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The Effects of Replacing Most Federal Taxes with a National Sales Tax A State-by-State Distributional Analysis

Recently, there has been renewed discussion of the possibility of replacing most federal taxes with a national retail sales tax. Such an idea was broached in the 1990s, but political interest waned when it was discovered that it would take a sales-tax rate well in excess of 50 percent to replace existing federal revenues. In August of this year, however, President George W. Bush, speaking in Niceville, Florida, told an “Ask President Bush” campaign forum, “You know, I’m not exactly sure how big the national sales tax is going to have to be, but it’s the kind of interesting idea that we ought to explore seriously.” In South Carolina, Rep. Jim DeMint (R) has centered his campaign for the U.S. Senate on his support for a sales tax. Meanwhile, several dozen members of Congress continue to back specific national sales tax legislation despite the extraordinarily high tax rate and/or large deficit increases it would entail.

To assist the public in understanding the implications of replacing most federal taxes with a national sales tax, the Institute on Taxation and Economic Policy (ITEP) has evaluated such a plan using our state-by-state microsimulation tax model.¹ Specifically, we looked at H.R. 25, the leading sales tax proposal introduced in Congress. Although other sales tax proposals could certainly differ in detail, the essential findings of our analysis would apply to almost any conceivable proposal to scrap most federal taxes in favor of a sales tax.

Description of the National Sales Tax Proposal as Modeled

H.R. 25, introduced by Rep. John Linder (R-Ga.) and others, would replace all federal personal and corporate income taxes, Social Security and Medicare taxes, and estate taxes with a retail sales tax on a very broad base of personal spending.² Beyond the usual items that are often subject to existing state sales taxes, the proposed national sales tax would also apply to things such as health care, purchases of new houses, rent, etc..

H.R. 25 confusingly advertises its sales tax rate as 23 percent, but that’s rather disingenuous. On a \$100 purchase, for example, sales-tax proponents tell us that the tax would be \$30, which most people would accurately call a 30 percent rate. The so-called 23 percent figure comes from dividing the sales tax by *the cost of purchases plus the tax*. To be sure, \$30 divided by \$130 does equal 23 percent, but no ordinary person would think of computing a sales tax that way.

The fact that the sales tax, even by its proponents’ own figures, entails a 30 percent tax rate is only the beginning of the math problems. Allegedly, almost a third of the projected sales-tax revenues are supposed to come from taxes that the government will pay to itself.

¹A complete description of the ITEP Tax Model can be found at www.itepnet.org.

²The bill would retain federal excise taxes (gasoline, tobacco, etc.) and customs duties.

Build a road, pay yourself a tax. Buy some planes for the Air Force, pay yourself some more. And so on. Unfortunately, that can't work. Without these phantom governmental tax payments, the sales tax rate would have to jump to 42 percent to break even.

In addition, a quarter of the remaining sales taxes are supposed to be paid on things like church services, free care at veterans hospitals and a variety of hard-to-tax financial services like free checking accounts. If we disregard the supposed taxes on these items, the sales tax rate would have to climb to 50 percent or more to break even.

So, merely to match current-law tax revenues would require either a much higher sales tax rate than H.R. 25 provides or alternatively, keeping a large portion of the current taxes that H.R. 25 would repeal. Rather than trying to determine how H.R. 25's sponsors might resolve this mathematical dilemma if their plan were ever taken seriously, we simply computed a break-even sales tax rate that would match current revenues from the taxes that H.R. 25 would eliminate.

For 2005 (a relatively low-tax year), we calculate that the required break-even sales tax rate would be between 45 percent and 53 percent, depending on how certain tax-base issues are resolved.³ A recent analysis by William Gale of the Brookings Institution finds that to match expected federal revenues over the upcoming decade would require a sales tax rate of about 60 percent.⁴ That figure is consistent with earlier analyses by Citizens for Tax Justice and the congressional Joint Committee on Taxation.⁵

To partially mitigate the inherent regressivity of a national sales tax, H.R. 25 would provide a monthly payment to all taxpaying units, regardless of income, based on an adjusted poverty threshold for each unit's family size.⁶ We included these rebates in our analysis.⁷

One could reasonably argue that the whole idea of a 50-60 percent national sales tax is so implausible that it should be dismissed out of hand. Would the public ever tolerate a tax that adds \$10,000 or more to the cost of a new car? Or \$50,000 to the price of a new home? Or \$5,000 or more to average annual medical costs? Nevertheless, we have undertaken a distributional analysis of the sales-tax plan, to illustrate its other major problem:

³Our findings did not differ significantly whether we applied a slightly lower rate to a slightly broader tax base or a slightly higher rate to a slightly narrower tax base.

⁴William G. Gale, "A Note on the Required Tax Rate in a National Retail Sales Tax: Preliminary Estimates for 2005-2014," The Brookings Institution, August 12, 2004.

⁵See Robert S. McIntyre, "The 23% Solution?" *The New York Times*, Jan. 23, 1998, p. A25. The Joint Committee on Taxation analysis, dating from about the same time, was unpublished.

⁶The adjusted poverty threshold would equal the regular poverty threshold for all tax units except married couples, who would be treated as two unrelated people living in separate households and would thus have a higher adjusted poverty threshold for purposes of the sales tax rebate. This adjusted poverty threshold would be multiplied by the sales tax rate divided by one-plus-the-sales-tax-rate to compute the rebate. Thus, the formula for computing the rebates would be "sales tax rate"/(1 + "sales tax rate") × "adjusted poverty threshold." For example, if the adjusted poverty threshold for a two-person tax unit were \$12,970 and the sales tax rate were 50%, then the rebate rate would be 50%/(1+50%), or 33.3%, and the dollar rebate would equal 33.3% times \$12,970. That would mean a rebate of \$360 per month, or \$4,320 per year.

⁷In our analysis, we assumed that such a rebate system would be workable, although there are serious questions about its implementation.

if it were somehow implemented, it would raise taxes substantially on most Americans, and cut taxes substantially on the very well-off.

Central Findings

Under current law, federal income and estate taxes are progressive. That means that taxpayers with high incomes pay a larger share of their incomes in taxes than do middle- and low-income taxpayers. A national sales tax would be exactly the opposite. It would take a much higher share of the earnings of low- and middle-income families than the wealthy would have to pay. That's because most Americans must spend most or all of their incomes to make ends meet, while better-off people can afford to spend a much lower share of their incomes. Moreover, older Americans tend to spend a higher share of their incomes than younger ones, which means that a national sales tax would be particularly burdensome on the elderly.

