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Federal Tax Burdens and Expenditures by State

Which States Gain Most from Federal Fiscal Operations?

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Introduction

The Tax Foundation's annual federal tax burden and expenditure study clarifies the geographical patterns of income redistribution that federal tax and spending policies cause each year. The results of the study have been controversial for years because they show that the nation is not only redistributing income from the prosperous to the poor, but from the middle-income residents of high-cost states to the middle-income residents of low-cost states.

Thanks to a steeply progressive federal income tax, states with higher incomes pay vastly higher federal taxes, payments that are unlikely ever to be matched by federal spending directed to those states. Ironically, most of these high-paying states are the so-called blue states that have generally elected politicians who support a more steeply progressive tax system even though their own constituents bear a greater share of the burden as the code gets more progressive.

All categories of federal taxes, including income taxes on individuals and businesses, social insurance taxes, excise taxes, estate and gift taxes, customs duties and all other taxes, are tabulated and the total tax burden of each state is determined. This figure is compared to the flow of federal funds back to each state, bringing the two sides of federal fiscal operations together.

In fiscal year 2004, New Mexico, Alaska,

West Virginia, Mississippi and North Dakota received substantially more from the federal government than they paid in taxes, while New Jersey, Connecticut, New Hampshire, Minnesota and Illinois paid much more in taxes than they received in spending.

Tax burdens for fiscal year (FY) 2004, which starts October 1, 2003 and ends September 30, 2004, are used in this study because the most recent state-level federal expenditure data released by the Census Bureau, to which the tax burdens are compared, is for FY 2004.

Federal Spending Per Dollar of Tax Collected

By comparing each state's share of federal spending to its share of federal taxes, we can see what states might call "the bang for their buck." Of course, this is not a very civic-minded view of federal government. Presumably citizens pay federal taxes to provide for the common defense and to support other national programs that benefit the nation as a whole. The data presented in Figure 1 and Table 1 show which states are the biggest beneficiaries of federal fiscal operations and which are the so-called donor states.

New Mexico is the biggest beneficiary, with a federal spending-to-tax ratio of 2.00. That's another way of saying that for every tax dollar the federal government takes from the

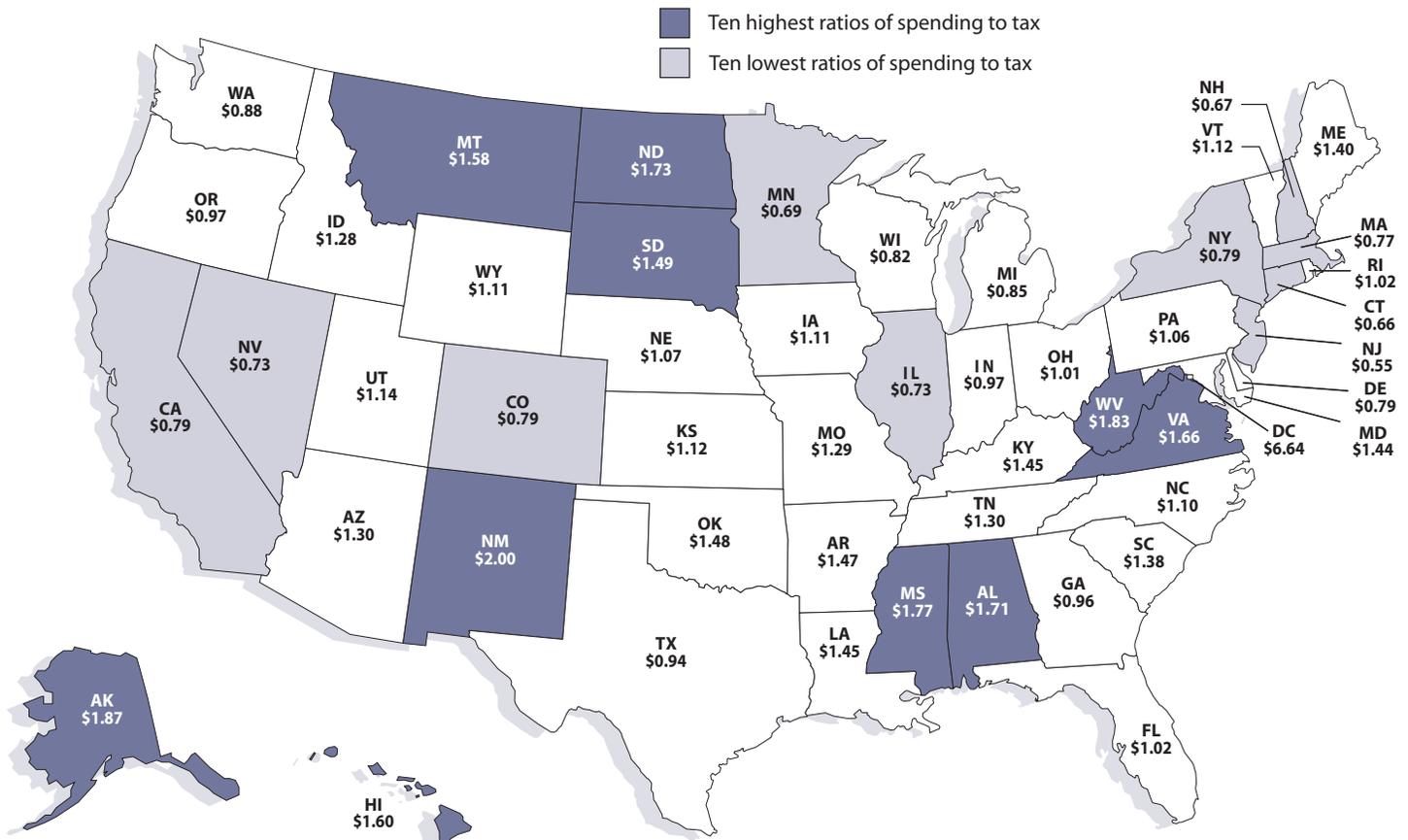
people of New Mexico, \$2.00 in federal spending goes back into the state. This high ratio is the result of the state's relatively low FY 2004 per capita federal tax burden, 77 percent of the national average, and its large share of federal spending, 155 percent of the average per capita. A few states have lower per-capita taxes than New Mexico, and a few received more federal funds per capita, but when both flows are included in the calculation, New Mexico ranks highest. Other states with high federal spending-to-tax ratios are Alaska (1.87) and West Virginia (1.83).

