423,714	258,528	39%	10
Tennessee	2,842,898	1,814,965	1,100,304	39%	11
North Carolina	4,180,091	2,664,444	1,607,594	38%	12

<sup>2</sup> <http://www.taxpolicycenter.org/taxtopics/federal-taxes-households.cfm>.

Utah	1,145,303	730,938	432,744	38%	13
Arizona	2,714,182	1,756,481	1,010,982	37%	14
Kentucky	1,869,439	1,218,223	694,890	37%	15
California	16,478,215	10,809,941	6,083,777	37%	16
Oklahoma	1,605,411	1,051,298	591,878	37%	17
Montana	477,153	314,174	174,568	37%	18
Indiana	3,019,320	1,992,138	1,083,040	36%	19
Michigan	4,626,365	3,059,154	1,659,010	36%	20
Missouri	2,739,220	1,832,981	963,611	35%	21
West Virginia	785,966	527,282	275,876	35%	22
New York	9,203,531	6,233,030	3,223,814	35%	23
Oregon	1,753,860	1,182,640	608,311	35%	24
Nevada	1,272,433	854,584	441,251	35%	25
Illinois	6,112,426	4,128,709	2,100,258	34%	26
South Dakota	389,575	266,064	131,608	34%	27
Kansas	1,328,944	905,922	446,675	34%	28
Nebraska	857,622	591,594	282,150	33%	29
Maine	633,674	443,576	206,378	33%	30
Vermont	320,162	224,748	103,669	32%	31
Hawaii	656,452	459,268	211,696	32%	32
Pennsylvania	6,130,055	4,264,743	1,975,694	32%	33
Ohio	5,562,764	3,876,376	1,789,893	32%	34
Wisconsin	2,767,859	1,940,996	873,884	32%	35
Colorado	2,340,854	1,654,661	731,210	31%	36
Iowa	1,415,088	1,000,188	441,887	31%	37
Rhode Island	510,709	361,016	159,378	31%	38
Delaware	425,490	303,666	129,186	30%	39
New Jersey	4,304,848	3,077,401	1,301,727	30%	40
Virginia	3,727,792	2,674,714	1,120,668	30%	41
Minnesota	2,569,679	1,850,504	764,698	30%	42
Washington	3,185,705	2,302,518	939,240	29%	43
Maryland	2,776,026	2,012,029	811,278	29%	44
North Dakota	322,761	235,533	92,955	29%	45
Wyoming	274,041	201,684	77,085	28%	46
New Hampshire	668,971	497,127	184,299	28%	47
Connecticut	1,742,470	1,296,183	474,410	27%	48
Massachusetts	3,197,925	2,387,861	866,220	27%	49
Alaska	359,709	290,564	74,876	21%	50
Dist. of Columbia	302,531	223,339	84,641	28%	
Source: Tax Foundation calculations based on IRS data.					
Adjustments were made to account for EITC recipients in the nonpayer estimate.					