As a result, replacing most federal taxes with a national sales tax would mean very large tax increases on most Americans and very large tax cuts for the wealthy. The tables that follow speak for themselves, but a few important points can be highlighted:

- In virtually every state in the union, the bottom 80 percent of taxpayers would face much higher taxes under a sales tax. Nationwide, these tax increases would average about \$3,200 a year.
- Put another way, on average the 80 percent of Americans in the middle- and lower-income ranges would pay 51 percent more in sales taxes than they now pay in the federal taxes that the proposed national sales tax would replace.
- In contrast, the best-off one percent of all taxpayers nationwide would get average tax reductions of about \$225,000 each per year.

Besides shifting the tax burden away from the well off and onto low- and middle-income taxpayers, a national sales tax would also shift aggregate taxes away from better-off states and onto poorer states and states with a high proportion of elderly residents.

- Overall, we calculate that 13 states and the District of Columbia would pay less in aggregate taxes under a national sales tax, while the remaining 37 states would pay more.
- Of the total amount that is shifted among states, just over half of the total winnings would go to California and New York (even though *most* Californians and New Yorkers would nevertheless pay considerably higher taxes.)

ADDENDUM: Consequences of a National Sales Tax at a 30 Percent Tax Rate

At the 30 percent tax rate proposed in H.R. 25, replacing most federal taxes with a national sales tax would reduce the revenues those taxes currently provide by 41 percent in 2005, and by larger amounts in later years. It would be impossible to cover that huge cost without incurring even larger budget deficits, unless there were dramatic reductions in federal programs. For example:

- The revenue losses from a 30 percent national sales tax could be roughly offset by entirely eliminating all Social Security and Medicare hospitalization benefits forever.
- If instead the revenue losses from a 30 percent national sales tax were subtracted proportionately from Social Security and Medicare, on the one hand, and from the rest of the government, on the other, then in 2005, tax revenues available for Social Security and Medicare hospitalization benefits would be cut by 41 percent. Revenues available to pay for all remaining federal programs would fall by \$450 billion. That's almost as much as the entire defense budget in 2005.

Of course, the proponents of a national sales tax have not called for eliminating or slashing Social Security or defense. In fact, they have not outlined any serious plan to address the enormous revenue shortfall that their plan would create at the inadequate tax rate proposed in H.R. 25. For this reason, this study looks only at a revenue-neutral sales tax plan, not an unimaginably costly one.

Tables detailing the findings of the study follow.

The Institute on Taxation and Economic Policy is a non-partisan tax policy research organization based in Washington, D.C. Since 1979, ITEP has been dedicated to providing policymakers and the public with the information they need to evaluate current tax laws and proposals for change, at the federal, state and local levels. More information about ITEP can be found at our website, www.itepnet.org.

Average Burden Changes from Replacing Most Federal Taxes with a National Sales Tax in 2005

State	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%	ALL
Alabama	+4,138	+4,853	+4,309	+3,653	+1,143	-4,430	-134,825	+2,208
Alaska	+2,699	+3,238	+2,176	-1,114	-2,258	-12,051	-142,029	-284
Arizona	+3,895	+3,778	+4,715	+2,925	+1,051	-7,068	-173,853	+1,485
Arkansas	+3,703	+4,556	+3,475	+4,315	+818	-2,081	-113,859	+2,294
California	+3,365	+2,663	+2,611	+1,130	-1,529	-26,490	-306,939	-1,316
Colorado	+3,829	+3,867	+2,884	+1,652	+192	-24,985	-228,201	-62
Connecticut	+3,281	+2,901	+2,108	-1,518	-6,240	-36,534	-441,733	-5,081
Delaware	+3,258	+2,493	+2,633	+710	-2,832	-14,999	-192,393	-704
Dist. of Col.	+3,196	+3,438	+2,942	+1,030	-728	-24,849	-395,787	-2,725
Florida	+4,104	+4,074	+4,086	+3,431	+1,230	-12,967	-254,086	+639
Georgia	+3,724	+3,523	+3,269	+1,690	-1,418	-12,325	-189,357	+136
Hawaii	+3,770	+3,273	+3,742	+2,467	+2,244	-3,920	-115,259	+1,964
Idaho	+4,715	+4,045	+4,425	+4,308	+3,328	-2,572	-147,349	+2,834
Illinois	+3,647	+3,795	+2,831	+1,643	-1,940	-16,936	-279,519	-1,029
Indiana	+3,553	+3,322	+3,151	+1,794	-1,619	-8,564	-162,414	+353
Iowa	+3,591	+3,361	+3,714	+1,941	-834	-5,339	-130,565	+1,094
Kansas	+3,560	+3,113	+2,369	+1,309	-1,759	-11,862	-175,695	+43
Kentucky	+3,954	+4,209	+4,294	+3,483	+1,507	-3,719	-126,692	+2,091
Louisiana	+3,480	+4,378	+4,059	+2,970	+73	-7,119	-155,601	+1,532
Maine	+3,744	+3,321	+3,012	+3,051	-743	-6,330	-138,464	+1,219
Maryland	+3,854	+3,719	+2,577	+1,675	-829	-16,540	-229,114	-331
Massachusetts	+3,930	+3,192	+3,204	+1,005	-2,268	-25,060	-339,537	-1,933
Michigan	+3,723	+3,719	+3,106	+1,636	-2,042	-10,411	-179,772	+144
Minnesota	+4,077	+3,320	+2,678	+1,882	-137	-20,243	-204,536	+45
Mississippi	+3,852	+4,933	+3,076	+3,384	+1,902	-2,926	-119,766	+2,153
Missouri	+3,636	+3,462	+3,372	+2,148	-886	-4,147	-175,374	+702
Montana	+3,312	+3,725	+3,815	+2,669	+1,362	-2,991	-119,787	+2,108
Nebraska	+4,040	+3,791	+3,823	+2,316	+1,738	-6,900	-176,892	+1,382
Nevada	+4,171	+3,657	+4,714	+4,111	+2,165	-2,977	-285,668	+969
New Hampshire	+3,796	+2,635	+2,267	+386	-2,886	-19,198	-229,423	-1,344
New Jersey	+3,745	+3,218	+2,930	+746	-3,325	-36,152	-286,479	-2,428
New Mexico	+3,729	+3,460	+3,798	+3,814	+751	-1,640	-97,838	+2,047
New York	+3,655	+3,362	+2,806	+1,459	-2,043	-20,599	-342,818	-1,978
North Carolina	+4,214	+4,013	+3,811	+2,935	+601	-4,722	-151,268	+1,555
North Dakota	+4,473	+3,590	+3,102	+1,830	+1,794	-6,647	-105,723	+1,614
Ohio	+3,918	+3,793	+3,663	+3,138	-144	-6,604	-141,167	+1,398
Oklahoma	+3,211	+3,477	+3,339	+1,843	+456	-6,033	-133,777	+1,217
Oregon	+3,782	+4,078	+3,619	+2,283	-393	-10,237	-163,591	+888
Pennsylvania	+4,004	+4,067	+3,818	+2,707	-787	-10,307	-187,080	+817
Rhode Island	+4,787	+4,794	+5,048	+4,672	+2,351	-3,119	-174,795	+2,543
South Carolina	+3,978	+4,156	+3,821	+3,076	+794	-2,308	-135,781	+1,731
South Dakota	+4,046	+3,738	+4,563	+4,072	+1,998	-5,125	-174,792	+2,122
Tennessee	+3,874	+3,589	+3,478	+2,084	+7	-6,636	-161,613	+973
Texas	+3,718	+3,469	+3,233	+1,931	-1,004	-13,262	-220,753	-59
Utah	+3,881	+3,578	+3,175	+3,051	+1,493	-5,148	-174,968	+1,500
Vermont	+3,390	+2,787	+3,370	+1,986	-1,929	-10,184	-151,412	+420
Virginia	+3,417	+3,469	+2,278	+1,749	-679	-15,525	-221,835	-366
Washington	+4,663	+3,730	+3,551	+2,712	+2,129	-11,196	-329,227	+22
West Virginia	+3,524	+4,202	+3,761	+2,903	+127	-5,556	-80,149	+2,011
Wisconsin	+4,238	+3,635	+3,367	+2,597	-382	-7,272	-186,855	+750
Wyoming	+3,512	+3,949	+4,612	+2,980	+1,213	-13,384	-288,914	+819