The donor states are those where so much is collected in federal taxes that the federal dollars they receive are overwhelmed. With a high FY 2004 federal tax burden per capita (141 percent of the national average) and a below-average amount of incoming federal funds (78 percent of the national average), New Jersey has the lowest federal spending-to-tax ratio

(0.55) and is therefore the nation's biggest net donor to federal fiscal operations. The 0.55 ratio means that New Jersey receives 55 cents in federal spending for every dollar its taxpayers send to Washington. New Jersey received almost four times less what New Mexico receives for its tax contributions. Other states that had low federal spending-to-tax ratios in FY 2004 are Connecticut (0.66) and New Hampshire (0.67).

Table 1 also shows which states' ratios rose or fell between FY 1994 and FY 2004. The state that improved its ratio the most over that ten-year period is Alaska where the ratio rose from 1.30 to 1.87. Other states that got a much better deal from Uncle Sam in 2004 than they did a decade earlier are Alabama and West Virginia. States that have not fared so well include Colorado, Massachusetts and California. Colorado has seen the largest change with its federal spending-to-tax ratio falling from 1.00 in FY 1994 to 0.79 in FY 2004.

Figure 1
Federal Spending by State Per Dollar of Federal Taxes
Fiscal Year 2004



Comparing Each State's Share of Federal Taxes and Spending to the National Average

The two components of these spending-to-tax ratios can be examined separately. Table 2 presents data on federal taxation and expenditures per capita in each state compared to the national average, with snapshots of FY 1994 and FY 2004.

Table 1
Adjusted Federal Expenditures Per Dollar of Taxes by State
Fiscal Years 1994 and 2004

State	Expenditures Per Dollar Taxes		10-Year Change in Spending Per Dollar of Tax	Ranking		10-Year Change in State Rank
	FY 1994	FY 2004		FY 1994	FY 2004	
Alabama	\$ 1.34	\$ 1.71	\$ 0.36	10	6	-4
Alaska	\$ 1.30	\$ 1.87	\$ 0.57	12	2	-10
Arizona	\$ 1.11	\$ 1.30	\$ 0.19	20	19	-1
Arkansas	\$ 1.24	\$ 1.47	\$ 0.23	16	12	-4
California	\$ 0.98	\$ 0.79	-\$ 0.19	32	43	11
Colorado	\$ 1.00	\$ 0.79	-\$ 0.21	30	41	11
Connecticut	\$ 0.67	\$ 0.66	\$ 0.00	50	49	-1
Delaware	\$ 0.79	\$ 0.79	\$ 0.00	43	40	-3
Florida	\$ 1.06	\$ 1.02	-\$ 0.03	27	30	3
Georgia	\$ 0.99	\$ 0.96	-\$ 0.03	31	35	4
Hawaii	\$ 1.29	\$ 1.60	\$ 0.31	13	8	-5
Idaho	\$ 1.12	\$ 1.28	\$ 0.16	19	21	2
Illinois	\$ 0.74	\$ 0.73	-\$ 0.01	46	46	0
Indiana	\$ 0.82	\$ 0.97	\$ 0.15	41	33	-8
Iowa	\$ 1.10	\$ 1.11	\$ 0.02	22	25	3
Kansas	\$ 1.07	\$ 1.12	\$ 0.06	24	23	-1
Kentucky	\$ 1.20	\$ 1.45	\$ 0.25	18	14	-4
Louisiana	\$ 1.35	\$ 1.45	\$ 0.11	8	13	5
Maine	\$ 1.35	\$ 1.40	\$ 0.04	7	16	9
Maryland	\$ 1.27	\$ 1.44	\$ 0.17	15	15	0
Massachusetts	\$ 0.97	\$ 0.77	-\$ 0.20	33	44	11
Michigan	\$ 0.79	\$ 0.85	\$ 0.06	45	38	-7
Minnesota	\$ 0.79	\$ 0.69	-\$ 0.10	44	47	3
Mississippi	\$ 1.61	\$ 1.77	\$ 0.16	2	4	2
Missouri	\$ 1.34	\$ 1.29	-\$ 0.05	9	20	11
Montana	\$ 1.43	\$ 1.58	\$ 0.15	5	9	4
Nebraska	\$ 1.06	\$ 1.07	\$ 0.01	26	28	2
Nevada	\$ 0.71	\$ 0.73	\$ 0.02	48	45	-3
New Hampshire	\$ 0.73	\$ 0.67	-\$ 0.07	47	48	1
New Jersey	\$ 0.69	\$ 0.55	-\$ 0.13	49	50	1
New Mexico	\$ 1.88	\$ 2.00	\$ 0.12	1	1	0
New York	\$ 0.85	\$ 0.79	-\$ 0.06	40	42	2
North Carolina	\$ 0.93	\$ 1.10	\$ 0.16	39	27	-12
North Dakota	\$ 1.54	\$ 1.73	\$ 0.18	3	5	2
Ohio	\$ 0.94	\$ 1.01	\$ 0.07	38	32	-6
Oklahoma	\$ 1.28	\$ 1.48	\$ 0.20	14	11	-3
Oregon	\$ 0.95	\$ 0.97	\$ 0.02	35	34	-1
Pennsylvania	\$ 1.01	\$ 1.06	\$ 0.06	29	29	0
Rhode Island	\$ 1.11	\$ 1.02	-\$ 0.09	21	31	10
South Carolina	\$ 1.23	\$ 1.38	\$ 0.15	17	17	0
South Dakota	\$ 1.31	\$ 1.49	\$ 0.18	11	10	-1
Tennessee	\$ 1.08	\$ 1.30	\$ 0.23	23	18	-5
Texas	\$ 0.94	\$ 0.94	\$ 0.00	37	36	-1
Utah	\$ 1.06	\$ 1.14	\$ 0.08	25	22	-3
Vermont	\$ 0.95	\$ 1.12	\$ 0.17	34	24	-10
Virginia	\$ 1.40	\$ 1.66	\$ 0.26	6	7	1
Washington	\$ 0.94	\$ 0.88	-\$ 0.06	36	37	1
West Virginia	\$ 1.49	\$ 1.83	\$ 0.34	4	3	-1
Wisconsin	\$ 0.82	\$ 0.82	\$ 0.00	42	39	-3
Wyoming	\$ 1.03	\$ 1.11	\$ 0.07	28	26	-2
District of Columbia	\$ 5.39	\$ 6.64	\$ 1.25	-	-	-

Source: Office of Management and Budget; Tax Foundation.

