



## INDEPENDENT FISCAL OFFICE

March 1, 2019

The Honorable Francis X. Ryan  
Pennsylvania House of Representatives  
149A East Wing  
Harrisburg, PA 17120

Dear Representative Ryan:

This letter responds to your January 7, 2019 request that the Independent Fiscal Office (IFO) modify or supplement certain computations from a previous report based on specifications outlined in your request.<sup>1</sup> In a response letter, the IFO had noted that only certain parts of the request could be undertaken due to lack of state-level data. This letter presents the results of the modified analysis.

**Table 1** provides a summary of state personal income tax treatment for (1) private pensions, (2) state, local and federal pensions and (3) Social Security income. Nine states do not levy a broad-based personal income tax, and those entries appear as “n.a.” For private pensions, most states fully tax that income or provide an exemption up to a specified dollar threshold (dollar amount shown in table). For states that levy a personal income tax, private pensions are fully exempt in only three states: Illinois, Mississippi and Pennsylvania. For government pension income, more states provide an exemption. For Pennsylvania, pension income is not taxed when received, but a portion of it is effectively taxed “up front” because the state does not allow a deduction for employee contributions to pension plans (or IRAs). The return earned by contributions to qualified retirement plans, as well as any employer contributions to those plans, is exempt when the income is received in retirement.

The final column displays the tax treatment of Social Security income. Currently, 13 states tax Social Security and roughly half of those follow federal rules on the amount of income that is taxable. Other states apply their own income limits.

**Table 2** decomposes the personal income tax and property tax burden ratios for Pennsylvania by age of resident. These ratios were originally included in *State and Local Taxes: A Comparison Across States* (December 2018). For personal income tax, the report computed a ratio of 2.66%, which represents the ratio of all state and local income taxes divided by state personal income. The ratio is an average effective tax rate for all residents with taxable and non-taxable income. Based on various data sources, the analysis computed

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<sup>1</sup> For a detailed explanation regarding the computations in the original report see <http://www.ifo.state.pa.us/Resources/Documents/State-Tax-Comparison-2018-12.pdf>.

separate ratios for residents over age 65 (1.63%) and those under age 65 (3.07%). The ratio for residents over age 65 is much lower because Pennsylvania does not tax retirement income when it is received.

For property taxes, a previous IFO analysis found that residents age 65 or older remit 31.3% of homestead property taxes, which comprise roughly 54% of all property taxes paid.<sup>2</sup> For the portion of property tax paid by businesses (46%), the analysis assumed those costs are passed forward to consumers as higher prices.<sup>3</sup> The analysis used data from the Consumer Expenditure Survey to determine the share of total spending attributable to residents age 65 and older and assumed that those residents would bear a similar share of the business property tax burden passed forward to consumers. The overall property tax burden ratio was 2.94%, with a slightly lower burden for residents age 65 or older (2.74%) and an offsetting higher burden for those under age 65 (3.02%).

**Table 3** reproduces the data from Table 1 in the report *State and Local Taxes: A Comparison Across States*, but removes all retirement income (i.e., Social Security, private and government pensions, IRA withdrawals) from state personal income. If retirement income is included (original table), the personal income tax ratio for Pennsylvania is 2.66% and the state ranks 17<sup>th</sup> across all states. If retirement income is removed from state personal income, the ratio increases to 3.15% and the state rank decreases to 20<sup>th</sup>.

**Table 4** lists state sales and use tax rates and the tax treatment of various goods and services that states may elect to exclude from the tax base. Relative to other states, Pennsylvania has a narrower tax base, which is an important factor that explains the state's relatively low sales tax burden ratio (1.97%, rank 39). For example, the majority of states that levy a sales tax include clothing and non-prescription medicines in the tax base, but Pennsylvania excludes those items.

**Table 5** lists all federal income and other taxes paid by residents or businesses located in each state. The Other Taxes column includes: excise (e.g., gasoline and cigarette), payroll, corporate net income, unemployment taxes and other miscellaneous taxes. The Federal Spending column includes all types of funds or transfers such as block grants, transportation funds, federal payroll, federal pensions, Medicaid and Medicare and other miscellaneous federal spending. The Net Return column equals Federal Spending less All Tax Receipts. The Return Ratio column is the ratio of Federal Spending to All Tax Receipts. The table is ranked in descending order based on the Return Ratio. Pennsylvania ranks 29<sup>th</sup> receiving \$1.23 in federal spending for every \$1.00 in taxes remitted.