**Effects of Replacing Most Federal Taxes with a
National Sales Tax in 2005, State-by-State Details**

	Average Cash Income	Average Federal Tax Now*	Average National Sales Tax**	Average Burden Changes
Alabama				
Low 20%	\$ 8,900	\$ 276	\$ 4,414	\$ +4,138
2nd 20%	18,100	1,533	6,385	+4,853
Middle 20%	29,800	4,940	9,249	+4,309
4th 20%	50,800	10,748	14,401	+3,653
Next 15%	84,300	21,711	22,854	+1,143
Next 4%	160,000	48,379	43,949	-4,430
Top 1%	667,000	224,443	89,618	-134,825
ALL	\$ 44,800	\$ 10,380	\$ 12,588	\$ +2,208
Bottom 80%	26,900	4,374	8,612	+4,238
Top 5%	259,700	82,999	52,929	-30,070
Alaska				
Low 20%	\$ 11,400	\$ 1,557	\$ 4,256	\$ +2,699
2nd 20%	24,900	3,699	6,937	+3,238
Middle 20%	42,700	9,385	11,562	+2,176
4th 20%	69,800	18,005	16,891	-1,114
Next 15%	112,500	32,035	29,777	-2,258
Next 4%	193,000	60,784	48,733	-12,051
Top 1%	610,000	208,211	66,182	-142,029
ALL	\$ 58,800	\$ 15,524	\$ 15,240	\$ -284
Bottom 80%	37,200	8,161	9,911	+1,750
Top 5%	282,200	92,341	52,468	-39,873
Arizona				
Low 20%	\$ 10,600	\$ 917	\$ 4,812	\$ +3,895
2nd 20%	23,500	3,255	7,033	+3,778
Middle 20%	36,300	7,011	11,726	+4,715
4th 20%	57,800	13,050	15,974	+2,925
Next 15%	96,600	25,549	26,600	+1,051
Next 4%	188,000	57,318	50,250	-7,068
Top 1%	838,000	271,349	97,496	-173,853
ALL	\$ 52,200	\$ 12,725	\$ 14,209	\$ +1,485
Bottom 80%	32,100	6,058	9,886	+3,828
Top 5%	316,100	99,585	59,581	-40,005
Arkansas				
Low 20%	\$ 7,700	\$ 276	\$ 3,979	\$ +3,703
2nd 20%	17,900	1,642	6,198	+4,556
Middle 20%	29,200	4,787	8,262	+3,475
4th 20%	48,400	9,302	13,617	+4,315
Next 15%	79,400	20,793	21,611	+818
Next 4%	152,000	43,382	41,301	-2,081
Top 1%	594,000	199,026	85,168	-113,859
ALL	\$ 42,600	\$ 9,606	\$ 11,900	\$ +2,294
Bottom 80%	25,800	4,002	8,014	+4,012
Top 5%	239,500	74,347	50,028	-24,319

*Federal personal and corporate income taxes, Social Security and Medicare taxes, and estate taxes.

