TAX POLICY CENTER
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WHO BENEFITED FROM 2022'S MANY STATE TAX CUTS AND WHAT IS IN STORE FOR 2023?

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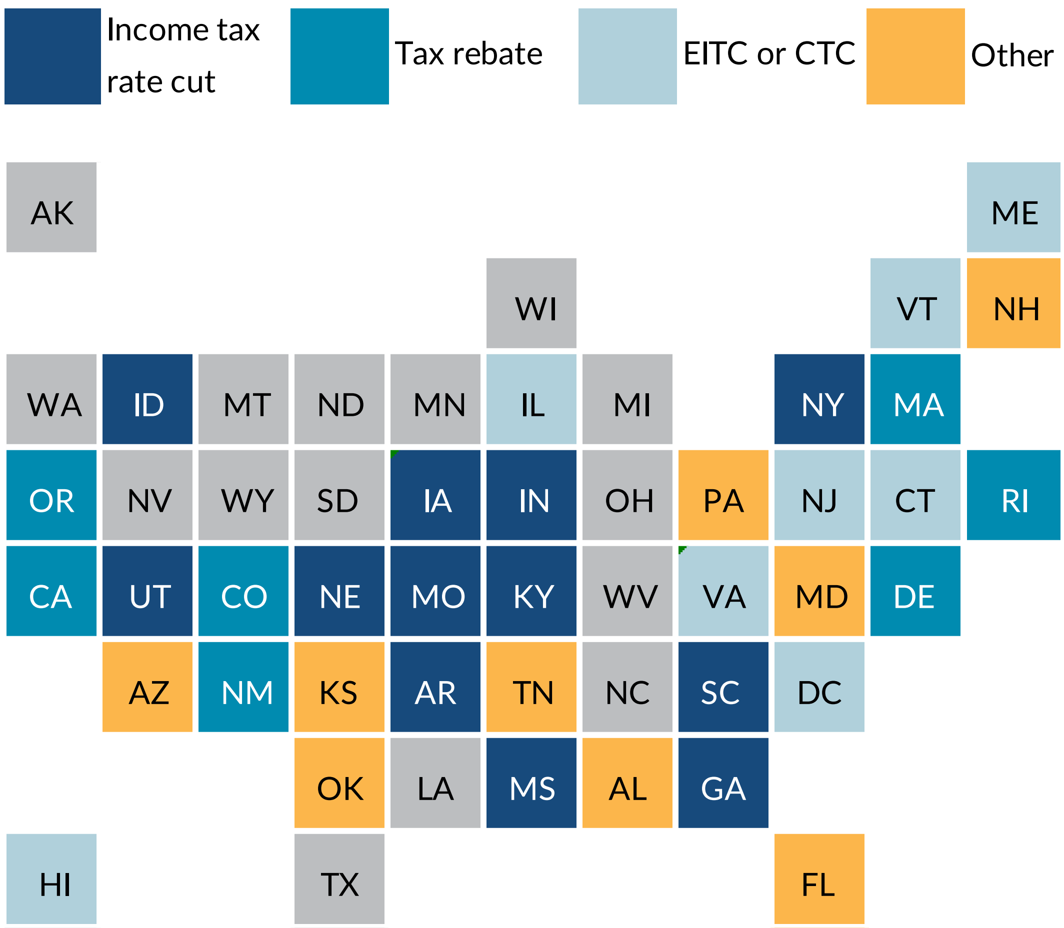
ABSTRACT
Thirty-five states and the District of Columbia passed significant tax cuts in calendar year 2022. However, the design and effect of those tax cuts varied significantly. Using the Tax Policy Center state income tax model, we analyzed three major types of individual income tax cuts—tax rate cuts, refundable tax credits, and one-time tax rebates—by examining tax legislation in Connecticut, Delaware, Misssissippi, Utah, and Vermont. As state policymakers prepare to navigate an uncertain economic and fiscal future, they should understand how previous tax cuts affected state revenue collections and benefited, or did not benefit, different types of households.

Thirty-five states and the District of Columbia passed significant tax cuts in calendar year 2022 (figure 1).[1] Tax cuts were enacted by states in all regions of the country, with different tax systems, and with Democratic and Republican political leadership. In fact, many tax cuts were the result of national trends—specifically, the federal government's overwhelming response to the COVID-19 pandemic and a rapid economic recovery that spurred strong state tax revenue collections.

FIGURE 1

State Tax Cuts in 2022



Sources: Authors' count based on media reports.
Notes: EITC = earned income tax credit; CTC = child tax credit. EITC and CTC include both new and expanded tax credits. Some states passed multiple types of tax cuts in 2022. See table 1 for more information.