**Table 6** provides detail for outstanding state general obligation debt, OPEB unfunded liability and state pension unfunded liability. The Total State Net Liability column equals the sum of those three values. It is noted that the unfunded pension liability includes state workers and any unfunded liabilities for school teachers if the state contributes to that pension system. For example, the amount for Pennsylvania includes the entire unfunded liability for PSERS, although the state only reimburses school districts for somewhat more than one half (on average) the annual contribution made to the fund. The Ratio column is the ratio of total liability to state personal income. Based on the latest data, Pennsylvania ranks 20<sup>th</sup>, with a ratio of 22%. The final two columns list the unfunded liability attributable to pensions systems for local educators (if itemized separately) and the share of payroll that states contributed to fund state employee pensions for fiscal year ending 2016. It is noted that the rates represent the actual amounts paid, as opposed to the actuarially

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<sup>2</sup> See the IFO response letters to Representatives Ryan (November 6, 2017) and Cox (December 5, 2017). Both letters are posted on the IFO website under the Property Tax tab.

<sup>3</sup> As noted in the report, the tax burden computations did not assume that any business property taxes were exported to non-residents.

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determined contribution (ADC). While most states made the ADC, some made a contribution less than the ADC.

I hope this information is useful. Consistent with IFO policy, this letter will be posted to the office's website no later than the third business day following transmittal. If you have any further questions regarding this analysis, please do not hesitate to contact my office (717-230-8293).

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large initial "M".

Matthew J. Knittel

Director, Independent Fiscal Office

Enclosure

- cc: The Honorable Seth Grove  
The Honorable Dawn Keefer  
The Honorable Cris Dush  
The Honorable Paul Schemel  
The Honorable David Zimmerman  
The Honorable Brett Miller  
The Honorable Dan Moul

**Table 1**  
**State Income Tax Treatment of Retirement Income**

<b>State</b>	<b>Private Pensions</b>	<b>Gov't Pensions</b>	<b>Social Security</b>
Alabama	limited exemption	exempt	exempt
Alaska	n.a.	n.a.	n.a.
Arizona	fully taxable	\$2,500	exempt
Arkansas	\$6,000	\$6,000	exempt
California	fully taxable	fully taxable	exempt
Colorado	\$20,000/\$24,000	\$20,000/\$24,000	depends on income
Connecticut	same as federal	same as federal	depends on income
Delaware	\$2,000/\$12,500	\$2,000/\$12,500	exempt
Florida	n.a.	n.a.	n.a.
Georgia	\$35,000/\$65,000	\$35,000/\$65,000	exempt
Hawaii	limited exemption	exempt	exempt
Idaho	fully taxable	limited exemption	exempt
Illinois	exempt	exempt	exempt
Indiana	fully taxable	fully taxable	exempt
Iowa	\$6,000/\$12,000	\$6,000/\$12,000	exempt
Kansas	fully taxable	exempt	depends on income
Kentucky	\$31,100	\$31,100	exempt
Louisiana	\$6,000	\$6,000/exempt	exempt
Maine	\$10,000	\$10,000	exempt
Maryland	\$29,900	\$29,900	exempt
Massachusetts	fully taxable	exempt	exempt
Michigan	depends on age	depends on age	exempt
Minnesota	fully taxable	fully taxable	same as federal
Mississippi	exempt	exempt	exempt
Missouri	depends on income	\$36,976	depends on income
Montana	\$4,070	\$4,070	same as federal
Nebraska	fully taxable	fully taxable	same as federal
Nevada	n.a.	n.a.	n.a.
New Hampshire	n.a.	n.a.	n.a.
New Jersey	\$30,000/\$60,000	\$30,000/\$60,000	exempt
New Mexico	depends on income	depends on income	depends on income
New York	\$20,000	exempt	exempt
North Carolina	fully taxable	fully taxable	exempt
North Dakota	fully taxable	fully taxable	same as federal
Ohio	\$200 credit	\$200 credit	exempt
Oklahoma	\$10,000	\$10,000	exempt
Oregon	limited exemption	limited exemption	exempt
<b>Pennsylvania</b>	<b>exempt</b>	<b>exempt</b>	<b>exempt</b>
Rhode Island	\$15,000	\$15,000	depends on income
South Carolina	\$3,000/\$10,000	\$3,000/\$10,000	exempt
South Dakota	n.a.	n.a.	n.a.
Tennessee	n.a.	n.a.	n.a.
Texas	n.a.	n.a.	n.a.
Utah	\$450/\$900 credit	\$450/\$900 credit	taxable
Vermont	fully taxable	fully taxable	depends on income
Virginia	depends on income	depends on income	exempt
Washington	n.a.	n.a.	n.a.
West Virginia	\$8,000/\$16,000	\$8,000/\$16,000	same as federal
Wisconsin	depends on income	limited exemption	exempt
Wyoming	n.a.	n.a.	n.a.