**Sales tax after refunds, at a rate sufficient to break even with current law revenues.

**Effects of Replacing Most Federal Taxes with a
National Sales Tax in 2005, State-by-State Details**

	Average Cash Income	Average Federal Tax Now*	Average National Sales Tax**	Average Burden Changes
California				
Low 20%	\$ 11,100	\$ 748	\$ 4,113	\$ +3,365
2nd 20%	24,700	3,683	6,347	+2,663
Middle 20%	40,100	7,967	10,577	+2,611
4th 20%	64,300	15,397	16,527	+1,130
Next 15%	114,000	31,449	29,920	-1,529
Next 4%	249,000	72,633	46,142	-26,490
Top 1%	1,378,000	435,853	128,914	-306,939
ALL	\$ 63,100	\$ 16,006	\$ 14,690	\$ -1,316
Bottom 80%	35,000	6,949	9,391	+2,442
Top 5%	467,300	142,754	62,122	-80,632
Colorado				
Low 20%	\$ 9,800	\$ 916	\$ 4,745	\$ +3,829
2nd 20%	23,000	3,641	7,508	+3,867
Middle 20%	38,600	8,694	11,578	+2,884
4th 20%	63,400	15,521	17,173	+1,652
Next 15%	107,700	29,572	29,764	+192
Next 4%	222,000	68,439	43,454	-24,985
Top 1%	987,000	318,296	90,095	-228,201
ALL	\$ 59,800	\$ 15,602	\$ 15,540	\$ -62
Bottom 80%	33,700	7,193	10,251	+3,058
Top 5%	385,200	121,600	53,378	-68,223
Connecticut				
Low 20%	\$ 13,700	\$ 1,325	\$ 4,605	\$ +3,281
2nd 20%	29,300	4,908	7,809	+2,901
Middle 20%	49,300	10,942	13,050	+2,108
4th 20%	76,400	20,093	18,575	-1,518
Next 15%	134,400	40,049	33,809	-6,240
Next 4%	295,000	94,256	57,722	-36,534
Top 1%	2,106,000	652,170	210,437	-441,733
ALL	\$ 85,200	\$ 23,319	\$ 18,238	\$ -5,081
Bottom 80%	42,200	9,317	11,010	+1,693
Top 5%	667,600	208,887	89,099	-119,788
Delaware				
Low 20%	\$ 9,400	\$ 583	\$ 3,841	\$ +3,258
2nd 20%	23,100	4,041	6,534	+2,493
Middle 20%	39,400	7,997	10,630	+2,633
4th 20%	63,600	15,492	16,202	+710
Next 15%	103,500	29,819	26,988	-2,832
Next 4%	200,000	63,253	48,253	-14,999
Top 1%	866,000	287,835	95,442	-192,393
ALL	\$ 58,200	\$ 15,216	\$ 14,512	\$ -704
Bottom 80%	33,900	7,028	9,302	+2,274
Top 5%	327,300	106,214	57,280	-48,934

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**Sales tax after refunds, at a rate sufficient to break even with current law revenues.

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	Average Cash Income	Average Federal Tax Now*	Average National Sales Tax**	Average Burden Changes
Dist. of Col.				
Low 20%	\$ 11,400	\$ 895	\$ 4,091	\$ +3,196
2nd 20%	27,800	5,297	8,735	+3,438
Middle 20%	42,800	8,954	11,896	+2,942
4th 20%	64,800	16,948	17,979	+1,030
Next 15%	119,600	34,324	33,596	-728
Next 4%	270,000	85,878	61,029	-24,849
Top 1%	1,859,000	566,884	171,097	-395,787
ALL	\$ 73,200	\$ 19,655	\$ 16,930	\$ -2,725
Bottom 80%	36,700	8,023	10,675	+2,652
Top 5%	588,700	182,362	83,108	-99,254
Florida				
Low 20%	\$ 10,000	\$ 627	\$ 4,730	\$ +4,104
2nd 20%	21,400	2,666	6,740	+4,074
Middle 20%	33,100	5,876	9,963	+4,086
4th 20%	54,100	11,844	15,275	+3,431
Next 15%	93,300	24,542	25,772	+1,230
Next 4%	205,000	64,141	51,174	-12,967
Top 1%	1,092,000	370,731	116,646	-254,086
ALL	\$ 53,600	\$ 13,331	\$ 13,970	\$ +639
Bottom 80%	29,600	5,253	9,177	+3,924
Top 5%	382,600	125,466	64,270	-61,196
Georgia				
Low 20%	\$ 9,300	\$ 451	\$ 4,175	\$ +3,724
2nd 20%	20,600	2,440	5,962	+3,523
Middle 20%	34,300	6,662	9,931	+3,269
4th 20%	56,500	13,383	15,074	+1,690
Next 15%	98,200	26,934	25,516	-1,418
Next 4%	195,000	60,175	47,850	-12,325
Top 1%	866,000	281,525	92,168	-189,357
ALL	\$ 52,000	\$ 13,038	\$ 13,174	\$ +136
Bottom 80%	30,200	5,734	8,786	+3,051
Top 5%	332,400	105,503	56,925	-48,577
Hawaii				
Low 20%	\$ 9,600	\$ 704	\$ 4,474	\$ +3,770
2nd 20%	22,600	3,792	7,065	+3,273
Middle 20%	37,400	7,074	10,815	+3,742
4th 20%	59,600	14,045	16,512	+2,467
Next 15%	99,100	26,166	28,410	+2,244
Next 4%	180,000	52,647	48,727	-3,920
Top 1%	618,000	200,874	85,615	-115,259
ALL	\$ 51,700	\$ 12,560	\$ 14,524	\$ +1,964
Bottom 80%	32,300	6,404	9,717	+3,313
Top 5%	267,000	82,195	56,080	-26,115

*Federal personal and corporate income taxes, Social Security and Medicare taxes, and estate taxes.

**Sales tax after refunds, at a rate sufficient to break even with current law revenues.

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Idaho				
Low 20%	\$ 9,300	\$ 560	\$ 5,275	\$ +4,715
2nd 20%	20,500	2,286	6,332	+4,045
Middle 20%	33,800	6,477	10,902	+4,425
4th 20%	54,500	11,539	15,847	+4,308
Next 15%	87,200	21,692	25,020	+3,328
Next 4%	163,000	48,066	45,494	-2,572
Top 1%	690,000	231,905	84,555	-147,349
ALL	\$ 48,100	\$ 11,242	\$ 14,076	\$ +2,834
Bottom 80%	29,500	5,215	9,589	+4,373
Top 5%	268,200	84,832	53,306	-31,526
Illinois				
Low 20%	\$ 9,800	\$ 702	\$ 4,349	\$ +3,647
2nd 20%	24,200	3,404	7,200	+3,795
Middle 20%	40,900	8,629	11,461	+2,831
4th 20%	64,800	15,401	17,044	+1,643
Next 15%	107,600	30,605	28,665	-1,940
Next 4%	217,000	69,763	52,826	-16,936
Top 1%	1,157,000	400,506	120,987	-279,519
ALL	\$ 61,900	\$ 16,337	\$ 15,309	\$ -1,029
Bottom 80%	34,900	7,034	10,013	+2,979
Top 5%	404,800	135,897	66,455	-69,442
Indiana				
Low 20%	\$ 10,300	\$ 918	\$ 4,471	\$ +3,553
2nd 20%	23,400	3,644	6,967	+3,322
Middle 20%	39,000	7,598	10,749	+3,151
4th 20%	60,000	13,755	15,548	+1,794
Next 15%	93,800	25,723	24,104	-1,619
Next 4%	173,000	53,624	45,060	-8,564
Top 1%	739,000	250,259	87,845	-162,414
ALL	\$ 53,200	\$ 13,252	\$ 13,605	\$ +353
Bottom 80%	33,200	6,479	9,434	+2,955
Top 5%	286,900	93,179	53,666	-39,513
Iowa				
Low 20%	\$ 9,200	\$ 739	\$ 4,331	\$ +3,591
2nd 20%	22,800	3,544	6,905	+3,361
Middle 20%	38,200	7,275	10,988	+3,714
4th 20%	58,500	13,239	15,180	+1,941
Next 15%	90,000	23,586	22,751	-834
Next 4%	163,000	48,660	43,321	-5,339
Top 1%	609,000	208,219	77,654	-130,565
ALL	\$ 50,700	\$ 12,243	\$ 13,337	\$ +1,094
Bottom 80%	32,200	6,199	9,351	+3,152
Top 5%	252,100	80,548	50,183	-30,365

