

January 13, 2010

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They pay now, all pay later

While the governor and state legislators are all but locking arms and singing "We Shall Overcome" on behalf of the downtrodden property taxpayer, who's trying to get government off the backs of the truly poor?

The Indiana Institute for Working Families, an arm of the Indiana Community Action Association, is laboring in that vineyard, and it has a revelation on its side.

Without much media traction, the institute is promulgating a new study by the liberal Center on Budget and Policy Priorities that places Indiana among six states that tax families in severe poverty.

So, a two-parent family of four earning \$16,513 -- three-quarters of the federal poverty guideline of 2008 -- would owe \$200 in Indiana income taxes. That may not seem like a lot of money, if you're unfamiliar with frozen wages, rising household expenses, and Indiana's shifting of the tax burden from property to sales, skewing to the lower-income. And there are no tax lawyers, abatements, shelters or lobbyists to cushion the blow.

The danger, says Sarah Downing, a research and policy analyst with the institute, is that fewer Hoosiers will climb out of dependency. That's a danger to all, which is why the federal government and most states don't exact income taxes from the poor.

"For low-income families, as you start earning more, you have what we call the cliff effect," Downing says. "You lose food stamps, Medicaid, housing assistance, and you can fall behind. When you're taking families that are working their way out of poverty and are not even making poverty level wages, and you inflict income taxes on them, that sets them back a little more."

No one holds out any hope that this legislative session will give tax money back to those of low and modest income, but state Rep. John Day will try to keep several perennial proposals alive. One is to raise the state Earned Income Tax Credit, now among the nation's lowest; another is to provide families making less than \$50,000 with tax credits for child care, an onerous cost (\$6,000 to \$7,000 a year) of holding a job.

Day, the reigning champion of tax relief for struggling workers, also favors a graduated state income tax. The current policy of having millionaires pay at the same rate as those below the poverty line imitates the regressive effect of the high sales tax.

"It's humorous," Day says. "I hear politicians all the time say the people can spend their money better than the government can. I love that speech; and when I try to give it back to them, they won't take it."

"The tax system is unfair. We can make it moderately better. We won't."

And yet, cries for fairness will ring out from a capitol where taxes are feared as much as the revenue

shortfall.

"The theme is that no one wants to pay more taxes, and the governor is not going to raise taxes," Downing observes. "But when you look at what our most vulnerable families are paying, it does not make sense."