Note: n.a. represents states that have no personal income tax on wages.

Source: Retirement Living Information Center and CCH IntelliConnect.

Table 2 Pennsylvania Tax Burden			
<u>Personal Income</u>		<u>Property</u>	
	<u>Ratio</u>		<u>Ratio</u>
All Residents	2.66%	All Residents	2.94%
Under Age 65	3.07%	Under Age 65	3.02%
Age 65+	1.63%	Age 65+	2.74%

Source: Calculations by the IFO.

Table 3 Personal Income Tax							
<u>State</u>	<u>Rank</u>	<u>Amount</u>	<u>Ratio</u> <sup>1</sup>	<u>State</u>	<u>Rank</u>	<u>Amount</u>	<u>Ratio</u> <sup>1</sup>
New York	1	\$56,226	5.55%	Vermont	26	\$744	2.86%
Oregon	2	\$8,379	5.37%	Arkansas	27	\$2,768	2.84%
Maryland	3	\$14,260	4.91%	Nebraska	28	\$2,228	2.79%
Minnesota	4	\$10,956	4.50%	Rhode Island	29	\$1,239	2.79%
California	5	\$84,197	4.32%	Michigan	30	\$9,979	2.77%
Kentucky	6	\$5,752	4.11%	Colorado	31	\$6,792	2.68%
Massachusetts	7	\$14,724	3.81%	South Carolina	32	\$4,142	2.62%
Connecticut	8	\$7,959	3.66%	Alabama	33	\$3,744	2.50%
Hawaii	9	\$2,096	3.61%	Illinois	34	\$13,257	2.35%
Virginia	10	\$13,053	3.55%	Oklahoma	35	\$3,123	2.26%
Wisconsin	11	\$7,793	3.53%	Mississippi	36	\$1,835	2.17%
West Virginia	12	\$1,814	3.49%	New Mexico	37	\$1,339	2.09%
Utah	13	\$3,621	3.45%	Kansas	38	\$2,329	2.04%
North Carolina	14	\$12,086	3.44%	Louisiana	39	\$2,950	1.81%
Delaware	15	\$1,239	3.39%	Arizona	40	\$3,446	1.47%
Maine	16	\$1,535	3.22%	North Dakota	41	\$320	0.91%
Iowa	17	\$3,759	3.21%	Tennessee	42	\$250	0.10%
Ohio	18	\$13,531	3.20%	New Hampshire	43	\$65	0.10%
Montana	19	\$1,178	3.16%	Alaska	44	\$0	0.00%
<b>Pennsylvania</b>	<b>20</b>	<b>\$17,047</b>	<b>3.15%</b>	Florida	44	\$0	0.00%
Georgia	21	\$10,978	3.05%	Nevada	44	\$0	0.00%
Missouri	22	\$6,539	3.05%	South Dakota	44	\$0	0.00%
Idaho	23	\$1,660	2.99%	Texas	44	\$0	0.00%
New Jersey	24	\$13,958	2.93%	Washington	44	\$0	0.00%
Indiana	25	\$6,757	2.87%	Wyoming	44	\$0	0.00%
				<b>U.S. Weighted Avg.</b>			<b>2.84%</b>
				<b>U.S. Average</b>			<b>2.57%</b>

Note: dollar amounts in millions.

<sup>1</sup> Ratio of PIT collections to state personal income (excluding retirement income).