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**Effects of Replacing Most Federal Taxes with a
National Sales Tax in 2005, State-by-State Details**

	Average Cash Income	Average Federal Tax Now*	Average National Sales Tax**	Average Burden Changes
Kansas				
Low 20%	\$ 9,500	\$ 668	\$ 4,228	\$ +3,560
2nd 20%	22,000	3,167	6,279	+3,113
Middle 20%	38,000	7,667	10,036	+2,369
4th 20%	59,600	13,430	14,739	+1,309
Next 15%	95,400	26,156	24,397	-1,759
Next 4%	183,000	55,866	44,004	-11,862
Top 1%	762,000	256,541	80,846	-175,695
ALL	\$ 53,500	\$ 13,318	\$ 13,361	\$ +43
Bottom 80%	32,200	6,233	8,820	+2,587
Top 5%	298,900	95,993	51,371	-44,622
Kentucky				
Low 20%	\$ 8,100	\$ 366	\$ 4,319	\$ +3,954
2nd 20%	18,800	2,221	6,430	+4,209
Middle 20%	31,900	5,627	9,921	+4,294
4th 20%	51,500	10,900	14,384	+3,483
Next 15%	84,900	21,924	23,431	+1,507
Next 4%	160,000	48,878	45,159	-3,719
Top 1%	626,000	213,686	86,994	-126,692
ALL	\$ 44,800	\$ 10,576	\$ 12,667	\$ +2,091
Bottom 80%	27,600	4,779	8,764	+3,985
Top 5%	254,100	82,059	53,582	-28,477
Louisiana				
Low 20%	\$ 7,600	\$ 75	\$ 3,555	\$ +3,480
2nd 20%	17,200	1,152	5,529	+4,378
Middle 20%	29,800	4,686	8,745	+4,059
4th 20%	49,900	10,890	13,860	+2,970
Next 15%	85,600	22,712	22,786	+73
Next 4%	168,000	51,179	44,060	-7,119
Top 1%	660,000	232,401	76,800	-155,601
ALL	\$ 44,000	\$ 10,392	\$ 11,924	\$ +1,532
Bottom 80%	26,100	4,201	7,922	+3,722
Top 5%	266,300	87,433	50,610	-36,823
Maine				
Low 20%	\$ 10,400	\$ 637	\$ 4,381	\$ +3,744
2nd 20%	22,000	3,208	6,528	+3,321
Middle 20%	35,900	7,197	10,208	+3,012
4th 20%	54,800	11,564	14,615	+3,051
Next 15%	87,200	23,131	22,388	-743
Next 4%	165,000	49,031	42,701	-6,330
Top 1%	611,000	208,329	69,865	-138,464
ALL	\$ 49,400	\$ 11,814	\$ 13,033	\$ +1,219
Bottom 80%	30,800	5,651	8,933	+3,282
Top 5%	260,000	82,850	48,468	-34,382

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National Sales Tax in 2005, State-by-State Details**

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Maryland				
Low 20%	\$ 11,500	\$ 1,199	\$ 5,053	\$ +3,854
2nd 20%	27,500	4,681	8,400	+3,719
Middle 20%	44,900	10,077	12,654	+2,577
4th 20%	71,300	17,860	19,534	+1,675
Next 15%	120,300	34,023	33,194	-829
Next 4%	228,000	71,606	55,065	-16,540
Top 1%	1,042,000	337,517	108,403	-229,114
ALL	\$ 66,400	\$ 17,503	\$ 17,171	\$ -331
Bottom 80%	38,800	8,454	11,410	+2,956
Top 5%	391,000	124,839	65,743	-59,096
Massachusetts				
Low 20%	\$ 10,400	\$ 681	\$ 4,611	\$ +3,930
2nd 20%	27,100	5,010	8,202	+3,192
Middle 20%	44,600	9,722	12,926	+3,204
4th 20%	70,500	17,846	18,851	+1,005
Next 15%	120,400	35,363	33,094	-2,268
Next 4%	258,000	83,608	58,547	-25,060
Top 1%	1,422,000	475,926	136,389	-339,537
ALL	\$ 71,100	\$ 19,500	\$ 17,567	\$ -1,933
Bottom 80%	38,200	8,315	11,148	+2,833
Top 5%	488,100	161,093	73,921	-87,171
Michigan				
Low 20%	\$ 9,600	\$ 605	\$ 4,328	\$ +3,723
2nd 20%	23,500	3,577	7,296	+3,719
Middle 20%	40,200	7,981	11,087	+3,106
4th 20%	63,000	14,579	16,215	+1,636
Next 15%	101,700	28,330	26,287	-2,042
Next 4%	189,000	58,249	47,837	-10,411
Top 1%	779,000	266,347	86,575	-179,772
ALL	\$ 55,700	\$ 14,025	\$ 14,169	\$ +144
Bottom 80%	34,100	6,685	9,731	+3,046
Top 5%	306,900	99,882	55,587	-44,294
Minnesota				
Low 20%	\$ 11,400	\$ 1,124	\$ 5,201	\$ +4,077
2nd 20%	26,300	4,636	7,956	+3,320
Middle 20%	43,000	9,747	12,425	+2,678
4th 20%	67,000	16,227	18,109	+1,882
Next 15%	105,700	29,605	29,468	-137
Next 4%	213,000	66,942	46,699	-20,243
Top 1%	902,000	302,830	98,294	-204,536
ALL	\$ 61,800	\$ 16,218	\$ 16,263	\$ +45
Bottom 80%	36,900	7,934	10,923	+2,989
Top 5%	354,800	115,352	57,288	-58,065

