

State Tax Comparison Worksheet

Chapter 2.1: Understanding Federal and State Taxes

Comparing State Tax Structures

This worksheet will guide you through researching and comparing the tax structures of three different states. Understanding how different states approach taxation will help you analyze how geographic location affects overall tax burden and can influence financial decisions.

Instructions: Select three states to research, one from each of these categories:

- **No Income Tax State:** Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, or Wyoming
- **Flat Tax Rate State:** Colorado, Illinois, Indiana, Kentucky, Massachusetts, Michigan, North Carolina, Pennsylvania, or Utah
- **Progressive Tax Brackets State:** Arkansas, California, Delaware, Georgia, Hawaii, Idaho, Iowa, Kansas, Louisiana, Maine, Maryland, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, or Wisconsin

Helpful Research Resources:

- Tax Foundation State Tax Resource Center
- Sales Tax Institute - State Sales Tax Rates
- Property Tax Rates by State
- Each state's Department of Revenue website

State 1: No Income Tax

State Information

State Name:	
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Income Tax Structure

Type of Income Tax	Tax Rate(s)	Notes
Personal Income Tax	None	
Corporate Income Tax		

Other Major Taxes

Tax Type	Rate(s)	Notes
State Sales Tax		
Local Sales Tax		
Property Tax		
Other Significant Taxes		

Tax Impact Analysis

1. How does this state generate revenue without an income tax?

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2. What types of residents might benefit most from this tax structure? Who might be disadvantaged?

State 2: Flat Tax Rate

State Information

State Name:	
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Income Tax Structure

Type of Income Tax	Tax Rate(s)	Notes
Personal Income Tax		
Corporate Income Tax		
Deductions/Exemptions		

Other Major Taxes

Tax Type	Rate(s)	Notes
State Sales Tax		
Local Sales Tax		
Property Tax		
Other Significant Taxes		

Tax Impact Analysis

1. How might a flat tax system affect residents at different income levels?

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2. What are the advantages and disadvantages of a flat tax system?

State 3: Progressive Tax Brackets

State Information

State Name:	
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Income Tax Structure

Tax Bracket	Income Range	Tax Rate
Lowest Bracket		
Middle Bracket(s)		
Highest Bracket		
Deductions/Exemptions		

Other Major Taxes

Tax Type	Rate(s)	Notes
State Sales Tax		
Local Sales Tax		
Property Tax		
Other Significant Taxes		

Tax Impact Analysis

- How do the tax brackets in this state compare to federal tax brackets?

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- How progressive is this state's tax system overall, considering all taxes (not just income tax)?

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Comprehensive Tax Burden Comparison

Now let's compare the overall tax burden across the three states for a specific income level.

Scenario: Imagine you have an annual income of \$60,000 and are considering where to live.

Tax Category	State 1 (No Income Tax)	State 2 (Flat Tax)	State 3 (Progressive)
State Income Tax			
Sales Tax (estimated)			
Property Tax (on \$200,000 home)			
Other Taxes			
Total Estimated Tax Burden			

Reflection and Analysis

1. Which state appears to have the lowest overall tax burden? Is this consistent across all income levels?

2. What other factors beyond tax rates should be considered when evaluating the financial impact of living in different states?

3. How might different life situations (homeowner vs. renter, high vs. low consumer spending, etc.) change which state is most favorable from a tax perspective?

4. Based on your findings, which state's tax structure would you prefer, and why?