**Table 4**  
**Sales Tax Base**

<b>State</b>	<b>Tax Rate</b>	<b>Groceries</b>	<b>Clothing</b>	<b>Rx Meds</b>	<b>Non-Rx Meds</b>	<b>Gasoline</b>	<b>Legal Services</b>	<b>Financial Services</b>	<b>Accounting Services</b>
Alabama	4.00%	Taxable	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Alaska	None	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
Arizona	5.60%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Arkansas	6.50%	Alternate Rate	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
California	7.25%	Exempt	Taxable	Exempt	Taxable	Alternate Rate	Exempt	Exempt	Exempt
Colorado	2.90%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Connecticut	6.35%	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Delaware	None	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Florida	6.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Georgia	4.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Hawaii	4.00%	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Taxable	Taxable
Idaho	6.00%	Taxable	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Illinois	6.25%	Alternate Rate	Taxable	Alternate Rate	Alternate Rate	Taxable	Exempt	Exempt	Exempt
Indiana	7.00%	Exempt	Taxable	Exempt	Taxable	Taxable	Exempt	Exempt	Exempt
Iowa	6.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Taxable	Exempt
Kansas	6.50%	Taxable	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Kentucky	6.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Louisiana	4.45%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Maine	5.50%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Maryland	6.00%	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Massachusetts	6.25%	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Michigan	6.00%	Exempt	Taxable	Exempt	Taxable	Taxable	Exempt	Exempt	Exempt
Minnesota	6.88%	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Mississippi	7.00%	Taxable	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Missouri	4.23%	Alternate Rate	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Montana	None	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nebraska	5.50%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Nevada	6.85%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
New Hampshire	None	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Jersey	6.63%	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
New Mexico	5.13%	Exempt	Taxable	Exempt	Taxable	Exempt	Taxable	Taxable	Taxable
New York	4.00%	Exempt	Exempt	Exempt	Exempt	Alternate Rate	Exempt	Exempt	Exempt
North Carolina	4.75%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
North Dakota	5.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Ohio	5.75%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Oklahoma	4.50%	Taxable	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Oregon	None	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Pennsylvania</b>	<b>6.00%</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>
Rhode Island	7.00%	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
South Carolina	6.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
South Dakota	4.50%	Taxable	Taxable	Exempt	Taxable	Exempt	Taxable	Exempt	Taxable
Tennessee	7.00%	Alternate Rate	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Texas	6.25%	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Utah	5.95%	Alternate Rate	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Vermont	6.00%	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Virginia	5.30%	Alternate Rate	Taxable	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Washington	6.50%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
West Virginia	6.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Wisconsin	5.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
Wyoming	4.00%	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
<b>Total Taxable</b>		<b>14</b>	<b>39</b>	<b>2</b>	<b>37</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>4</b>

Source: State Business Tax Climate Index, Tax Foundation, 2019.

**Table 4**  
**Sales Tax Base**

<b>State</b>	<b>Medical Services</b>	<b>Landscape Services</b>	<b>Repair Services</b>	<b>Real Estate Services</b>	<b>Parking Services</b>	<b>Dry Clean Services</b>	<b>Fitness Services</b>	<b>Barber Services</b>	<b>Veterinary Services</b>
Alabama	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Alaska	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
Arizona	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt
Arkansas	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Exempt	Exempt
California	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Colorado	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Connecticut	Exempt	Taxable	Taxable	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt
Delaware	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Florida	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt
Georgia	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Hawaii	Taxable	Taxable	Taxable	Exempt	Exempt	Taxable	Taxable	Taxable	Taxable
Idaho	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt
Illinois	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Indiana	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Iowa	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Taxable	Exempt
Kansas	Exempt	Exempt	Taxable	Exempt	Exempt	Taxable	Taxable	Exempt	Exempt
Kentucky	Exempt	Taxable	Exempt	Exempt	Exempt	Taxable	Taxable	Exempt	Taxable
Louisiana	Exempt	Exempt	Taxable	Exempt	Taxable	Taxable	Taxable	Exempt	Exempt
Maine	Exempt	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt
Maryland	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Massachusetts	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Michigan	Exempt	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt
Minnesota	Exempt	Taxable	Exempt	Exempt	Taxable	Taxable	Taxable	Exempt	Exempt
Mississippi	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Exempt	Exempt	Exempt
Missouri	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt
Montana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nebraska	Exempt	Taxable	Taxable	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Nevada	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
New Hampshire	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
New Jersey	Exempt	Taxable	Taxable	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt
New Mexico	Taxable	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Taxable	Taxable
New York	Exempt	Taxable	Taxable	Exempt	Taxable	Exempt	Exempt	Exempt	Exempt
North Carolina	Exempt	Exempt	Taxable	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt
North Dakota	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Ohio	Exempt	Taxable	Taxable	Exempt	Exempt	Taxable	Taxable	Exempt	Exempt
Oklahoma	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Taxable	Exempt	Exempt
Oregon	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Pennsylvania</b>	<b>Exempt</b>	<b>Taxable</b>	<b>Taxable</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Taxable</b>	<b>Exempt</b>	<b>Exempt</b>	<b>Exempt</b>
Rhode Island	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
South Carolina	Exempt	Exempt	Exempt	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt
South Dakota	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Taxable	Taxable
Tennessee	Exempt	Exempt	Taxable	Exempt	Taxable	Taxable	Taxable	Exempt	Exempt
Texas	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Exempt	Exempt
Utah	Exempt	Exempt	Taxable	Exempt	Exempt	Taxable	Taxable	Exempt	Exempt
Vermont	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Virginia	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
Washington	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Taxable	Exempt	Taxable
West Virginia	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Exempt	Exempt	Exempt
Wisconsin	Exempt	Taxable	Taxable	Exempt	Taxable	Taxable	Exempt	Exempt	Exempt
Wyoming	Exempt	Exempt	Taxable	Exempt	Exempt	Taxable	Exempt	Exempt	Exempt
<b>Total Taxable</b>	<b>3</b>	<b>20</b>	<b>24</b>	<b>1</b>	<b>17</b>	<b>24</b>	<b>22</b>	<b>5</b>	<b>6</b>