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National Sales Tax in 2005, State-by-State Details**

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Mississippi				
Low 20%	\$ 7,600	\$ 84	\$ 3,936	\$ +3,852
2nd 20%	16,100	925	5,858	+4,933
Middle 20%	26,500	4,180	7,257	+3,076
4th 20%	45,400	9,171	12,555	+3,384
Next 15%	76,800	18,617	20,519	+1,902
Next 4%	146,000	41,932	39,006	-2,926
Top 1%	580,000	190,573	70,808	-119,766
ALL	\$ 40,200	\$ 8,802	\$ 10,955	\$ +2,153
Bottom 80%	23,900	3,590	7,401	+3,811
Top 5%	232,200	71,572	45,347	-26,225
Missouri				
Low 20%	\$ 9,600	\$ 660	\$ 4,296	\$ +3,636
2nd 20%	21,200	2,785	6,247	+3,462
Middle 20%	35,600	6,932	10,304	+3,372
4th 20%	56,700	12,665	14,813	+2,148
Next 15%	91,600	24,494	23,607	-886
Next 4%	177,000	53,921	49,773	-4,147
Top 1%	781,000	265,668	90,295	-175,374
ALL	\$ 51,600	\$ 12,703	\$ 13,406	\$ +702
Bottom 80%	30,700	5,760	8,915	+3,155
Top 5%	296,900	95,913	57,809	-38,104
Montana				
Low 20%	\$ 8,500	\$ 718	\$ 4,031	\$ +3,312
2nd 20%	18,600	2,043	5,769	+3,725
Middle 20%	32,500	5,716	9,532	+3,815
4th 20%	52,000	11,267	13,935	+2,669
Next 15%	82,700	20,153	21,515	+1,362
Next 4%	164,000	47,007	44,016	-2,991
Top 1%	596,000	196,629	76,842	-119,787
ALL	\$ 45,600	\$ 10,465	\$ 12,574	\$ +2,108
Bottom 80%	27,900	4,936	8,317	+3,380
Top 5%	250,600	77,075	50,613	-26,462
Nebraska				
Low 20%	\$ 9,900	\$ 917	\$ 4,957	\$ +4,040
2nd 20%	23,700	3,873	7,664	+3,791
Middle 20%	38,100	7,945	11,768	+3,823
4th 20%	58,500	13,377	15,693	+2,316
Next 15%	91,400	24,140	25,879	+1,738
Next 4%	181,000	54,117	47,217	-6,900
Top 1%	774,000	263,891	87,000	-176,892
ALL	\$ 53,500	\$ 13,379	\$ 14,761	\$ +1,382
Bottom 80%	32,500	6,528	10,021	+3,492
Top 5%	298,500	95,780	55,118	-40,662

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Nevada				
Low 20%	\$ 11,800	\$ 1,366	\$ 5,537	\$ +4,171
2nd 20%	24,500	4,153	7,810	+3,657
Middle 20%	39,500	8,263	12,978	+4,714
4th 20%	61,000	13,946	18,057	+4,111
Next 15%	96,400	25,516	27,680	+2,165
Next 4%	197,000	58,980	56,003	-2,977
Top 1%	1,389,000	450,424	164,755	-285,668
ALL	\$ 59,800	\$ 15,222	\$ 16,190	\$ +969
Bottom 80%	34,200	6,932	11,096	+4,164
Top 5%	434,000	136,743	77,607	-59,135
New Hampshire				
Low 20%	\$ 12,500	\$ 1,504	\$ 5,300	\$ +3,796
2nd 20%	28,400	5,664	8,299	+2,635
Middle 20%	45,800	10,203	12,470	+2,267
4th 20%	70,900	17,568	17,954	+386
Next 15%	113,800	33,217	30,331	-2,886
Next 4%	227,000	71,102	51,903	-19,198
Top 1%	983,000	331,109	101,686	-229,423
ALL	\$ 66,200	\$ 17,774	\$ 16,431	\$ -1,344
Bottom 80%	39,400	8,735	11,006	+2,271
Top 5%	380,600	123,830	61,999	-61,831
New Jersey				
Low 20%	\$ 11,600	\$ 862	\$ 4,607	\$ +3,745
2nd 20%	28,700	5,131	8,349	+3,218
Middle 20%	47,600	10,555	13,484	+2,930
4th 20%	75,700	19,404	20,150	+746
Next 15%	132,200	39,622	36,297	-3,325
Next 4%	279,000	92,549	56,397	-36,152
Top 1%	1,253,000	408,190	121,710	-286,479
ALL	\$ 74,900	\$ 20,619	\$ 18,191	\$ -2,428
Bottom 80%	40,900	8,988	11,648	+2,659
Top 5%	505,700	166,146	71,626	-94,520
New Mexico				
Low 20%	\$ 8,800	\$ 319	\$ 4,048	\$ +3,729
2nd 20%	20,900	2,639	6,099	+3,460
Middle 20%	33,400	5,760	9,558	+3,798
4th 20%	53,000	10,778	14,592	+3,814
Next 15%	89,600	22,708	23,459	+751
Next 4%	168,000	47,661	46,021	-1,640
Top 1%	604,000	183,086	85,248	-97,838
ALL	\$ 45,500	\$ 10,130	\$ 12,177	\$ +2,047
Bottom 80%	29,000	4,874	8,574	+3,700
Top 5%	254,800	74,592	53,822	-20,771