States that saw their federal tax burdens increase the most relative to the national average during this period include Massachusetts, Connecticut and Wyoming. Residents of Massachusetts went from paying 122 percent of the national average in federal taxes to 140 percent. Similarly, the residents of Connecticut were paying 148 percent of the national average in federal taxes in FY 1994, but ten years later they were paying 166 percent.

Table 2
Federal Tax Burdens and Expenditures Per Capita
As a Percentage of the U.S. Average
Fiscal Years 1994 and 2004

	Federal Tax Burdens		Federal Expenditures	
	FY 1994	FY 2004	FY 1994	FY 2004
Alabama	80%	74%	108%	126%
Alaska	117%	101%	152%	189%
Arizona	85%	82%	94%	107%
Arkansas	76%	70%	94%	102%
California	103%	110%	101%	87%
Colorado	105%	110%	105%	87%
Connecticut	148%	166%	99%	110%
Delaware	109%	108%	86%	86%
Florida	102%	99%	108%	101%
Georgia	92%	90%	91%	86%
Hawaii	104%	88%	135%	141%
Idaho	80%	73%	90%	93%
Illinois	114%	110%	84%	80%
Indiana	94%	86%	77%	84%
Iowa	87%	84%	95%	93%
Kansas	94%	88%	100%	99%
Kentucky	78%	76%	93%	110%
Louisiana	76%	72%	102%	105%
Maine	83%	85%	112%	119%
Maryland	116%	116%	147%	168%
Massachusetts	122%	140%	118%	108%
Michigan	103%	95%	81%	80%
Minnesota	105%	109%	83%	74%
Mississippi	67%	64%	108%	112%
Missouri	92%	88%	124%	114%
Montana	80%	75%	114%	119%
Nebraska	90%	89%	96%	95%
Nevada	118%	103%	84%	75%
New Hampshire	110%	118%	81%	79%
New Jersey	133%	141%	91%	78%
New Mexico	75%	77%	141%	155%
New York	117%	125%	99%	99%
North Carolina	88%	83%	82%	91%
North Dakota	82%	81%	127%	139%
Ohio	94%	87%	88%	88%
Oklahoma	77%	74%	98%	109%
Oregon	94%	88%	89%	85%
Pennsylvania	101%	100%	102%	106%
Rhode Island	100%	103%	110%	105%
South Carolina	78%	75%	96%	103%
South Dakota	84%	84%	110%	126%
Tennessee	90%	84%	97%	109%
Texas	91%	92%	86%	86%
Utah	76%	71%	81%	81%
Vermont	91%	94%	86%	105%
Virginia	104%	107%	145%	177%
Washington	108%	112%	102%	98%
West Virginia	71%	67%	106%	122%
Wisconsin	96%	94%	79%	77%
Wyoming	100%	112%	103%	124%
District of Columbia	146%	154%	788%	1022%

Source: Office of Management and Budget; Tax Foundation.

Table 3
Federal Tax Burden
Fiscal Years 1934-2004
(Current Dollars and Constant 2004 Dollars)

	Federal Tax Burden (Millions of Current \$)	Federal Tax Burden Per Capita (Current \$)	Federal Tax Burden (Millions of Constant 2004 \$)	Federal Tax Burden Per Capita (Constant 2004 \$)
1934	\$ 2,955	\$ 23	\$ 34,338	\$ 273
1935	\$ 3,609	\$ 28	\$ 41,132	\$ 324
1936	\$ 3,923	\$ 31	\$ 44,201	\$ 346
1937*	\$ 5,387	\$ 42	\$ 58,547	\$ 456
1938*	\$ 6,751	\$ 52	\$ 74,777	\$ 578
1939	\$ 6,295	\$ 48	\$ 70,604	\$ 542
1940	\$ 6,535	\$ 50	\$ 72,674	\$ 553
	<i>The Revenue Act of 1940 (+1.3% of NNP)</i>			
	<i>The Second Revenue Act of 1940 (+1.0% of NNP)</i>			
1941	\$ 8,698	\$ 66	\$ 90,834	\$ 684
	<i>The Revenue Act of 1941 (+3.1% of NNP)</i>			
1942	\$ 14,622	\$ 109	\$ 141,166	\$ 1,052
	<i>The Revenue Act of 1942 (+6.7% of NNP)</i>			
1943	\$ 23,951	\$ 176	\$ 218,975	\$ 1,612
	<i>The Current Tax Payment Act of 1943 (+1.4% of NNP)</i>			
	<i>The Revenue Act of 1943 (+0.5% of NNP)</i>			
1944	\$ 43,699	\$ 318	\$ 390,327	\$ 2,837
	<i>The Individual Income Tax Act of 1944 (-0.3% of NNP)</i>			
1945*	\$ 45,054	\$ 324	\$ 392,336	\$ 2,819
	<i>The Revenue Act of 1945 (-2.9% of NNP)</i>			
1946	\$ 39,186	\$ 279	\$ 305,580	\$ 2,172
1947	\$ 38,431	\$ 269	\$ 269,622	\$ 1,889
1948*	\$ 41,393	\$ 285	\$ 274,723	\$ 1,890
	<i>The Revenue Act of 1948 (-2.1% of NNP)</i>			
1949*	\$ 39,174	\$ 265	\$ 260,123	\$ 1,759
1950	\$ 39,197	\$ 260	\$ 258,240	\$ 1,713
	<i>The Revenue Act of 1950 (+1.7% of NNP)</i>			
	<i>The Excess Profits Tax of 1950 (+1.2% of NNP)</i>			
1951	\$ 51,356	\$ 334	\$ 316,597	\$ 2,062
	<i>The Revenue Act of 1951 (+1.8% of NNP)</i>			
1952	\$ 65,808	\$ 421	\$ 397,062	\$ 2,542
1953*	\$ 69,228	\$ 436	\$ 412,408	\$ 2,596
1954*	\$ 69,272	\$ 429	\$ 408,327	\$ 2,527
	<i>(The Excise Tax Reduction Act of 1954 (-0.3% of NNP)</i>			
	<i>The Internal Revenue Code of 1954 (-0.1% of NNP)</i>			
1955	\$ 65,110	\$ 396	\$ 378,152	\$ 2,299
1956	\$ 74,160	\$ 443	\$ 416,231	\$ 2,486
1957*	\$ 79,418	\$ 466	\$ 430,638	\$ 2,527
1958*	\$ 78,850	\$ 455	\$ 417,699	\$ 2,408
1959	\$ 78,586	\$ 446	\$ 413,168	\$ 2,343
1960*	\$ 91,279	\$ 509	\$ 473,288	\$ 2,640
1961*	\$ 93,469	\$ 513	\$ 479,245	\$ 2,631
1962	\$ 98,832	\$ 534	\$ 499,906	\$ 2,701
	<i>The Revenue Act of 1962 (0.0% of NNP)</i>			
1963	\$ 105,537	\$ 562	\$ 528,213	\$ 2,811
1964	\$ 111,530	\$ 585	\$ 549,808	\$ 2,885
	<i>The Revenue Act of 1964 (-1.9% of NNP)</i>			
1965	\$ 115,223	\$ 597	\$ 557,831	\$ 2,889
1966	\$ 128,960	\$ 660	\$ 607,068	\$ 3,106
	<i>The Tax Adjustment Act of 1966 (+0.7% of NNP)</i>			
1967	\$ 146,714	\$ 742	\$ 669,918	\$ 3,390
1968	\$ 150,482	\$ 754	\$ 658,991	\$ 3,300
	<i>The Revenue and Expenditure Control Act of 1968 (+1.9% of NNP)</i>			
1969*	\$ 183,974	\$ 912	\$ 767,577	\$ 3,806
	<i>The Tax Reform Act of 1969 (+0.4% of NNP)</i>			
1970*	\$ 189,382	\$ 934	\$ 750,395	\$ 3,702
1971	\$ 187,462	\$ 912	\$ 707,410	\$ 3,443
	<i>The Revenue Act of 1971 (-0.4% of NNP)</i>			
1972	\$ 195,170	\$ 938	\$ 705,856	\$ 3,393
1973*	\$ 218,369	\$ 1,038	\$ 748,025	\$ 3,557
1974*	\$ 242,151	\$ 1,140	\$ 760,790	\$ 3,583
	<i>The Employee Retirement Income Security Act of 1974</i>			
1975*	\$ 268,946	\$ 1,254	\$ 772,110	\$ 3,601
	<i>The Tax Reduction Act of 1975 (-0.7% of NNP)</i>			
1976	\$ 280,817	\$ 1,297	\$ 762,187	\$ 3,520
	<i>The Tax Reform Act of 1976 (-0.9% of NNP)</i>			
1977	\$ 349,028	\$ 1,592	\$ 890,686	\$ 4,063
	<i>The Tax Reduction and Simplification Act of 1977 (-1.0% of NNP)</i>			
1978	\$ 392,142	\$ 1,770	\$ 934,989	\$ 4,221
	<i>The Revenue Act of 1978 (-0.6% of NNP)</i>			
1979	\$ 454,052	\$ 2,027	\$ 999,770	\$ 4,464