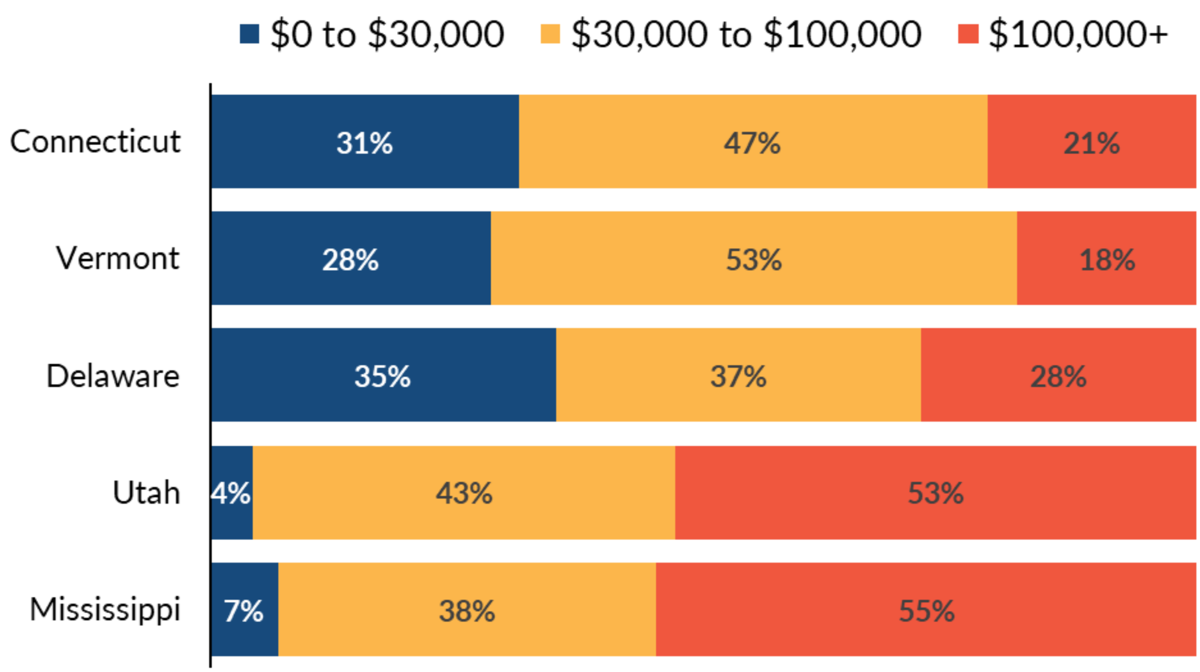
However, the design and effect of 2022's state tax cuts varied significantly. Using the Tax Policy Center state income tax model, we analyzed three major types of individual income tax cuts—tax rate cuts, refundable tax credits, and one-time tax rebates—by examining tax legislation in five states: Connecticut (refundable tax credit, plus other changes), Delaware (one-time tax rebate), Mississippi (tax rate cut), Utah (tax rate cut, plus other changes), and Vermont (refundable tax credit, plus other changes). In each state, we focused on those three major types of individual income tax cuts, but analyzed all enacted individual income tax changes (omitting a few minor changes). We did not analyze enacted changes to other types of taxes, though. For example, the analysis does not include Connecticut's gas tax suspension or Utah's corporate income tax rate reduction.

In general, high-income households received most of the benefit from individual income tax rate cuts in Mississippi and Utah, while low- and middle-income households in Connecticut and Vermont saw a relatively larger share of the benefits from new or expanded refundable tax credits (figure 2).[2] This uneven distribution of benefits occurred because, across states, a household with little or no taxable income sees little to no benefit from an income tax rate cut but can benefit greatly from refundable income tax credits, while high-income households (with the most taxable income) get the largest benefits from tax rate cuts. Delaware enacted a one-time rebate that benefited all filers equally regardless of income, and thus it provided relatively equal benefits across income groups.

FIGURE 2

Who Benefited from State Tax Cuts?

How much of each state's tax cut went to each adjusted gross income group



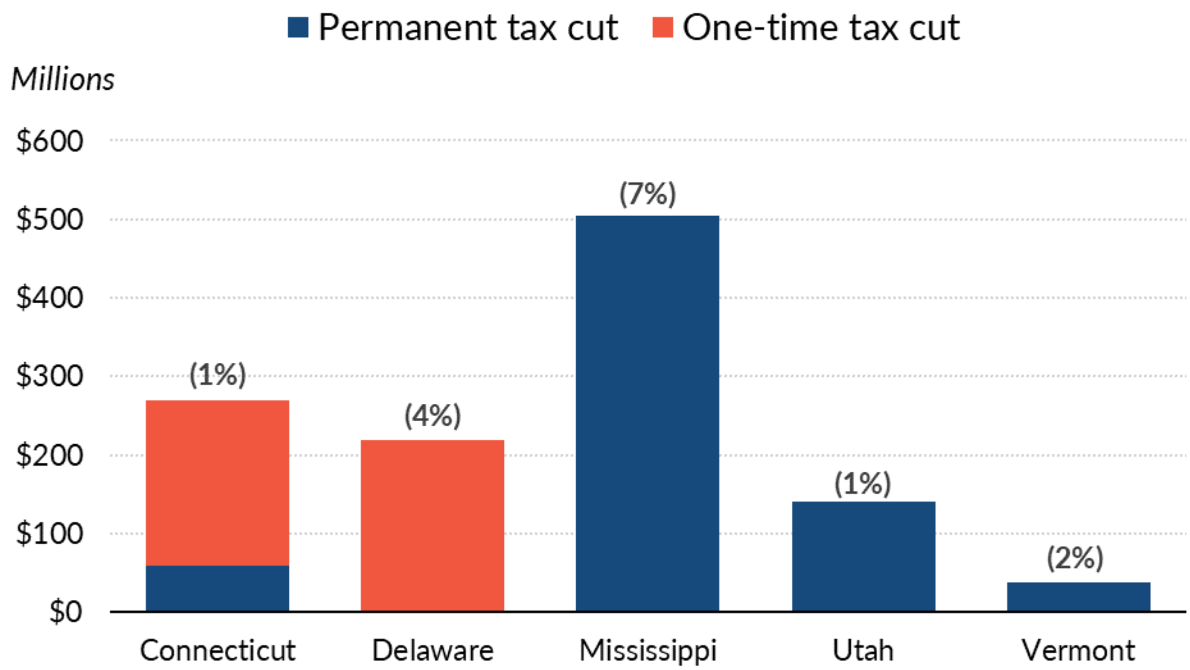
Source: Tax Policy Center state tax model.
Notes: Some bars do not add up to 100 percent because of rounding. We analyzed the distributional effects of all individual income tax changes enacted in these states in 2022 (omitting a few small changes) but not changes to other types of taxes. To simplify comparisons, we treated all enacted changes as if they took effect immediately, even though some tax changes will occur over multiple years, and applied them to 2021 income levels in these states. See box 1 for more information on the Tax Policy Center state tax model.