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New York				
Low 20%	\$ 9,500	\$ 396	\$ 4,051	\$ +3,655
2nd 20%	22,300	2,942	6,304	+3,362
Middle 20%	37,600	7,630	10,436	+2,806
4th 20%	61,200	14,484	15,942	+1,459
Next 15%	108,300	30,292	28,249	-2,043
Next 4%	247,000	76,114	55,514	-20,599
Top 1%	1,617,000	494,611	151,793	-342,818
ALL	\$ 65,100	\$ 16,742	\$ 14,764	\$ -1,978
Bottom 80%	32,700	6,363	9,183	+2,820
Top 5%	521,200	159,807	74,769	-85,038
North Carolina				
Low 20%	\$ 9,500	\$ 527	\$ 4,741	\$ +4,214
2nd 20%	20,800	2,501	6,514	+4,013
Middle 20%	33,500	6,453	10,264	+3,811
4th 20%	53,200	11,852	14,788	+2,935
Next 15%	91,000	24,312	24,913	+601
Next 4%	181,000	54,424	49,702	-4,722
Top 1%	721,000	237,756	86,488	-151,268
ALL	\$ 49,600	\$ 12,008	\$ 13,563	\$ +1,555
Bottom 80%	29,200	5,333	9,077	+3,744
Top 5%	288,400	90,808	57,003	-33,805
North Dakota				
Low 20%	\$ 9,700	\$ 654	\$ 5,128	\$ +4,473
2nd 20%	21,900	3,146	6,737	+3,590
Middle 20%	36,600	7,102	10,204	+3,102
4th 20%	56,100	12,677	14,508	+1,830
Next 15%	90,100	22,608	24,402	+1,794
Next 4%	183,000	51,736	45,088	-6,647
Top 1%	528,000	178,184	72,462	-105,723
ALL	\$ 49,700	\$ 11,673	\$ 13,287	\$ +1,614
Bottom 80%	31,100	5,895	9,144	+3,249
Top 5%	254,200	77,790	50,729	-27,061
Ohio				
Low 20%	\$ 9,800	\$ 825	\$ 4,744	\$ +3,918
2nd 20%	22,700	3,447	7,240	+3,793
Middle 20%	36,900	7,531	11,193	+3,663
4th 20%	55,700	12,677	15,815	+3,138
Next 15%	88,300	23,612	23,468	-144
Next 4%	172,000	53,001	46,397	-6,604
Top 1%	669,000	226,354	85,187	-141,167
ALL	\$ 50,400	\$ 12,467	\$ 13,865	\$ +1,398
Bottom 80%	31,300	6,120	9,748	+3,628
Top 5%	271,600	87,716	54,165	-33,551

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Oklahoma				
Low 20%	\$ 8,100	\$ 500	\$ 3,711	\$ +3,211
2nd 20%	18,100	1,735	5,212	+3,477
Middle 20%	30,300	5,113	8,451	+3,339
4th 20%	51,100	11,231	13,074	+1,843
Next 15%	84,600	20,966	21,422	+456
Next 4%	159,000	46,868	40,834	-6,033
Top 1%	608,000	205,443	71,665	-133,777
ALL	\$ 44,600	\$ 10,364	\$ 11,581	\$ +1,217
Bottom 80%	26,900	4,645	7,612	+2,968
Top 5%	254,500	80,515	47,376	-33,139
Oregon				
Low 20%	\$ 10,200	\$ 784	\$ 4,566	\$ +3,782
2nd 20%	22,100	2,943	7,021	+4,078
Middle 20%	35,400	6,398	10,017	+3,619
4th 20%	57,700	13,084	15,366	+2,283
Next 15%	94,300	24,736	24,343	-393
Next 4%	183,000	55,908	45,672	-10,237
Top 1%	741,000	249,313	85,722	-163,591
ALL	\$ 51,100	\$ 12,363	\$ 13,251	\$ +888
Bottom 80%	31,400	5,802	9,243	+3,440
Top 5%	294,300	94,554	53,674	-40,880
Pennsylvania				
Low 20%	\$ 9,900	\$ 691	\$ 4,695	\$ +4,004
2nd 20%	23,500	3,353	7,420	+4,067
Middle 20%	38,700	7,319	11,137	+3,818
4th 20%	59,300	13,773	16,480	+2,707
Next 15%	97,700	27,499	26,712	-787
Next 4%	197,000	61,569	51,262	-10,307
Top 1%	853,000	285,183	98,102	-187,080
ALL	\$ 55,600	\$ 13,995	\$ 14,812	\$ +817
Bottom 80%	32,900	6,284	9,933	+3,649
Top 5%	328,500	106,267	60,625	-45,642
Rhode Island				
Low 20%	\$ 9,100	\$ 690	\$ 5,477	\$ +4,787
2nd 20%	22,500	3,269	8,063	+4,794
Middle 20%	38,500	7,273	12,321	+5,048
4th 20%	61,600	14,523	19,195	+4,672
Next 15%	101,700	28,384	30,734	+2,351
Next 4%	201,000	60,458	57,339	-3,119
Top 1%	845,000	285,722	110,927	-174,795
ALL	\$ 56,800	\$ 14,342	\$ 16,884	\$ +2,543
Bottom 80%	32,900	6,439	11,264	+4,825
Top 5%	327,800	104,897	67,910	-36,987

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South Carolina				
Low 20%	\$ 8,700	\$ 455	\$ 4,432	\$ +3,978
2nd 20%	19,400	2,142	6,298	+4,156
Middle 20%	30,300	5,491	9,313	+3,821
4th 20%	50,700	11,101	14,177	+3,076
Next 15%	84,700	21,629	22,422	+794
Next 4%	162,000	46,693	44,385	-2,308
Top 1%	638,000	212,778	76,996	-135,781
ALL	\$ 45,400	\$ 10,604	\$ 12,335	\$ +1,731
Bottom 80%	27,300	4,797	8,555	+3,758
Top 5%	260,300	80,893	51,100	-29,793
South Dakota				
Low 20%	\$ 9,100	\$ 610	\$ 4,656	\$ +4,046
2nd 20%	20,500	3,241	6,979	+3,738
Middle 20%	34,100	6,489	11,053	+4,563
4th 20%	53,700	11,637	15,709	+4,072
Next 15%	82,900	21,109	23,107	+1,998
Next 4%	162,000	48,355	43,229	-5,125
Top 1%	761,000	267,263	92,471	-174,792
ALL	\$ 48,600	\$ 11,865	\$ 13,987	\$ +2,122
Bottom 80%	29,400	5,494	9,599	+4,105
Top 5%	282,100	92,359	53,128	-39,232
Tennessee				
Low 20%	\$ 8,800	\$ 342	\$ 4,216	\$ +3,874
2nd 20%	19,700	2,419	6,008	+3,589
Middle 20%	32,300	5,834	9,312	+3,478
4th 20%	51,300	11,718	13,803	+2,084
Next 15%	86,100	22,972	22,979	+7
Next 4%	175,000	52,739	46,103	-6,636
Top 1%	767,000	252,393	90,780	-161,613
ALL	\$ 48,300	\$ 11,706	\$ 12,679	\$ +973
Bottom 80%	28,100	5,078	8,335	+3,256
Top 5%	291,600	92,151	54,922	-37,229
Texas				
Low 20%	\$ 9,500	\$ 464	\$ 4,182	\$ +3,718
2nd 20%	21,100	2,487	5,956	+3,469
Middle 20%	34,300	6,539	9,772	+3,233
4th 20%	55,900	13,171	15,101	+1,931
Next 15%	99,400	27,851	26,847	-1,004
Next 4%	208,000	64,969	51,708	-13,262
Top 1%	1,000,000	326,686	105,932	-220,753
ALL	\$ 53,600	\$ 13,590	\$ 13,532	\$ -59
Bottom 80%	30,200	5,665	8,753	+3,088
Top 5%	365,800	117,187	62,527	-54,661