Continued

On the other hand, Hawaii, Alaska, and Nevada saw their per-capita federal tax burdens drop compared to the national average. In FY 1994, Hawaii's federal tax bill was 104 percent of the national average. Ten years later it had dropped to 88 percent. In Alaska, a tax burden that was 117 percent of the national average dropped to 101 percent; and Nevada's per-capita federal tax burden dropped from 118 percent of the national average in FY 1994 to 103 percent in FY 2004.

On the spending side of the ledger, states that increased their shares of federal spending the most during this period were Alaska, Virginia and Wyoming. In FY 1994, per capita federal expenditures in Virginia were 145 percent of the national average, but by FY 2004 they had risen to 177 percent. Alaska's share was 152 percent of the national average in FY 1994, but it reached 189 percent in FY 2004. Wyoming's federal expenditures rose from 103 to 124 percent of the national average.

States where federal expenditures per capita have dropped compared to the national average include Colorado, California and New Jersey. In 1994, Colorado was a popular destination for federal spending: 105 percent of the national average, but by FY 2004 its share had dropped to 87 percent. California residents were at 101 percent in FY 1994, and ten years later they were receiving just 87 percent. New Jersey's share of federal largesse fell by 13 percentage points over the decade, from 91 percent to 78 percent of the national average.

The Course of the Federal Tax Burden

During FY 2004, the federal government collected \$1.847 trillion in tax revenue, or \$6,369 for every man, woman and child in the country. As Table 3 shows, this was down slightly from the all-time high in 2000 of \$7,045. Between 1992 and 2000, the federal tax burden had soared upward from \$4,163 to \$7,045 per capita. Even after adjusting for inflation by restating these figures in constant 2004 dollars, the rise of the federal tax burden during this period was precipitous: from \$5,257 in 1992 to \$7,686 in 2000. The federal tax burden has declined between 2001 and 2003, however, due to a brief recession, a subsequent period of slow growth and tax reductions. In 2004 the

tax burden rose for the first time since 2000 due to a strengthening economy.

Table 3 chronicles the federal tax burden from the mid-1930s through 2004, measured in both current and constant 2004 dollars. Fluctuations depend largely on two factors: recessions and federal tax policy. An asterisk next to a year in Table 3 indicates that the economy shrank during at least one quarter of the year. That does not amount to an official recession, but it correlates with dips in the federal tax burden. Major legislation is also noted, such as the recent tax cuts: the Economic Growth and Tax Relief Reconciliation Act of 2001, the Job

Creation and Workers Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003.

The Federal Tax Burden by State

Examining the nationwide numbers, we see that states shoulder dramatically different tax burdens. We have already measured them as a percentage of the national average, but the actual dollar amounts per capita are also illuminating. Table 4 displays each state's tax burden per capita for each major type of tax.

Connecticut residents bore the highest federal tax burden per capita in the nation during FY 2004. The federal government collected \$10,570 in federal taxes for every man, woman and child in the Constitution State. Other states with high per capita federal tax burdens were New Jersey (\$8,999) and Massachusetts (\$8,916).

At the other end of the spectrum are states whose residents, on average, bore a relatively light federal tax burden. In Mississippi, residents paid an average of \$4,046 in federal taxes, only 38 percent of what their counterparts in Connecticut paid. Other states with low federal tax burdens per capita were West Virginia (\$4,248) and Arkansas (\$4,437).