The revenue costs of 2022's individual income tax changes also differed across the five states. As a share of each state's general fund revenue in fiscal year (FY) 2022 (NASBO 2022), the annual cost of the tax cuts ranged from 1 percent in Connecticut and Utah to 7 percent in Mississippi (figure 3). (For simplicity, both the distributional analysis and estimated revenue costs assumed all tax cuts took effect immediately, even though some tax changes will occur over multiple years; see box 1.) Notably, Mississippi's roughly $500 million annual tax cut is a permanent part of its tax code and thus will affect the state's tax collections in future budget years. In contrast, Delaware's $220 million tax rebate will only affect the budget year in which it was enacted. Utah and Vermont also passed permanent changes to their income tax, while Connecticut enacted both one-time and permanent tax changes.

FIGURE 3

How Much Did State Tax Cuts Cost?

Tax cut cost when fully phased in with share of FY 2022 general fund revenue in parentheses



Sources: Tax Policy Center state tax model and the National Association of State Budget Officers.
Notes: FY = fiscal year. Although some of these state tax changes will take effect over multiple years, to simplify comparisons, the estimated revenue costs reflect the cost of the fully phased-in tax cut. See box 1 for more information on the Tax Policy Center state tax model.

Of course, governors signed other types of tax cuts in 2022, including property tax relief, business tax cuts, and repeals and suspensions of grocery and gas taxes. (See table 1 for a list of the different tax cuts enacted in each state.) The Tax Policy Center state income tax model cannot analyze these tax changes, but they all had a significant effect on state tax revenue and households. We briefly describe some of these major tax changes in appendix A.

This report details the individual income tax cuts passed in Connecticut, Delaware, Mississippi, Utah, and Vermont to help illuminate the consequences of similar tax cuts in other states—both those enacted in 2022 and considered in 2023. The post-pandemic fiscal environment in 2022 was unusual, but the costs and benefits of different income tax cuts passed in response to that situation contain numerous lessons. As state policymakers prepare to navigate an uncertain economic and fiscal future, they should understand how previous tax cuts affected state revenue collections and benefited, or did not benefit, different types of households.

BOX 1

The Tax Policy Center state tax model and assumptions in this report

The Tax Policy Center uses its state-of-the-art microsimulation model to provide comprehensive, rigorous, and objective analyses of federal tax policies and major tax reform proposals. The Tax Policy Center expanded the model to include state tax policies and interactions between state and federal tax systems.[3] The Tax Policy Center state tax model provided the revenue and distributional estimates in this report.

In this analysis, we used calendar year 2021 income levels and tax year 2021 as the policy baseline. To simplify cross-state comparisons, we assumed all enacted tax changes took effect immediately, even if the legislation scheduled changes over multiple years. For example, Mississippi's legislation lowered the state's top individual income tax rate from 5 percent to 4 percent over three years (tax years 2024 to 2026), but we assumed the one-point reduction occurred immediately and affected the state's 2021 levels of income. We rounded all results to the nearest $5 when describing an average annual tax cut for households.

WHY DID SO MANY STATES CUT TAXES IN 2022?

According to the National Association of State Budget Officers (NASBO), revenue collections exceeded original estimates in 49 states in both FY 2021 and FY 2022. (In most states, the fiscal year runs from July to June.[4]) In aggregate, FY 2022 general fund collections were 20.5 percent higher than original forecasts. As for actual collections, among all states, inflation-adjusted revenue increased 12.7 percent from FY 2020 to FY 2021 and another 5.8 percent from FY 2021 to FY 2022. For comparison, annual real revenue growth averaged 1.7 percent between FY 1979 and FY 2022 (NASBO 2022).

Some of the robust revenue growth in FY 2021 resulted from states delaying tax deadlines in calendar year 2020 and thus shifting collections from FY 2020 to FY 2021. That is, if a filer made a tax payment in July 2020 instead of April 2020, the payment moved from FY 2020 to FY 2021—lowering the former's collections and boosting the latter's—even though the payment was the same. However, even after accounting for this revenue shifting, there was still strong tax revenue growth in FY 2021 and FY 2022.

This strong and widespread state revenue growth was an acute reversal from the dour forecasts made at the outset of the pandemic. A Tax Policy Center analysis in July 2020 found state forecasts anticipated more than a 6 percent *decline* in both individual income tax and general sales tax revenue collections in FY 2021.[5] Private forecasters, such as Moody's Analytics, were just as pessimistic in their early pandemic forecasts of state tax collections.

Three major and unanticipated actions instead drove state tax revenue growth over this period:

1. **The federal government's response to the pandemic.** From March 2020 to March 2021, Congress passed multiple pandemic-related measures—including stimulus checks, expanded unemployment benefits, and advanced child

tax credit (CTC) payments—that propped up personal income and consumption and helped jumpstart the national economy. As a result, the US unemployment rate fell from 14.7 percent in April 2020 to 6.0 percent in April 2021 and 3.6 percent in April 2022, and returned to pre-pandemic levels far faster than anticipated. In contrast, early forecasts of state tax collections during the pandemic assumed a prolonged economic downturn and persistently high unemployment.

