

# States Paying the Most Federal Taxes

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## HIGHLIGHTS

- Average adult in the U.S. pays \$5,512 in annual federal taxes
- Californians alone pay more federal taxes than the 25 lowest-paying states combined
- New cap on SALT deductions impact high-earners most

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Do residents of your state pay more than their fair share of federal income taxes? They could be getting squeezed worse than most by the tax man -- or they may be getting a relatively cheap ride at the expense of people in other states.

Taxes can be seen as the necessary evil of an advanced society. No one likes to pay them; but when the citizens of a country pool their resources, they can afford infrastructure and services few would be able to finance on their own.

Theoretically, citizens in all 50 states are subject to the same federal tax laws, so the tax burden should be born fairly evenly by all; but, because each state takes a different approach to state-level taxes, the reality is that there are huge disparities in the size of the tax burden shouldered by people in different states.

# More ways to look at taxes

These disparities arise for a variety of reasons, including population size and income level. MoneyRates.com took a look at the total federal taxes paid by residents of each state to examine these disparities in a few ways. This study produced rankings of which states pay the most taxes in total, which pay the most per person, and which turn over the biggest percentage of their income to the federal government.

Further, the study provided a sneak preview of something likely to have a major impact on future tax burdens, and that is the limit on state and local tax deductions.

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## What state pays the most federal taxes?

Looking at the total federal taxes paid by state, here are the ten states that pay the most:

1. **California:** \$227.5 billion
2. **New York:** \$133.3 billion
3. **Texas:** \$117.7 billion
4. **Florida:** \$92.8 billion
5. **Illinois:** \$67.7 billion
6. **New Jersey:** \$61.9 billion
7. **Pennsylvania:** \$58.8 billion
8. **Massachusetts:** \$51.9 billion
9. **Ohio:** \$43.6 billion
10. **Virginia:** \$43.2 billion

To a large extent, this list is no surprise since it is largely made up of the most populous states in the nation. Still, population alone isn't enough to account for the relative level of federal taxes paid by state. After all, Massachusetts ranked eighth on this list despite the fact that thirteen other states have larger adult populations.

What's striking about the differing federal tax burdens states pay is the scale of the differences. California alone pays more federal taxes than the 25 lowest-paying states

combined. Taken together, the ten states on the above list pay 59 percent of all federal taxes.

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## Tax revenue by state per capita

Population isn't the only thing that determines which states pay the most federal taxes, but it does have a lot to do with it. Another way to examine the relative tax burdens paid by the residents of each state is to look at it on a per capita basis.

The following states pay the highest average amount of federal taxes per adult resident:

1. **Connecticut:** \$10,279
2. **Massachusetts:** \$9,445
3. **New Jersey:** \$8,811
4. **New York:** \$8,490
5. **Washington:** \$7,493
6. **California:** \$7,466
7. **New Hampshire:** \$7,284
8. **Maryland:** \$7,004
9. **Illinois:** \$6,836
10. **Colorado:** \$6,794

The average adult in the United States pays \$5,512 in annual federal taxes, so the average resident in each of the states on the above list pays at least \$1,282 more than the national average -- and Connecticut's average tax burden is nearly twice the national average.

What illustrates the differences between federal tax burdens by state even more vividly is comparing the top state to the bottom. While the average adult in Connecticut pays \$10,279 a year in federal taxes, the lowest average federal tax burden is paid by residents of West Virginia, where that average is just \$3,072.

Naturally, income levels have a lot to do with the amount of taxes people pay. The average tax filer in Connecticut earns \$94,418 in annual income, which is the top such

figure in the United States. Meanwhile, the average tax filer's income in West Virginia is one of the lowest in the nation at just \$50,671.

While people aren't typically thrilled to be paying a higher-than-average amount of tax, the fact that higher taxes are generally associated with higher incomes should take away some of the sting.

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## Highest percentage tax burdens

Since the level of a person's tax burden has a lot to do with how much that person earns, another way to put tax burdens in perspective is to look at them as a percentage of income.

Residents of the following ten states pay the highest percentage of their income in federal taxes:

1. **Connecticut:** 17.65 percent
2. **New York:** 17.07 percent
3. **Massachusetts:** 16.95 percent
4. **New Jersey:** 16.46 percent
5. **California:** 15.85 percent
6. **Washington:** 15.38 percent
7. **Florida:** 15.27 percent
8. **Illinois:** 15.27 percent
9. **Nevada:** 15.16 percent
10. **Wyoming:** 15.06 percent

While the percentages for Florida and Illinois appear to be equal on the above list, Florida's percentage of income paid in federal taxes is actually higher than that of Illinois by one one-thousandth of a percent.