This disparity in federal tax burdens per capita is not just a matter of a few states that have unusual fiscal situations. The residents of Colorado, for example, the state with the 10th highest per capita federal tax burden (\$7,002), paid an average of 45.6 percent more in federal taxes during FY 2004 than the residents of Montana, the state with the 10th lowest per capita federal tax burden (\$4,807). Similarly, the residents of Michigan, living in the state with 20th highest per capita federal tax burden (\$6,044), are paying 10.1 percent more than the residents of Indiana which has the 20th lowest per capita federal tax burden (\$5,488).

This state-by-state variation in federal tax burdens per capita is primarily due to the difference in per capita income among the states. Since both of the federal government's largest revenue raisers, the individual income tax and the payroll tax, are levied as a percentage of income, states with high income per capita will also have high federal tax collections per capita. This effect is intensified by the progressivity of

Table 3 (continued)
Federal Tax Burden
Fiscal Years 1934-2004
(Current Dollars and Constant 2004 Dollars)

	Federal Tax Burden (Millions of Current \$)	Federal Tax Burden Per Capita (Current \$)	Federal Tax Burden (Millions of Constant 2004 \$)	Federal Tax Burden Per Capita (Constant 2004 \$)
1980*	\$ 504,364	\$ 2,228	\$ 1,018,182	\$ 4,497
	<i>The Crude Oil Windfall Profit Tax Act of 1980 (+0.5% of NNP)</i>			
1981*	\$ 585,483	\$ 2,558	\$ 1,080,458	\$ 4,721
	<i>The Economic Recovery Tax Act of 1981 (-1.4% of NNP)</i>			
1982*	\$ 601,605	\$ 2,603	\$ 1,046,368	\$ 4,527
	<i>The Tax Equity and Fiscal Responsibility Act of 1982 (+0.6% of NNP)</i>			
	<i>The Highway Revenue Act of 1982 (+0.1% of NNP)</i>			
1983	\$ 584,962	\$ 2,508	\$ 978,710	\$ 4,196
	<i>The Social Security Amendments of 1983 (+0.2% of NNP)</i>			
	<i>The Interest and Dividend Tax Compliance Act of 1983 (-0.1% of NNP)</i>			
1984	\$ 649,518	\$ 2,760	\$ 1,047,399	\$ 4,451
	<i>The Deficit Reduction Act of 1984 (+0.3% of NNP)</i>			
1985	\$ 715,615	\$ 3,014	\$ 1,119,918	\$ 4,717
	<i>The Consolidated Omnibus Budget Reconciliation Act of 1985 (0.0% of NNP)</i>			
1986	\$ 749,305	\$ 3,128	\$ 1,147,346	\$ 4,789
	<i>The Tax Reform Act of 1986 (+0.5% of NNP)</i>			
1987	\$ 834,943	\$ 3,454	\$ 1,244,486	\$ 5,148
	<i>The Omnibus Budget Reconciliation Act of 1987 (+0.2% of NNP)</i>			
1988	\$ 889,162	\$ 3,645	\$ 1,281,564	\$ 5,253
1989	\$ 967,978	\$ 3,931	\$ 1,344,334	\$ 5,459
	<i>The Omnibus Budget Reconciliation Act of 1989 (+0.1% of NNP)</i>			
1990*	\$ 1,004,094	\$ 4,034	\$ 1,342,636	\$ 5,394
	<i>The Omnibus Budget Reconciliation Act of 1990 (+0.5% of NNP)</i>			
1991*	\$ 1,031,531	\$ 4,091	\$ 1,332,706	\$ 5,286
1992	\$ 1,064,115	\$ 4,163	\$ 1,343,912	\$ 5,257
1993	\$ 1,135,065	\$ 4,381	\$ 1,401,144	\$ 5,408
	<i>The Omnibus Budget Reconciliation Act of 1993 (+0.4% of NNP)</i>			
1994	\$ 1,235,629	\$ 4,710	\$ 1,493,545	\$ 5,694
1995	\$ 1,323,407	\$ 4,985	\$ 1,567,568	\$ 5,904
1996	\$ 1,427,638	\$ 5,315	\$ 1,659,569	\$ 6,178
	<i>The Small Business Job Protection Act of 1996 (+0.0% of NNP)</i>			
1997	\$ 1,553,934	\$ 5,716	\$ 1,776,811	\$ 6,536
	<i>The Tax Relief Act of 1997 (-0.1% of NNP)</i>			
1998	\$ 1,689,252	\$ 6,142	\$ 1,910,354	\$ 6,945
1999	\$ 1,792,645	\$ 6,443	\$ 1,998,363	\$ 7,182
2000	\$ 1,982,491	\$ 7,045	\$ 2,162,878	\$ 7,686
2001*	\$ 1,953,476	\$ 6,870	\$ 2,081,293	\$ 7,319
	<i>The Economic Growth and Tax Reform Reconciliation Act of 2001 (-0.8% of NNP)</i>			
2002	\$ 1,819,339	\$ 6,334	\$ 1,905,114	\$ 6,632
	<i>The Job Creation and Worker Assistance Act of 2002 (-0.6% of NNP)</i>			
	<i>The Jobs and Growth Tax Relief and Reconciliation Act of 2003 (-0.6% of NNP)</i>			
2003	\$ 1,747,895	\$ 6,070	\$ 1,793,835	\$ 6,229
2004	\$ 1,847,602	\$ 6,369	\$ 1,847,602	\$ 6,369

* Year in which the economy shrank during at least one quarter.

Note: Prior to fiscal year 1977 the federal fiscal years began on July 1 and ended on June 30. After fiscal year 1977, the federal fiscal year begins on October 1 and ends on the subsequent September 30. Source: Office of Management and Budget; Internal Revenue Service; Congressional Research Service; National Bureau of Economic Research; Tax Foundation

the income tax system which causes tax burdens to rise more rapidly than income as the economy grows.

