



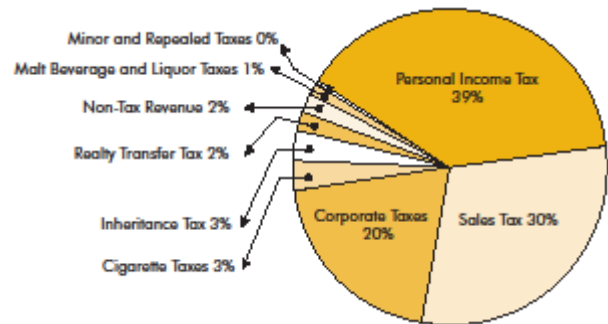
# Just the Facts

Pennsylvania Budget and Taxes

## Pennsylvania Taxes

### Pennsylvania Is a Low Tax State.

The personal income tax rate, at 3.07 percent, is the second lowest top rate in the country, while the 6-percent sales tax is in the middle range of all states. The corporate net income tax rate of 9.99 percent is relatively high, although loopholes in the law (and other factors) mean that 71 percent of companies don't pay any of the tax.

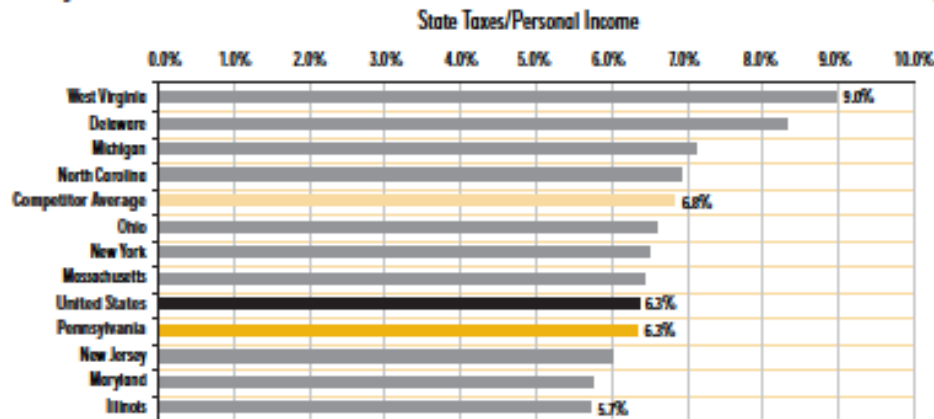


General Fund Revenue Sources, 2007-08 Total Revenue: \$27.9 Billion

### State Taxes Are Less Than Competing States.

Pennsylvania state taxes were 6.3 percent of state personal income<sup>1</sup> in 2005, ranking the state 32<sup>nd</sup> in the nation. Residents of Michigan, New York, North Carolina and other competing states pay, on average, a half percentage point more of personal income in state taxes.

### Pennsylvania State Taxes as a Share of Personal Income are on Par with the National Average, 2005



Source: The Urban Institute-Bookings Institution Tax Policy Center, State & Local Government Finance Data Query System, Data from U.S. Census Bureau, Annual Survey of State and Local Government Finance, Government Finance, Volume 4, and Census of Governments.

<sup>1</sup> State personal income measures a state's economic activity. It includes the total of all wages, salaries, employer-contributed pensions and insurance, business earnings, rental earnings, dividends, and interest earned by commonwealth residents.



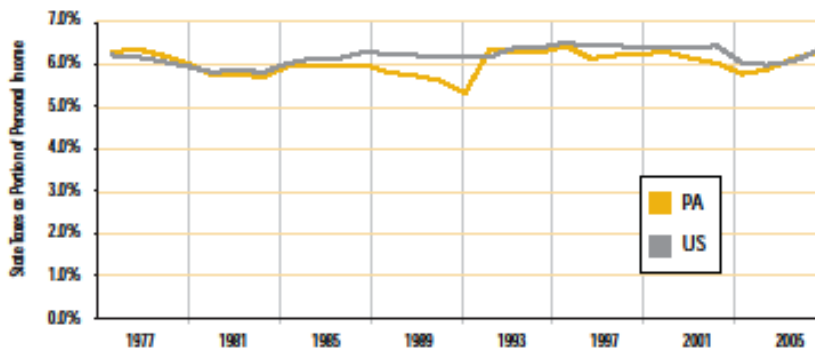
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### State Taxes Near National Average for Past 30 Years.

Three decades of U.S. Census Bureau data shows that Pennsylvania closely tracks the national average in the percentage of personal income residents pay in state taxes.

#### Pennsylvania's State Taxes Increase Too Quickly? A Comparison to the U.S. Average Over Time Shows These Claims are Not True



Source: The Urban Institute-Bookings Institution Tax Policy Center, State & Local Government Finance Data Query System. Data from U.S. Census Bureau, Annual Survey of State and Local Government Finances, Government Finances, Volume 4, and Census of Governments.

### Pennsylvania Relies on Local Taxes More Than Other States.

Pennsylvania relies heavily on local taxes, forcing local municipalities and school districts to raise tax rates to provide basic services:

- Pennsylvania state and local taxes combined rank 21<sup>st</sup> among the 50 states, at 10.7 percent as a share of personal income, compared to 32<sup>nd</sup> nationally for state only taxes.
- On education funding, Pennsylvania ranks near the bottom nationally. **Forty-six states provided more support to local school districts than Pennsylvania did in 2005.**

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*The Pennsylvania Budget and Policy Center is a non-partisan policy research project that provides independent, credible analysis on state tax, budget, and related policy matters, with attention to the impact of current or proposed policies on working families. To learn more about state taxes and spending, go to [www.pennbpc.org/pabudget/primer.html](http://www.pennbpc.org/pabudget/primer.html).*