Source: State Business Tax Climate Index, Tax Foundation, 2019.

**Table 5**  
**Net Federal Spending by State**

<b>State</b>	<b>Rank</b>	<b>Income Tax</b>	<b>Other Taxes</b>	<b>All Tax Receipts</b>	<b>Federal Spending</b>	<b>Net Return</b>	<b>Return Ratio</b>
Kentucky	1	\$12,113	\$17,962	\$30,075	\$70,808	\$40,733	235%
New Mexico	2	5,355	8,165	13,520	31,669	18,149	234
Mississippi	3	6,447	10,777	17,224	37,755	20,531	219
West Virginia	4	4,153	7,176	11,329	24,554	13,225	217
Alabama	5	13,639	19,483	33,122	65,751	32,629	199
Virginia	6	40,907	48,626	89,533	176,785	87,252	197
Arkansas	7	8,147	11,720	19,867	35,129	15,262	177
Maine	8	4,351	5,644	9,995	17,438	7,443	174
South Carolina	9	14,990	19,587	34,577	59,740	25,163	173
Alaska	10	3,272	4,500	7,772	12,986	5,214	167
Hawaii	11	5,211	7,194	12,405	19,929	7,524	161
Arizona	12	22,948	28,779	51,727	82,812	31,085	160
Oklahoma	13	11,142	18,247	29,389	45,057	15,668	153
Maryland	14	31,133	37,398	68,531	105,055	36,524	153
Louisiana	15	14,531	19,750	34,281	52,011	17,730	152
Idaho	16	4,800	6,765	11,565	17,451	5,886	151
Missouri	17	21,072	27,055	48,127	72,271	24,144	150
Montana	18	3,331	4,902	8,233	12,233	4,000	149
Tennessee	19	23,285	28,878	52,163	76,278	24,115	146
North Carolina	20	34,270	44,315	78,585	113,081	34,496	144
Vermont	21	2,317	3,326	5,643	7,976	2,333	141
Ohio	22	41,135	52,492	93,627	125,689	32,062	134
Delaware	23	3,757	5,007	8,764	11,546	2,782	132
Indiana	24	21,770	30,283	52,053	67,780	15,727	130
Michigan	25	38,085	45,626	83,711	108,359	24,648	129
Georgia	26	34,690	46,349	81,039	104,541	23,502	129
Oregon	27	15,620	19,792	35,412	45,676	10,264	129
Florida	28	87,771	103,997	191,768	237,654	45,886	124
<b>Pennsylvania</b>	<b>29</b>	<b>55,697</b>	<b>70,719</b>	<b>126,416</b>	<b>155,850</b>	<b>29,434</b>	<b>123</b>
Rhode Island	30	4,511	5,721	10,232	12,593	2,361	123
Kansas	31	10,713	14,808	25,521	31,297	5,776	123
South Dakota	32	3,426	4,598	8,024	9,250	1,226	115
Nevada	33	12,971	12,281	25,252	28,671	3,419	114
Iowa	34	10,594	15,849	26,443	29,919	3,476	113
Minnesota	35	26,692	32,359	59,051	64,402	5,351	109
Wisconsin	36	22,769	29,538	52,307	55,411	3,104	106
Wyoming	37	2,699	4,033	6,732	7,121	389	106
Utah	38	10,126	12,853	22,979	23,896	917	104
Texas	39	110,136	150,255	260,391	268,985	8,594	103
California	40	213,762	221,875	435,637	436,092	455	100
Colorado	41	27,785	30,206	57,991	57,458	-533	99
Washington	42	41,033	40,857	81,890	80,524	-1,366	98
Nebraska	43	6,829	11,222	18,051	17,736	-315	98
New Hampshire	44	7,407	7,900	15,307	14,993	-314	98
Illinois	45	64,139	72,270	136,409	131,755	-4,654	97
North Dakota	46	3,244	5,189	8,433	7,889	-544	94
New York	47	125,742	130,441	256,183	220,622	-35,561	86
Massachusetts	48	49,146	45,659	94,805	78,730	-16,075	83
New Jersey	49	58,453	60,556	119,009	97,682	-21,327	82
Connecticut	50	27,543	27,939	55,482	41,129	-14,353	74