For example, the latest Commerce Department data show that personal income per capita in Connecticut during the 2004 fiscal year was 86.7 percent higher than in Mississippi, but federal tax burdens per capita were 161 percent higher. Income differentials are not the only factor. Greater consumption in some states of federally taxed goods such as alcohol,

tobacco and gasoline also pushes up federal tax collections.*

Federal Expenditures by State

The federal government funnels substantial funds back to the citizenry in the form of federal purchases, salaries, direct payments and various goods and services. The distribution of all these funds varies widely across the country, ranging from a high of \$12,038 per capita for

Table 4
Federal Tax Burden by State and Type of Tax, Per Capita and Rank
Fiscal Year 2004

	Total Tax Burden	Individual Income Tax	Corporate Income Tax	Social Insurance Taxes	Excise Taxes	Estate and Gift Taxes	Customs Duties	FY 2004 Rank
U.S.	\$ 6,369	\$ 2,789	\$ 653	\$ 2,528	\$ 241	\$ 86	\$ 73	-
Alabama	\$ 4,694	\$ 1,778	\$ 509	\$ 2,030	\$ 261	\$ 55	\$ 61	43
Alaska	\$ 6,425	\$ 2,714	\$ 697	\$ 2,658	\$ 249	\$ 29	\$ 76	17
Arizona	\$ 5,240	\$ 2,184	\$ 565	\$ 2,132	\$ 235	\$ 61	\$ 63	37
Arkansas	\$ 4,437	\$ 1,597	\$ 484	\$ 1,975	\$ 276	\$ 49	\$ 57	48
California	\$ 7,012	\$ 3,187	\$ 703	\$ 2,711	\$ 221	\$ 113	\$ 76	9
Colorado	\$ 7,002	\$ 3,321	\$ 702	\$ 2,591	\$ 242	\$ 68	\$ 78	10
Connecticut	\$ 10,570	\$ 5,590	\$ 890	\$ 3,592	\$ 250	\$ 150	\$ 97	1
Delaware	\$ 6,862	\$ 2,882	\$ 821	\$ 2,696	\$ 242	\$ 145	\$ 75	13
Florida	\$ 6,290	\$ 2,882	\$ 680	\$ 2,263	\$ 233	\$ 161	\$ 70	19
Georgia	\$ 5,723	\$ 2,410	\$ 597	\$ 2,310	\$ 277	\$ 60	\$ 68	24
Hawaii	\$ 5,585	\$ 2,081	\$ 642	\$ 2,528	\$ 192	\$ 70	\$ 71	29
Idaho	\$ 4,646	\$ 1,719	\$ 525	\$ 2,039	\$ 253	\$ 51	\$ 60	45
Illinois	\$ 6,999	\$ 3,182	\$ 719	\$ 2,703	\$ 217	\$ 99	\$ 78	11
Indiana	\$ 5,488	\$ 2,190	\$ 595	\$ 2,323	\$ 254	\$ 58	\$ 67	31
Iowa	\$ 5,319	\$ 1,970	\$ 622	\$ 2,353	\$ 246	\$ 60	\$ 68	35
Kansas	\$ 5,595	\$ 2,262	\$ 623	\$ 2,334	\$ 242	\$ 65	\$ 69	28
Kentucky	\$ 4,833	\$ 1,816	\$ 533	\$ 2,102	\$ 265	\$ 56	\$ 61	40
Louisiana	\$ 4,587	\$ 1,793	\$ 518	\$ 1,918	\$ 247	\$ 50	\$ 62	46
Maine	\$ 5,419	\$ 2,084	\$ 579	\$ 2,351	\$ 247	\$ 93	\$ 66	32
Maryland	\$ 7,404	\$ 3,242	\$ 728	\$ 3,028	\$ 244	\$ 78	\$ 83	6
Massachusetts	\$ 8,916	\$ 4,424	\$ 816	\$ 3,238	\$ 241	\$ 106	\$ 90	3
Michigan	\$ 6,044	\$ 2,482	\$ 627	\$ 2,565	\$ 236	\$ 61	\$ 72	20
Minnesota	\$ 6,920	\$ 2,930	\$ 746	\$ 2,893	\$ 225	\$ 46	\$ 79	12
Mississippi	\$ 4,046	\$ 1,422	\$ 439	\$ 1,828	\$ 266	\$ 37	\$ 55	50
Missouri	\$ 5,604	\$ 2,249	\$ 610	\$ 2,312	\$ 271	\$ 93	\$ 69	27
Montana	\$ 4,807	\$ 1,748	\$ 553	\$ 2,092	\$ 291	\$ 64	\$ 60	41
Nebraska	\$ 5,693	\$ 2,207	\$ 675	\$ 2,395	\$ 275	\$ 69	\$ 70	25
Nevada	\$ 6,550	\$ 3,023	\$ 678	\$ 2,454	\$ 244	\$ 78	\$ 71	16
New Hampshire	\$ 7,521	\$ 3,528	\$ 696	\$ 2,848	\$ 268	\$ 98	\$ 82	5
New Jersey	\$ 8,999	\$ 4,234	\$ 819	\$ 3,480	\$ 260	\$ 113	\$ 92	2
New Mexico	\$ 4,927	\$ 2,115	\$ 500	\$ 1,941	\$ 271	\$ 42	\$ 58	39
New York	\$ 7,940	\$ 3,883	\$ 749	\$ 2,901	\$ 198	\$ 127	\$ 82	4
North Carolina	\$ 5,306	\$ 2,126	\$ 599	\$ 2,217	\$ 239	\$ 58	\$ 65	36
North Dakota	\$ 5,133	\$ 1,868	\$ 604	\$ 2,274	\$ 287	\$ 34	\$ 65	38
Ohio	\$ 5,568	\$ 2,268	\$ 614	\$ 2,296	\$ 232	\$ 88	\$ 69	30
Oklahoma	\$ 4,685	\$ 1,806	\$ 511	\$ 1,969	\$ 284	\$ 53	\$ 60	44
Oregon	\$ 5,613	\$ 2,205	\$ 623	\$ 2,439	\$ 227	\$ 52	\$ 67	26
Pennsylvania	\$ 6,339	\$ 2,604	\$ 653	\$ 2,690	\$ 235	\$ 83	\$ 75	18
Rhode Island	\$ 6,557	\$ 2,664	\$ 650	\$ 2,858	\$ 209	\$ 101	\$ 74	15
South Carolina	\$ 4,767	\$ 1,816	\$ 526	\$ 2,045	\$ 268	\$ 51	\$ 61	42
South Dakota	\$ 5,358	\$ 2,123	\$ 640	\$ 2,206	\$ 265	\$ 58	\$ 66	33
Tennessee	\$ 5,323	\$ 2,141	\$ 548	\$ 2,248	\$ 262	\$ 57	\$ 67	34
Texas	\$ 5,841	\$ 2,588	\$ 572	\$ 2,297	\$ 260	\$ 55	\$ 69	23
Utah	\$ 4,533	\$ 1,748	\$ 507	\$ 1,951	\$ 225	\$ 45	\$ 57	47
Vermont	\$ 5,971	\$ 2,417	\$ 636	\$ 2,481	\$ 264	\$ 103	\$ 71	22
Virginia	\$ 6,792	\$ 3,010	\$ 691	\$ 2,672	\$ 261	\$ 80	\$ 76	14
Washington	\$ 7,128	\$ 3,178	\$ 696	\$ 2,881	\$ 230	\$ 66	\$ 77	7
West Virginia	\$ 4,248	\$ 1,508	\$ 465	\$ 1,936	\$ 241	\$ 40	\$ 57	49
Wisconsin	\$ 6,000	\$ 2,446	\$ 647	\$ 2,530	\$ 241	\$ 64	\$ 71	21
Wyoming	\$ 7,105	\$ 3,201	\$ 781	\$ 2,427	\$ 473	\$ 151	\$ 72	8
District of Columbia	\$ 9,801	\$ 4,333	\$ 1,328	\$ 3,526	\$ 223	\$ 291	\$ 100	-