2. **The pandemic's unequal economic consequences.** At the start of the pandemic, many low-income workers—for example, those working in the service sector—lost their jobs. However, most high-income earners, who could work from home, continued working, earning wages, and paying taxes. The stock market also saw significant growth from April 2020 to December 2021, further contributing to strong state tax collections. In the aggregate, states rely far more on high-income households than low-income households for tax revenue collections.
3. **A shift from purchasing untaxed services to taxable goods.** During the early stage of the pandemic, consumers purchased more goods (which are generally a taxable purchase) and fewer services (which are often exempt from a general sales tax). Further, because of the Supreme Court's decision in *South Dakota v. Wayfair*, *Inc.* (Auxier and Rueben 2018), states were able to tax the large number of purchases made online during the pandemic (Dadayan and Rueben 2021).

In addition to revenue from taxes, states also benefited greatly from large federal transfers to assist with recovery efforts. In 2020 and 2021, Congress authorized roughly $800 billion in direct, pandemic-related funds to state governments.[6] Thus, when economic growth and tax collections were unexpectedly positive, these collections piled on top of elevated federal assistance.

As a result, many states enjoyed large revenue surpluses as they worked on budgets during the past two years. These surpluses allowed states to pass tax cuts while simultaneously maintaining or increasing spending on major programs such as public education and building back rainy-day funds that were depleted at the beginning of the pandemic. Overall, in FY 2022, inflation-adjusted national state general fund spending increased 9.6 percent, no states reported mid-year budget cuts due to a revenue shortfall, and 43 states increased their rainy-day funds. For comparison, annual inflation-adjusted spending growth averaged 1.7 percent between FY 1979 and FY 2022, and mid-year spending cuts are often common even during relatively positive fiscal conditions (e.g., 22 states made mid-year cuts in FY 2017). In short, policymakers in many states were able to enact large tax cuts without having to face the policy trade-offs that typically accompany such debates (NASBO 2022).

OVERVIEW OF STATE TAX CUTS IN 2022

Thirty-five states and the District of Columbia passed significant tax cuts in calendar year 2022. (This tally is possibly an undercount, as it is based on media reports. That is, there is a chance that additional states enacted smaller tax cuts, such as expanding a relatively minor tax deduction, that did not garner media attention.)

Table 1

State Tax Cuts In 2022

State	Income tax rate cut	Tax rebate	EITC /CTC	Property tax relief	Business tax cut	Grocery tax cut	Gas tax suspension	Other
Alabama								✓
Arizona				✓				
Arkansas	✓	✓			✓			
California		✓						
Colorado		✓		✓				
Connecticut		✓	✓	✓			✓	✓
Delaware		✓						✓
District of Columbia			✓					
Florida							✓	
Georgia	✓	✓					✓	✓
Hawaii		✓	✓					
Idaho	✓	✓			✓			✓
Illinois		✓	✓	✓		✓	✓	
Indiana	✓	✓						✓
Iowa	✓				✓			
Kansas				✓		✓		
Kentucky	✓						✓	
Maine		✓	✓	✓				✓
Maryland							✓	✓
Massachusetts		✓		✓				
Mississippi	✓							
Missouri	✓							
Nebraska	✓			✓	✓			✓
New Hampshire					✓			
New Jersey			✓	✓				
New Mexico		✓	✓					✓
New York	✓	✓		✓				
Oklahoma					✓			
Oregon		✓						
Pennsylvania				✓	✓			✓
Rhode Island		✓						
South Carolina	✓	✓						
Tennessee						✓		
Utah	✓		✓		✓			✓
Vermont			✓					✓
Virginia		✓	✓			✓	✓	
Total	**12**	**18**	**10**	**11**	**8**	**4**	**7**	**13**

Source: Authors' count based on media reports.

Notes: EITC = earned income tax credit; CTC = child tax credit. "Other" tax cuts mostly include various types of individual income tax deductions and credits not explicitly described in the table (e.g., expanding a tax credit for retirement income). "Gas tax suspension" includes states that stopped levying the tax for a set amount of time and states that delayed a scheduled gas tax rate increase.

Overall, 26 states and the District of Columbia passed some type of individual income tax cut, including tax rate cuts, refundable tax credits, and one-time rebates. Other popular types of tax cuts included providing property tax relief, lowering business taxes, repealing grocery taxes, and suspending the gas tax. And many states passed multiple types of tax cuts. For example, Utah lowered its individual and corporate income tax rates, created a nonrefundable earned income tax credit (EITC), and expanded a tax credit for filers with Social Security income; and Virginia provided a one-time tax rebate, expanded its (now refundable) EITC, increased its standard deduction levels, and ended the state tax on grocery food.

BOX 2

Should states worry about the "no tax cut" rule in the American Rescue Plan?

The American Rescue Plan (ARP) sent $350 billion to state and local governments with few restrictions on how governments could spend the funds. However, states were not allowed to use the money to finance tax cuts or make contributions to public pension plans. To enforce the rule, the Department of the Treasury released guidance in May 2021 that said the department would compare each state's tax collections during the ARP years (March 2021 to December 2024, or whenever a state exhausts its ARP funds) to its tax collections in FY 2019. All data would come from the Census Bureau and be adjusted for inflation.

