



THE LEAST REGRESSIVE STATE AND LOCAL TAX SYSTEMS

Just as the combination of flat (or non-existent) income taxes and high sales and excise taxes tends to make for very regressive tax systems, the most noticeable features of the least regressive tax states are exactly the opposite: they have highly progressive income taxes and rely less on sales and excise taxes. For example:

- **Vermont**'s tax system is among the least regressive in the nation because it has a highly progressive income tax and low sales and excise taxes. Vermont's tax system is also made less unfair by the size of the state's refundable Earned Income Tax Credit (EITC) — 32 percent of the federal credit.
- **Delaware**'s income tax is not very progressive, but its high reliance on income taxes and very low use of consumption taxes nevertheless results in a tax system that is only slightly regressive overall.
- **Oregon** similarly has a high reliance on income taxes and very low use of consumption taxes. The state also offers a refundable EITC and has a fairly progressive personal income tax rate structure.
- **New York** and the **District of Columbia** each achieve a close-to-flat tax system overall through the use of generous refundable EITC's and an income tax with relatively high top rates and limits on tax breaks for upper-income taxpayers.

Source: "[Who Pays? A Distributional Analysis of the Tax Systems in All 50 States](#)" by the ITEP (The Institute on Taxation & Economic Policy), the 4th edition, January 2013, finds that Oregon is one of the five best states for fair tax policy.