Source: Office of Management and Budget; Tax Foundation.

residents of Alaska in FY 2004 to a low of \$4,744 per capita in Minnesota.

Federal expenditures per capita by state are shown in Table 5 for FY 2004, the latest year for which the expenditure data is available. Total federal expenditures are broken into five categories: retirement and disability, other direct payments, grants to state and local governments, procurement, salaries and wages, and other. More of these federal funds flowed into California (\$195.1 billion), Texas (\$120.5

billion) and New York (\$120.4 billion) than into any other states. The lowest totals were found in Wyoming (\$3.9 billion), Vermont (\$4.1 billion) and Delaware (\$4.4 billion).

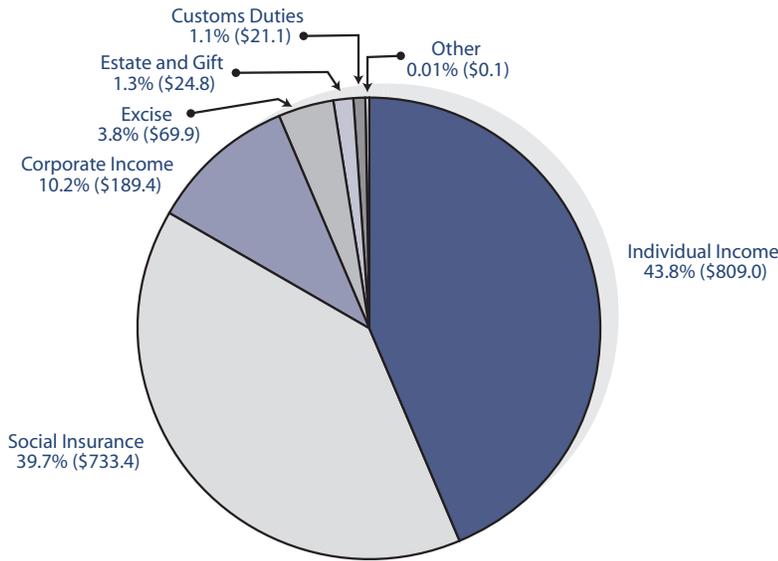
While states with the largest and smallest populations might be expected to have the highest and lowest totals, they do not necessarily retain their ranking when adjusted for population. Table 5 shows per capita federal expenditures by type for FY 2004, bringing

Table 5
Federal Expenditures by State Per Capita, by Type of Expenditure and Rank
Fiscal Year 2004