If a state enacted a tax cut during the ARP years and its annual tax collections fell below its 2019 levels, then the state would have to document how it cut taxes without using ARP funds. Specifically, the state would have to show what taxes were raised or spending was cut to offset the cost of its tax cuts—as long as the spending cuts did not come from a department, agency, or authority using ARP funds. Each state was given a 1 percent de minimis exemption between its actual collections and its 2019 collections, which Treasury said could account for revenue uncertainties or be used to enact smaller tax cuts targeted at groups harmed by the pandemic. Treasury specifically cited expanding a state EITC as a permitted and encouraged type of state tax reduction.

Census data for FY 2021 show only five states with tax collections below the inflation-adjusted 2019 thresholds. Four of those states—Alaska, New Mexico, North Dakota, and Wyoming—rely relatively heavily on severance tax revenue, which collapsed in 2021 but spiked in 2022. The fifth state, Hawaii, relies heavily on taxes related to tourism. Of those five states, only New Mexico and North Dakota passed tax cuts in calendar year 2021, and both were relatively low-cost tax reductions.

Given continued and broad tax revenue growth in FY 2022, it is possible, even probable, that no state will be below its 2019 threshold for that fiscal year. However, states that passed large, permanent tax cuts could fall below ARP's fiscal red line in future fiscal years, especially if the economy and tax collections slow. If that happens, then those states would have to prove to Treasury they did not use ARP funds for their tax cuts.

Some states have successfully challenged the ARP tax cut restriction rule in court as unconstitutional (there are multiple cases). Treasury has appealed these decisions, and the challenges were not resolved as of January 2023. If the courts ultimately rule for the states, then the entire question is moot.

Source: Richard C. Auxier, "Treasury Will Allow States to Take ARP Funds and Cut Taxes, with Some Guardrails," *TaxVox* (blog), Tax Policy Center, May 13, 2021, https://www.taxpolicycenter.org/taxvox/treasury-will-allow-states-take-arp-funds-and-cut-taxes-some-guardrails.

Notably, these state tax cuts came on the heels of 2021, when 29 states and the District of Columbia passed significant tax cuts (Auxier 2022).[7] Thus, it is worth noting that some states that passed large tax cuts in 2022 did so on top of a large tax cut enacted in 2021 (e.g., Iowa); some states passed relatively small tax cuts in 2022 in part because they passed a large tax cut in 2021 (e.g., Arizona); and some states did not pass a significant tax cut in 2022 in part because they passed a large tax cut in 2021 (e.g., Ohio).

To better understand how the individual income tax cuts passed in 2022 benefited different income groups and affected state tax revenue collections, we examined tax legislation in Connecticut, Delaware, Mississippi, Utah, and Vermont. We analyzed all individual income tax changes included in these states' legislation (omitting a few small changes), but we focused our analysis on the following major income tax cuts:

- Mississippi's and Utah's individual income tax rate reductions
- Connecticut's expanded refundable EITC and Utah's new nonrefundable EITC
- Vermont's new refundable CTC
- Delaware's and Connecticut's one-time tax rebates

INDIVIDUAL INCOME TAX RATE CUTS IN MISSISSIPPI AND UTAH

Twelve states either reduced an individual income tax rate, eliminated an income tax bracket, or did both as part of their tax legislation in 2022: Arkansas, Georgia, Idaho, Indiana, Iowa, Kentucky, Mississippi, Missouri, Nebraska, New York, South Carolina, and Utah.

Some of the income tax rate cuts took effect immediately, while other rate reductions will phase in over multiple years, including some that will only be triggered if the state hits a revenue collection benchmark.[8] For example, South Carolina's legislation immediately lowered its top individual income tax rate from 7 percent to 6.5 percent, but then scheduled the top tax rate to fall an additional 0.1 percentage point annually until it reaches 6.0 percent. However, those scheduled annual rate reductions must be triggered by the state's general fund revenue having increased 5 percent over the prior year.[9]

States often phase in tax cuts to push revenue costs into future fiscal years (when they hope there is more revenue available to pay for the tax cut) and use triggers to prevent scheduled tax cuts from occurring during economic downturns or tough fiscal conditions. However, a phase-in does not reduce the overall cost of the tax cut, and a trigger only works if the limitations are strict.

An income tax rate cut was the sole tax change enacted in Mississippi and the largest part of the tax package in Utah.

Mississippi

WHAT DOES THE TAX CUT CHANGE?

Governor Tate Reeves signed HB 531 in April 2022.[10] The legislation eliminated the state's 4 percent income tax bracket in tax year 2023, leaving the state with a flat 5 percent tax rate. Previously, the 4 percent tax rate applied to a filer's taxable income between $5,000 and $10,000, and a filer's first $5,000 was exempt from tax because the tax rate for that bracket was 0 percent (table 2). After the legislation, a filer's first $10,000 in taxable income is exempt from tax (table 3). The legislation then lowers the now flat tax rate from 5 percent to 4 percent in three steps from tax year 2024 to tax year 2026. The bill also instructs the legislature to consider further reductions or full repeal of the state's individual income tax.

Table 2

Mississippi Tax Rate Schedule for Tax Year 2022 (prior to HB 531)

Taxable income	Tax rate
$0 to $5,000	0%
$5,001 to $10,000	4%
$10,001 or more	5%

Source: HB 531
Note: Mississippi uses the same income tax brackets for all filers.

Table 3

Mississippi Tax Rate Schedule for Tax Year 2026 (when HB 531 is fully phased in)

Taxable income	Tax rate
$0 to $10,000	0%
$10,001 or more	4%

Source: HB 531
Note: Mississippi uses the same income tax brackets for all filers.