Note: dollar amounts in millions.

Source: Rockefeller Institute of Government, State University of New York. Calculations by the IFO.



**Table 6**  
**FYE 2016 Long-Term Liabilities by State**

<b>State</b>	<b>Rank</b>	<b>Outstanding State Debt</b>	<b>OPEB Liability<sup>1</sup></b>	<b>Pension Net Liability<sup>2</sup></b>	<b>Total State Net Liability</b>	<b>Personal Income</b>	<b>Ratio</b>	<b>Unfunded Liability (Teachers)<sup>3</sup></b>	<b>Employer Cont.<sup>3,4</sup></b>
New Jersey	1	\$66,923	\$85,425	\$168,243	\$320,591	\$544,286	59%	\$79,029	11.18%
Alaska	2	\$5,728	\$8,234	\$7,949	\$21,911	\$37,834	58%	\$2,283	27.19%
Hawaii	3	\$8,758	\$9,066	\$13,369	\$31,193	\$69,159	45%	n.a.	17.00%
Illinois	4	\$64,221	\$53,579	\$141,169	\$258,969	\$656,946	39%	\$78,936	43.93%
Connecticut	5	\$35,352	\$21,887	\$37,452	\$94,691	\$246,454	38%	\$14,245	43.42%
Kentucky	6	\$13,785	\$4,539	\$43,418	\$61,742	\$170,351	36%	\$30,924	38.77%
Delaware	7	\$4,965	\$7,150	\$2,050	\$14,165	\$45,303	31%	n.a.	9.60%
New Mexico	8	\$6,738	\$3,805	\$13,494	\$24,037	\$79,289	30%	\$7,196	16.99%
Massachusetts	9	\$75,308	\$16,323	\$38,497	\$130,128	\$435,886	30%	\$22,892	12.30%
Rhode Island	10	\$9,005	\$644	\$5,143	\$14,792	\$52,330	28%	\$2,984	23.64%
South Carolina	11	\$15,122	\$10,485	\$24,117	\$49,724	\$195,941	25%	n.a.	13.80%
Mississippi	12	\$7,470	\$709	\$18,050	\$26,229	\$103,666	25%	n.a.	16.96%
New York	13	\$137,369	\$134,759	\$19,011	\$291,139	\$1,154,473	25%	\$2,300	17.85%
Minnesota	14	\$16,756	\$944	\$50,909	\$68,609	\$281,936	24%	\$23,852	5.40%
Colorado	15	\$17,200	\$1,892	\$50,842	\$69,934	\$290,536	24%	\$29,774	19.25%
Vermont	16	\$3,341	\$1,823	\$2,100	\$7,264	\$30,801	24%	\$1,310	11.76%
Louisiana	17	\$17,594	\$5,329	\$20,680	\$43,603	\$191,551	23%	\$11,737	39.00%
West Virginia	18	\$7,124	\$2,712	\$5,133	\$14,969	\$66,086	23%	\$4,110	13.42%
New Hampshire	19	\$8,210	\$2,986	\$5,365	\$16,561	\$74,879	22%	n.a.	10.95%
<b>Pennsylvania</b>	<b>20</b>	<b>\$47,052</b>	<b>\$23,690</b>	<b>\$68,817</b>	<b>\$139,559</b>	<b>\$641,954</b>	<b>22%</b>	<b>\$49,557</b>	<b>25.00%</b>
Ohio	21	\$33,109	\$9,592	\$56,541	\$99,242	\$509,814	19%	\$33,473	12.10%
Maryland	22	\$26,593	\$12,430	\$24,709	\$63,732	\$338,758	19%	\$12,991	15.08%
Alabama	23	\$8,969	\$8,876	\$16,778	\$34,623	\$185,019	19%	\$10,826	12.11%
California	24	\$151,715	\$78,442	\$168,016	\$398,173	\$2,184,188	18%	n.a.	14.45%