The average federal tax burden as a percentage of income is 14.77 percent, so people in Connecticut give up nearly 3 percent more of their income to the federal government than the average American.

Since tax rates are generally higher for higher incomes, it's no surprise that many of the states on the above list are also among the top ten states for average income. However, not all the states paying the highest percentages of income in federal taxes are on the top-ten list of average earnings, which indicates that another key variable must be the utilization of deductions. That's something that is likely to see a significant change beginning with returns being filed this tax season.

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## The SALT deduction cap: Whose tax bills will go up most?

A key deduction in years past for residents in some states has been for state and local taxes, commonly known as the SALT deduction. Beginning with the 2018 tax year, this deduction has been capped at \$10,000.

Who will be most affected by this? According to the Tax Foundation, 88 percent of SALT deductions were taken by people earning \$100,000 and up. This is a good place to focus when determining which states will be most affected by the SALT cap, because high-earners are not just likely to be subject to the most state and local taxes, they're also most likely to itemize and most likely to have enough potential SALT deductions to bump up against the \$10,000 cap.

Based on 2016 (the most recent tax year for which the IRS has made data available), here are the states where earners of \$100,000 and up took the most in SALT deductions:

1. **California:** \$96.9 billion
2. **New York:** \$59.1 billion
3. **New Jersey:** \$25.6 billion
4. **Illinois:** \$16.8 billion
5. **Massachusetts:** \$15.5 billion
6. **Texas:** \$15.2 billion
7. **Pennsylvania:** \$14.5 billion

8. **Maryland:** \$13.3 billion
9. **Virginia:** \$12.7 billion
10. **Connecticut:** \$11.1 billion

You might be surprised to see Texas, which has no state income tax, on this list beside such high-tax states as California and New York. However, Texas ranks pretty high on the list of states with the heaviest property tax burdens and, between that and the size of its population, Texas residents have been pretty significant beneficiaries of SALT deductions in the past.

Given that SALT deductions will be severely limited going forward, expect the states on this list to see their total federal tax bills go up. Eight of the ten largest beneficiaries of SALT deductions in the past are already on the list of the biggest overall contributors to federal taxes, so expect these states to be shouldering an even heavier part of the national financial burden going forward.

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## All 50 states

If you didn't see your state in the lists above, scroll down to find where your state is ranked in the full listing.

RANK	STATE	FEDERAL TAXES PAID (in thousands)
1	California	\$ 227,530,971
2	New York	\$ 133,256,731
3	Texas	\$ 117,748,038
4	Florida	\$ 92,833,986
5	Illinois	\$ 67,712,602
6	New Jersey	\$ 61,912,719
7	Pennsylvania	\$ 58,824,238

<b>RANK</b>	<b>STATE</b>	<b>FEDERAL TAXES PAID (in thousands)</b>
8	Massachusetts	\$ 51,853,227
9	Ohio	\$ 43,555,457
10	Virginia	\$ 43,241,092
11	Washington	\$ 43,159,354
12	Michigan	\$ 40,171,678
13	Georgia	\$ 36,966,436
14	North Carolina	\$ 36,512,933
15	Maryland	\$ 32,951,613
16	Colorado	\$ 29,521,593
17	Connecticut	\$ 29,238,189
18	Minnesota	\$ 28,173,727
19	Tennessee	\$ 25,294,651
20	Arizona	\$ 24,398,390
21	Wisconsin	\$ 24,258,517
22	Indiana	\$ 23,035,722
23	Missouri	\$ 22,405,521
24	Oregon	\$ 16,712,909
25	South Carolina	\$ 16,018,234
26	Louisiana	\$ 15,622,558
27	Alabama	\$ 14,544,097
28	Nevada	\$ 13,651,293
29	Kentucky	\$ 12,938,397
30	Oklahoma	\$ 11,905,935

RANK	STATE	FEDERAL TAXES PAID (in thousands)
31	Kansas	\$ 11,439,709
32	Iowa	\$ 11,331,003
33	Utah	\$ 10,700,506
34	Arkansas	\$ 8,680,369
35	New Hampshire	\$ 7,896,547
36	Nebraska	\$ 7,286,583
37	Mississippi	\$ 7,002,822
38	New Mexico	\$ 5,715,804
39	Hawaii	\$ 5,578,986
40	Idaho	\$ 5,168,364
41	Rhode Island	\$ 4,776,579
42	Maine	\$ 4,705,517
43	West Virginia	\$ 4,443,052
44	Delaware	\$ 3,963,581
45	South Dakota	\$ 3,687,341
46	Montana	\$ 3,597,658
47	North Dakota	\$ 3,488,105
48	Alaska	\$ 3,479,163
49	Wyoming	\$ 2,862,573
50	Vermont	\$ 2,507,137

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