In addition to the 0 percent income tax bracket, Mississippi has standard deductions ($2,300 for a single filer with no children, $3,400 for a single filer with children, and $4,600 for a married couple) and personal exemptions ($6,000 for a single filer with no children, $8,000 for a single filer with children, $12,000 for married couples, and $1,500 for each dependent). Mississippi's legislation did not make any changes to the state's standard deduction or personal exemption amounts, but by expanding the state's 0 percent income tax bracket, households will now have more income exempt from tax. For example, the amount of adjusted gross income (AGI) exempt from state tax in Mississippi for a single filer with one child increased from $17,900 to $22,900 because of HB 531.

HOW MUCH DOES THE TAX CUT COST?

The Tax Policy Center state tax model estimates HB 531, when fully phased in, will reduce annual state tax revenue by roughly $500 million. The Mississippi legislature did not conduct a fiscal note for HB 531.

WHAT INCOME GROUPS BENEFITED FROM MISSISSIPPI'S TAX CUT?

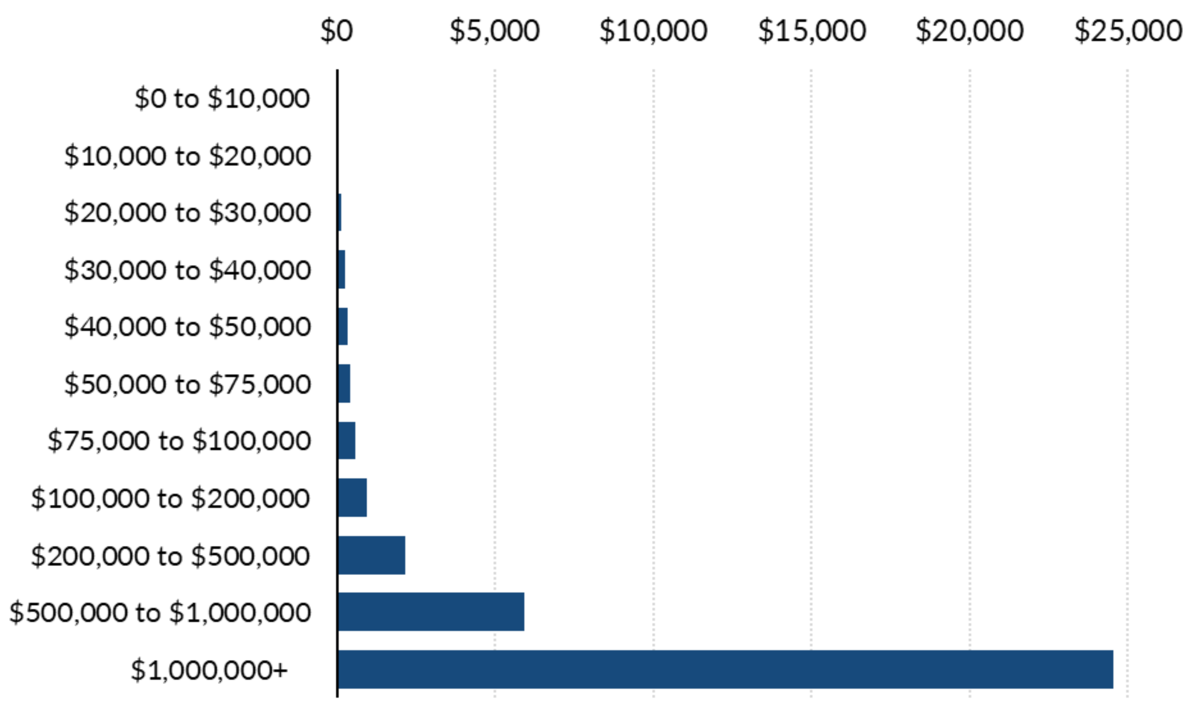
The Tax Policy Center state tax model shows that HB 531, when fully phased in, will deliver an annual average tax cut of $335 for Mississippi households. The average tax cut described is the total change in taxes net of refundable credits divided by the number of households in the state. That is, it includes both Mississippi households that received a tax cut and those that did not. Looking only at Mississippi households receiving a tax cut, the average annual tax cut was $670.

Overall, 50 percent of Mississippi households received a tax cut from HB 531. The share of households getting a tax cut generally increased with income: 0 percent of households earning less than $10,000 got a tax cut; more than 75 percent of households in income groups above $20,000 got a tax cut; and nearly all households earning more than $200,000 got a tax cut. No Mississippi taxpayer saw a tax increase as a result of the legislation.

FIGURE 4

Average Annual Mississippi Tax Cut

By adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: "Average annual Mississippi tax cut" accounts for both Mississippi households that did and did not get a tax cut from HB 531. Analysis is of the fully phased-in individual income tax rate reduction in HB 531.

Some low-income Mississippi households did not benefit from HB 531 because they did not earn taxable income. Before HB 531 was enacted, a Mississippi household had to earn more than $13,300 in AGI if single and $21,600 in AGI if married before paying state income tax (both totals were higher if the household had children) because the state's standard deduction and personal exemptions would eliminate all taxable income below these amounts. These provisions benefit low-income households—they do not owe state income tax—but they also mean households must earn above those totals (and possibly more, if they benefit from other state tax provisions) before they could benefit from an income tax rate cut. Conversely, the more taxable income a household earned, the more it benefits from the income tax rate cut.

However, some relatively high-income households also did not benefit from the income tax rate cut. For example, roughly one-in-five households earning between $75,000 and $100,000 saw no benefit from Mississippi's income tax cut. These households earn income mostly or entirely from pensions (public and private), individual retirement account distributions, and other forms of retirement income that are exempt from tax in Mississippi. As with low-income households, existing state policies assist these senior households, but because they do not have much if any taxable income, they similarly cannot benefit from an income tax rate cut.