Maine	25	\$5,012	\$1,840	\$3,641	\$10,493	\$58,044	18%	n.a.	16.62%
Montana	26	\$3,207	\$458	\$4,071	\$7,736	\$45,025	17%	n.a.	11.23%
Michigan	27	\$33,245	\$9,560	\$31,600	\$74,405	\$439,828	17%	\$25,509	82.13%
Texas	28	\$48,238	\$87,781	\$59,034	\$195,053	\$1,252,391	16%	\$37,789	10.19%
Oregon	29	\$13,061	\$121	\$15,012	\$28,194	\$187,330	15%	n.a.	9.98%
Missouri	30	\$19,350	\$3,059	\$15,728	\$38,137	\$258,224	15%	\$8,243	17.17%
North Carolina	31	\$17,464	\$32,467	\$11,519	\$61,450	\$420,925	15%	n.a.	9.15%
Arizona	32	\$14,244	\$125	\$26,670	\$41,039	\$282,282	15%	n.a.	10.85%
Indiana	33	\$22,464	\$339	\$17,743	\$40,546	\$279,513	15%	\$12,833	11.28%
Washington	34	\$32,232	\$10,879	\$14,433	\$57,544	\$403,177	14%	\$4,788	12.15%
Nevada	35	\$3,352	\$1,498	\$13,481	\$18,331	\$132,458	14%	n.a.	26.51%
Wyoming	36	\$835	\$666	\$2,817	\$4,318	\$31,614	14%	n.a.	8.50%
Virginia	37	\$28,232	\$5,431	\$25,289	\$58,952	\$434,745	14%	\$14,014	14.01%
Georgia	38	\$13,248	\$16,623	\$25,773	\$55,644	\$421,848	13%	\$20,631	24.91%
Kansas	39	\$7,581	\$223	\$9,218	\$17,022	\$133,075	13%	\$4,901	11.29%
Arkansas	40	\$4,985	\$2,285	\$7,174	\$14,444	\$116,865	12%	\$4,411	14.72%
Oklahoma	41	\$8,899	\$5	\$10,937	\$19,841	\$162,486	12%	\$8,379	16.38%
North Dakota	42	\$2,064	\$93	\$2,434	\$4,591	\$39,195	12%	\$1,465	7.35%
Utah	43	\$7,480	\$185	\$4,651	\$12,316	\$120,385	10%	n.a.	24.27%
Iowa	44	\$6,120	\$643	\$6,498	\$13,261	\$137,977	10%	n.a.	9.00%
Wisconsin	45	\$22,087	\$1,420	\$853	\$24,360	\$264,386	9%	n.a.	6.96%
South Dakota	46	\$3,286	n.a.	\$338	\$3,624	\$40,525	9%	n.a.	6.24%
Idaho	47	\$3,685	\$115	\$1,997	\$5,797	\$66,559	9%	n.a.	11.59%
Florida	48	\$33,315	\$9,198	\$36,905	\$79,418	\$968,871	8%	n.a.	7.34%
Nebraska	49	\$1,809	n.a.	\$1,516	\$3,325	\$91,326	4%	\$1,505	7.49%
Tennessee	50	\$6,025	\$1,380	\$2,712	\$10,117	\$284,425	4%	\$891	18.87%

Notes: dollar amounts in millions. OPEB stands for Other Post-Employment Benefits.

<sup>1</sup> Pew "50-State Survey of Retiree Health Care Liabilities", Figure 4.

<sup>2</sup> Pew "The State Pension Funding Gap: 2016", Appendix B, page 15; represents all pension systems backed by the respective state.

<sup>3</sup> Individual State Pension System Reports/CAFRs for FYE 16.

<sup>4</sup> State employees under the general state employee plan (not specific to law enforcement, teachers, etc.).

Source: Calculations by the IFO.