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Utah				
Low 20%	\$ 10,000	\$ 905	\$ 4,786	\$ +3,881
2nd 20%	22,100	3,380	6,958	+3,578
Middle 20%	37,200	7,396	10,571	+3,175
4th 20%	58,300	12,682	15,733	+3,051
Next 15%	92,100	23,010	24,503	+1,493
Next 4%	173,000	50,812	45,663	-5,148
Top 1%	750,000	254,622	79,653	-174,968
ALL	\$ 51,100	\$ 12,280	\$ 13,780	\$ +1,500
Bottom 80%	31,900	6,091	9,512	+3,422
Top 5%	288,200	91,496	52,448	-39,048
Vermont				
Low 20%	\$ 10,200	\$ 1,005	\$ 4,395	\$ +3,390
2nd 20%	23,700	3,828	6,615	+2,787
Middle 20%	39,400	7,931	11,302	+3,370
4th 20%	60,200	14,061	16,047	+1,986
Next 15%	94,900	25,908	23,979	-1,929
Next 4%	184,000	56,213	46,028	-10,184
Top 1%	662,000	227,892	76,480	-151,412
ALL	\$ 53,400	\$ 13,406	\$ 13,825	\$ +420
Bottom 80%	33,400	6,706	9,590	+2,883
Top 5%	283,400	91,997	52,376	-39,622
Virginia				
Low 20%	\$ 9,300	\$ 728	\$ 4,146	\$ +3,417
2nd 20%	23,200	3,618	7,087	+3,469
Middle 20%	39,000	8,809	11,088	+2,278
4th 20%	65,000	15,617	17,366	+1,749
Next 15%	108,200	30,360	29,681	-679
Next 4%	220,000	69,382	53,857	-15,525
Top 1%	958,000	319,195	97,361	-221,835
ALL	\$ 59,600	\$ 15,659	\$ 15,293	\$ -366
Bottom 80%	34,100	7,193	9,922	+2,728
Top 5%	367,400	119,341	62,557	-56,784
Washington				
Low 20%	\$ 10,500	\$ 698	\$ 5,361	\$ +4,663
2nd 20%	24,700	3,987	7,717	+3,730
Middle 20%	40,200	8,329	11,880	+3,551
4th 20%	62,800	15,012	17,723	+2,712
Next 15%	101,700	26,886	29,015	+2,129
Next 4%	203,000	63,466	52,270	-11,196
Top 1%	1,324,000	461,195	131,967	-329,227
ALL	\$ 61,500	\$ 16,045	\$ 16,066	\$ +22
Bottom 80%	34,500	7,006	10,670	+3,664
Top 5%	427,200	142,931	68,193	-74,737

*Federal personal and corporate income taxes, Social Security and Medicare taxes, and estate taxes.

**Sales tax after refunds, at a rate sufficient to break even with current law revenues.

**Effects of Replacing Most Federal Taxes with a
National Sales Tax in 2005, State-by-State Details**

	Average Cash Income	Average Federal Tax Now*	Average National Sales Tax**	Average Burden Changes
West Virginia				
Low 20%	\$ 8,100	\$ 322	\$ 3,846	\$ +3,524
2nd 20%	17,600	1,708	5,910	+4,202
Middle 20%	29,400	4,591	8,352	+3,761
4th 20%	48,500	9,862	12,765	+2,903
Next 15%	77,800	19,547	19,674	+127
Next 4%	135,000	40,803	35,248	-5,556
Top 1%	461,000	150,534	70,385	-80,149
ALL	\$ 40,500	\$ 8,940	\$ 10,951	\$ +2,011
Bottom 80%	25,900	4,121	7,718	+3,598
Top 5%	199,800	62,486	42,191	-20,295
Wisconsin				
Low 20%	\$ 11,600	\$ 1,076	\$ 5,314	\$ +4,238
2nd 20%	24,500	3,982	7,617	+3,635
Middle 20%	41,100	8,912	12,279	+3,367
4th 20%	62,700	14,273	16,870	+2,597
Next 15%	96,400	26,548	26,166	-382
Next 4%	175,000	54,040	46,768	-7,272
Top 1%	810,000	284,151	97,296	-186,855
ALL	\$ 56,300	\$ 14,299	\$ 15,049	\$ +750
Bottom 80%	35,000	7,061	10,520	+3,459
Top 5%	302,200	100,051	56,871	-43,180
Wyoming				
Low 20%	\$ 10,800	\$ 1,005	\$ 4,517	\$ +3,512
2nd 20%	23,800	3,545	7,494	+3,949
Middle 20%	38,300	7,188	11,800	+4,612
4th 20%	59,900	14,636	17,616	+2,980
Next 15%	92,600	25,283	26,496	+1,213
Next 4%	189,000	55,820	42,435	-13,384
Top 1%	1,236,000	413,040	124,126	-288,914
ALL	\$ 58,500	\$ 14,992	\$ 15,811	\$ +819
Bottom 80%	33,200	6,593	10,357	+3,763
Top 5%	401,200	128,099	58,965	-69,135

*Federal personal and corporate income taxes, Social Security and Medicare taxes, and estate taxes.

**Sales tax after refunds, at a rate sufficient to break even with current law revenues.