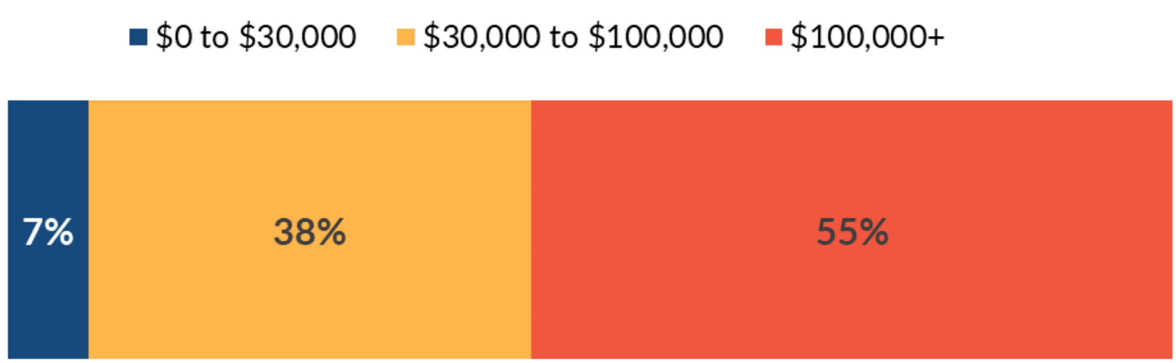
Among all households, HB 531's average annual tax cuts ranged from $0 for households earning less than $10,000 to $24,530 for households earning more than $1 million (figure 4). The average annual tax cut was roughly $150 to $450 for households in the income groups between $20,000 and $75,000, and $940 for households earning between $100,000 and $200,000. For all income groups, there was little difference between the average annual tax cut among all households and the average annual tax cut for only households getting a tax cut. The difference was small because either few households in that income group got a tax cut (e.g., 25 percent of households earning between $10,000 and $20,000 benefited) or most households benefited (e.g., 84 percent of households earning between $30,000 and $40,000 saw some benefit).

Overall, Mississippi households with an AGI below $30,000 received 7 percent of the tax cut's benefits; those with an AGI between $30,000 and $100,000 received 38 percent; and households with an AGI above $100,000 received 55 percent (figure 5).

FIGURE 5

Who Benefited from Mississippi's Tax Cut?

How much goes to each adjusted gross income group



Source: Tax Policy Center state tax model.
Note: Analysis is of the fully phased-in individual income tax rate reduction in HB 531.

Showing benefits for these three AGI groups helps us make simple comparisons across the five states. However, this data presentation possibly undersells the regressive nature of Mississippi's tax cut, because the state's population has a disproportionate share of low-income households: 55 percent earn less than $30,000 and 12 percent earn more than

$100,000. In contrast, nationally, 42 percent earn less than $30,000 and 20 percent earn more than $100,000. That is, in Mississippi, high-income households saw large benefits but are a disproportionately small group, while low-income households saw small benefits but are a disproportionately large group.

Utah

WHAT DOES THE TAX CUT CHANGE?

Governor Spencer Cox signed SB 59 in February 2022.[11] The legislation lowered both the state's flat individual and corporate income tax rates from 4.95 percent to 4.85 percent, expanded a tax credit for Social Security income by increasing the income levels at which the credit begins to phase out,[12] and created a nonrefundable EITC that is 15 percent of the federal credit. All of Utah's tax changes took effect immediately.

HOW MUCH DOES THE TAX CUT COST?

The Tax Policy Center state tax model estimates SB 59's individual income tax rate reduction, expanded credit for Social Security income, and nonrefundable EITC will reduce annual state tax revenue by roughly $140 million. The Utah legislature's fiscal note reported that these three provisions will cost the state $150 million annually. The Utah legislature's estimate for the entire tax package, including the corporate tax rate reduction, was closer to $200 million annually.

WHAT INCOME GROUPS BENEFITED FROM THE TAX CUT?

The Tax Policy Center state tax model shows that SB 59's individual income tax rate reduction, expanded credit for Social Security income, and nonrefundable EITC will deliver an annual average tax cut of $100 for all Utah households. The average tax cut described is the total change in taxes net of refundable credits divided by the number of households in the state. That is, it includes both taxpayers who received a tax cut and those who did not. Looking only at Utah households receiving a tax cut, the average annual tax cut was $140.

Overall, 70 percent of Utah households received a tax cut from the three individual income tax changes. The share of households getting a tax cut increased with income: 0 percent of households earning less than $10,000 got a tax cut; 65 percent of households earning between $20,000 and $30,000 got a tax cut; and nearly every household earning above $40,000 got a tax cut. No Utah taxpayer saw a tax increase as a result of the legislation.

SB 59's average annual tax cuts ranged from $0 for households earning less than $10,000 to roughly $3,465 for households earning more than $1 million (figure 6). The average annual tax cut was roughly $50 to $150 for households in the income groups between $20,000 and $200,000.

