CSBA FastFacts

California is NOT a High Tax State

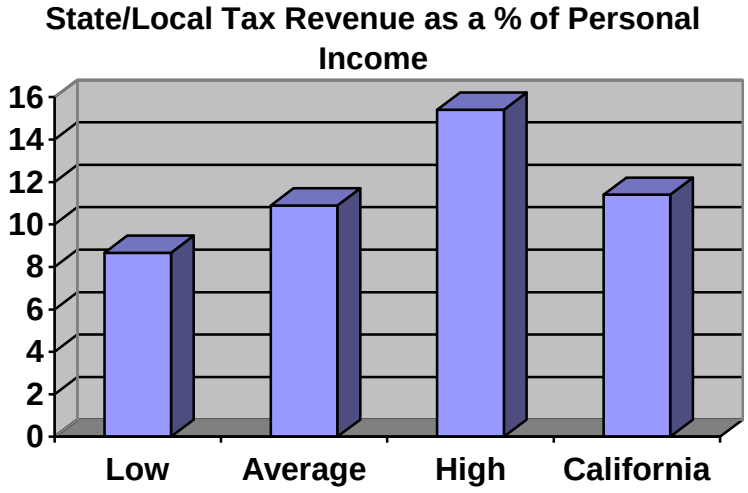
The claim that California is a high tax state has taken on a life of its own and has become firmly entrenched in the minds of many. Few can say what Californian's actually *do* pay in taxes, but most are certain it's too high nevertheless. Any use of the terms, "high" or "low" begs the question: compared to what? The only available reference point is other states.

Making valid interstate comparisons requires that:

1. *All* state and local taxes be included, not just selected high or low taxes; and
2. Tax revenues be compared to personal income.

Reporting tax revenue on a per capita basis is misleading, because it fails to account for per capita differences in income among states. Higher levels of income denote higher levels of economic activity, and higher levels of economic activity naturally yield higher tax revenues, all other things being equal. Higher levels of income also signal higher costs, so the cost of providing government services will be higher in a high income state.

- ✓ In 2006 (the latest year for which figures are available) total state and local taxes in California equaled 11.40 percent of personal income. The national average was 10.90 percent. **That puts California only 0.5 percentage points above the national average.**



The range went from a high of 15.04 percent (Wyoming) to a low of 8.66 percent (New Hampshire). While California is slightly above the national average, in absolute terms, we are actually closer to the bottom than the top. That is, California is 3.64 percentage points below the highest tax state, but only 2.74 percentage points above the lowest tax state.