	Total Expenditures Per Capita	Retirement and Disability	Other Direct Payments	Grants to State and Local Gov'ts	Procurement	Salaries and Wages	Total Expenditures Rank
U.S.	\$ 7,311	\$ 2,278	\$ 1,608	\$ 1,564	\$ 1,102	\$ 778	-
Alabama	\$ 8,686	\$ 2,876	\$ 1,783	\$ 1,559	\$ 1,691	\$ 777	9
Alaska	\$ 13,053	\$ 1,754	\$ 1,028	\$ 4,972	\$ 2,628	\$ 2,671	1
Arizona	\$ 7,569	\$ 2,334	\$ 1,311	\$ 1,508	\$ 1,767	\$ 651	22
Arkansas	\$ 7,163	\$ 2,721	\$ 1,854	\$ 1,721	\$ 312	\$ 555	29
California	\$ 6,571	\$ 1,812	\$ 1,456	\$ 1,542	\$ 1,138	\$ 623	36
Colorado	\$ 6,624	\$ 1,965	\$ 1,167	\$ 1,243	\$ 1,266	\$ 982	32
Connecticut	\$ 8,715	\$ 2,246	\$ 1,676	\$ 1,598	\$ 2,735	\$ 461	8
Delaware	\$ 6,449	\$ 2,560	\$ 1,434	\$ 1,523	\$ 325	\$ 606	37
Florida	\$ 7,199	\$ 2,837	\$ 1,915	\$ 1,158	\$ 676	\$ 614	28
Georgia	\$ 6,376	\$ 2,052	\$ 1,331	\$ 1,359	\$ 672	\$ 962	41
Hawaii	\$ 9,723	\$ 2,555	\$ 1,282	\$ 1,722	\$ 1,648	\$ 2,516	5
Idaho	\$ 6,592	\$ 2,244	\$ 1,212	\$ 1,466	\$ 1,009	\$ 660	34
Illinois	\$ 6,080	\$ 2,026	\$ 1,671	\$ 1,308	\$ 521	\$ 554	45
Indiana	\$ 6,130	\$ 2,266	\$ 1,617	\$ 1,202	\$ 647	\$ 397	44
Iowa	\$ 6,619	\$ 2,369	\$ 1,909	\$ 1,373	\$ 544	\$ 425	33
Kansas	\$ 7,032	\$ 2,357	\$ 1,765	\$ 1,275	\$ 824	\$ 812	30
Kentucky	\$ 7,715	\$ 2,573	\$ 1,587	\$ 1,640	\$ 1,128	\$ 786	18
Louisiana	\$ 7,337	\$ 2,222	\$ 1,993	\$ 1,734	\$ 761	\$ 627	25
Maine	\$ 8,338	\$ 2,753	\$ 1,421	\$ 2,117	\$ 1,313	\$ 734	12
Maryland	\$ 11,781	\$ 2,583	\$ 1,888	\$ 1,608	\$ 3,786	\$ 1,915	3
Massachusetts	\$ 8,261	\$ 2,206	\$ 1,924	\$ 2,158	\$ 1,419	\$ 553	13
Michigan	\$ 6,006	\$ 2,275	\$ 1,650	\$ 1,313	\$ 409	\$ 358	46
Minnesota	\$ 5,700	\$ 1,992	\$ 1,364	\$ 1,427	\$ 461	\$ 456	50
Mississippi	\$ 7,763	\$ 2,536	\$ 1,806	\$ 1,869	\$ 824	\$ 728	17
Missouri	\$ 8,029	\$ 2,470	\$ 1,912	\$ 1,533	\$ 1,403	\$ 710	15
Montana	\$ 8,183	\$ 2,614	\$ 1,779	\$ 2,181	\$ 641	\$ 967	14
Nebraska	\$ 6,793	\$ 2,344	\$ 1,842	\$ 1,458	\$ 401	\$ 748	31
Nevada	\$ 5,745	\$ 2,317	\$ 1,058	\$ 1,045	\$ 720	\$ 606	49
New Hampshire	\$ 6,197	\$ 2,358	\$ 1,099	\$ 1,463	\$ 767	\$ 509	42
New Jersey	\$ 6,409	\$ 2,194	\$ 1,687	\$ 1,314	\$ 711	\$ 502	39
New Mexico	\$ 10,628	\$ 2,505	\$ 1,325	\$ 2,495	\$ 3,196	\$ 1,109	4
New York	\$ 7,504	\$ 2,149	\$ 1,811	\$ 2,608	\$ 464	\$ 473	23
North Carolina	\$ 6,590	\$ 2,402	\$ 1,360	\$ 1,500	\$ 469	\$ 859	35
North Dakota	\$ 9,521	\$ 2,330	\$ 2,766	\$ 2,390	\$ 794	\$ 1,242	6
Ohio	\$ 6,404	\$ 2,297	\$ 1,568	\$ 1,445	\$ 607	\$ 488	40
Oklahoma	\$ 7,599	\$ 2,615	\$ 1,694	\$ 1,503	\$ 800	\$ 988	21
Oregon	\$ 6,161	\$ 2,381	\$ 1,422	\$ 1,461	\$ 361	\$ 536	43
Pennsylvania	\$ 7,680	\$ 2,683	\$ 2,097	\$ 1,612	\$ 754	\$ 535	19
Rhode Island	\$ 7,675	\$ 2,446	\$ 1,771	\$ 2,168	\$ 520	\$ 772	20
South Carolina	\$ 7,265	\$ 2,614	\$ 1,389	\$ 1,486	\$ 1,014	\$ 763	27
South Dakota	\$ 8,649	\$ 2,413	\$ 2,538	\$ 2,122	\$ 574	\$ 1,002	10
Tennessee	\$ 7,796	\$ 2,491	\$ 1,624	\$ 1,692	\$ 1,393	\$ 596	16
Texas	\$ 6,441	\$ 1,896	\$ 1,391	\$ 1,262	\$ 1,225	\$ 667	38
Utah	\$ 5,840	\$ 1,759	\$ 921	\$ 1,258	\$ 983	\$ 918	47
Vermont	\$ 7,492	\$ 2,291	\$ 1,370	\$ 2,301	\$ 875	\$ 655	24
Virginia	\$ 12,312	\$ 2,850	\$ 1,358	\$ 1,085	\$ 4,798	\$ 2,220	2
Washington	\$ 7,333	\$ 2,367	\$ 1,354	\$ 1,485	\$ 1,136	\$ 991	26
West Virginia	\$ 8,393	\$ 3,226	\$ 1,796	\$ 2,046	\$ 575	\$ 751	11
Wisconsin	\$ 5,775	\$ 2,208	\$ 1,367	\$ 1,370	\$ 483	\$ 347	48
Wyoming	\$ 8,775	\$ 2,381	\$ 1,280	\$ 3,268	\$ 805	\$ 1,041	7
District of Columbia	\$ 66,622	\$ 3,332	\$ 4,727	\$ 7,445	\$ 23,630	\$ 27,488	-

Source: Office of Management and Budget, Tax Foundation

Figure 2
Federal Tax Burden by Type of Tax
Fiscal Year 2004
(\$Billions)



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Alaska (\$12,038), Virginia (\$11,279) and Maryland (\$10,676) to the top while relegating Minnesota (\$4,744), Nevada (\$4,795) and Wisconsin (\$4,935) to the bottom.*

Some federal spending patterns are easily discernible. The large number of retirees collecting Social Security in Florida increases the flow of federal “retirement and disability” funds somewhat. An even bigger difference is created by the disproportionately large federal grants funneled to Alaska and the District of Columbia. On the other hand, direct payments to individuals tend to be more evenly distributed across the country. In two categories, federal procurement and federal wages and salaries, Virginia and Maryland benefit greatly from their proximity to the capital. Alaska, Hawaii and New Mexico also receive disproportionately large sums in these categories, but the

District of Columbia is in a league by itself, receiving \$23,630 per capita in procurement and \$27,488 per capita in wages and salaries.

Methodology

Federal Tax Burdens

The tax collection data released by the Department of the Treasury does not allocate the federal tax burden among the states. Instead, it simply shows where the taxes are collected. For example, data on federal excise taxes on alcohol and tobacco show high tax collections in the states where the alcohol is distilled and the tobacco grown. Clearly, the taxpayers in these relatively few producing states do not bear the entire burden of the taxes on the products they manufacture. In order to show more precisely who ultimately bears the burden of federal levies, the Tax Foundation has developed a tax incidence model which apportions the federal tax burden among the states.

Federal Expenditures

Each year the Census Bureau releases the Consolidated Federal Funds Report, which estimates the amount of federal spending in each state and territory during the prior fiscal year. The latest report allocates approximately 92 percent of total FY 2004 federal spending. The 8 percent not allocated includes net interest outlays, foreign aid, and other outlays that are not allocable to the states. For the purposes of this report, the Tax Foundation uses this census data as is.

In the calculation of spending-to-tax ratios, however, an adjustment must be made to bring federal tax collections and federal spending into alignment. Therefore, a deficit is treated as an unfunded tax liability in the current year, allocated in the same fashion as the federal tax burden. Similarly, the model assumes that a surplus is used to pay down the federal debt to domestic capital holders.

*Note: Available upon request are state by state tax burdens, both per capita and total burden, from 1970 through 2004. Total federal expenditures by state are available upon request.