

Analysis on state and local taxes on the poor

[Science](#), [Social Science](#)



Effect of and Local Tax April 12, Introduction Tax refers to a financial levy or charge that is imposed on people or legal entities by a government, state or federal so as to fund public expenditure. Different governments levy taxes using different criteria and formulae. This paper is however interested in the effect of taxes on low income households, or the poor. It will assess whether or not the poor pay more taxes than high and middle income people. It will also seek to describe the effect of increasing the minimum wage.

Contrary to the belief of many, low income people pay relatively low taxes at the federal level. This is due to tax credits that reduce their tax liability.

Stimulus measures that were enacted to offset effects of the 2008-2009 recession went further to reduce their tax burden. As of 2011, the lowest quintile would pay taxes equal to about 0.8 percent of their income. This is according to Creedy (2011).

From the above explanation, the answer to whether the poor are taxed more than other groups can be drawn. Creedy (2011) explains that they are not.

This is simply because taxes are levied on a percentage. Low-income households will be taxed a smaller percentage of their income as compared to middle and high income households.

Raising the minimum wage will have the effect of reducing poverty only in some geographical areas and not at the national level. This is because increased minimum wage will affect poverty based on the population density of an area. The higher the population density, the more the effect of the higher minimum wage. This is due to the fact that poverty is also a function of population density and not individual households. This is explained by Cunningham (2007).

Conclusion

From the above discussion, it is evident that the poor are taxed less than other groups. The effect of increasing the minimum wage will only reduce poverty in areas of high population density.

References

Creedy, J. (2011). Taxation, poverty and income distribution. Aldershot:

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Cunningham, W. V. (2007). Minimum wages and social policy : A lesson from developing countries. Washington D. C: World Bank.