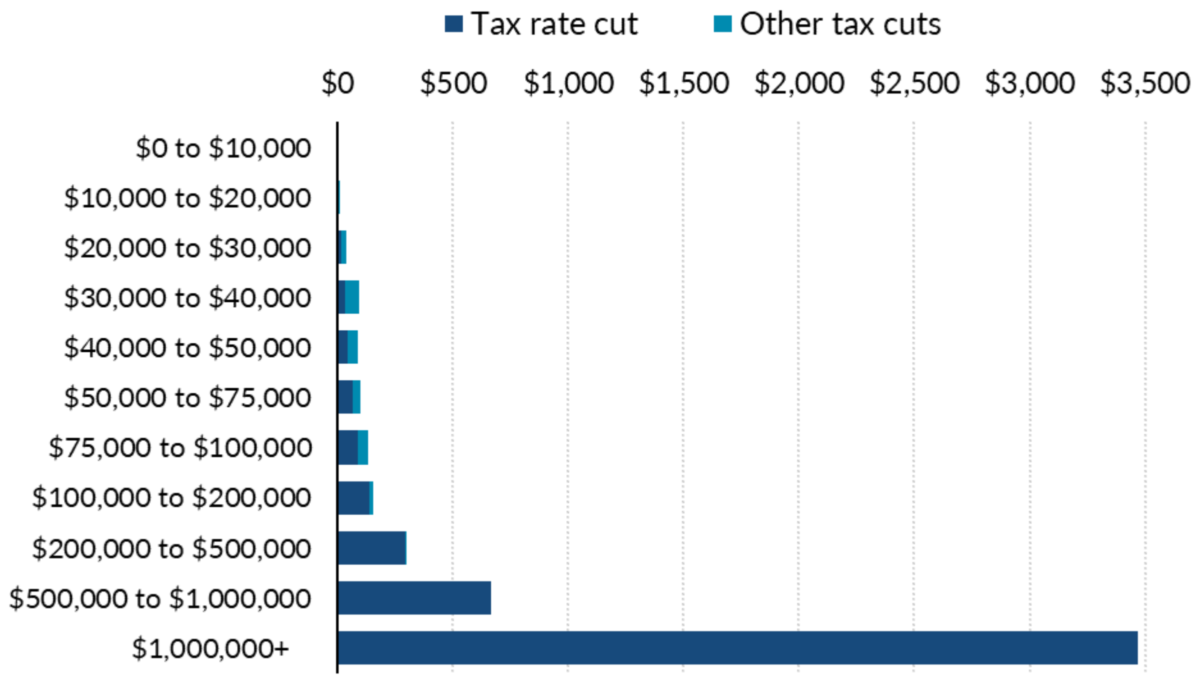
Most households earning more than $100,000 solely benefited from the individual income tax rate reduction, while, on average, households earning between $20,000 and $100,000 saw sizeable benefits from the new nonrefundable EITC, expanded Social Security credit, and tax rate reduction. However, actual individual households would see different levels of benefits from these provisions depending on their specific income levels, income sources, and family characteristics.

Some low-income Utah households did not benefit from the individual income tax changes in SB 59 because they did not earn taxable income. Utah uses a relatively unique system of credits instead of the more typical standard deduction and personal exemption, but Utah households must earn roughly above the following amounts before having taxable income and paying state tax: single with no children, $15,200; single with children, $24,500; and married with or without children, $30,000. As in Mississippi, such households benefit from existing provisions and do not owe state income tax, but as a result they cannot benefit from income tax rate cuts.

FIGURE 6

Average Annual Utah Tax Cut

By adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: "Average annual Utah tax cut" accounts for both Utah households that did and did not get a tax cut from the three individual income tax provisions in SB 59. The legislation's corporate income tax rate reduction is not included in this analysis. The chart subtracts the average benefit from the income tax rate reduction (run in isolation; dark blue bar) from the overall average benefits (the sum of the light and dark blue bars) to provide a picture of the benefits from different policies. For actual households, policies may interact, and the share of benefits from each provision could vary.

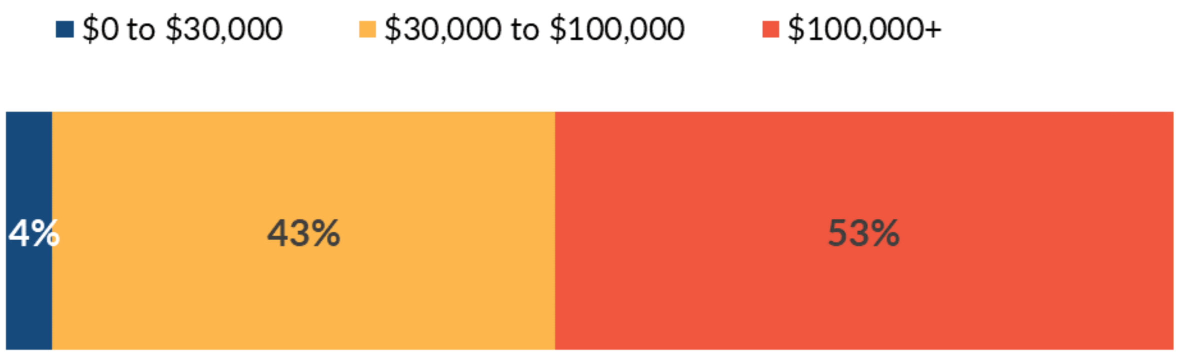
Low-income households also do not benefit from Utah's new EITC because it is nonrefundable. A nonrefundable tax credit can only offset an income tax liability, so households must earn above the same AGI levels before they can benefit from it. As a result, households earning between $30,000 and $50,000, which earn enough to have taxable income but are still eligible for the EITC, were most likely to benefit from Utah's new nonrefundable credit. In contrast, a refundable EITC would provide low-income households a tax rebate if their EITC amounts exceeded their state tax liability. (See "Earned Income Tax Credits in Connecticut and Utah" for further analysis of Utah's nonrefundable EITC.)

An analysis of the three individual income tax cuts in SB 59 showed that Utah households with an AGI below $30,000 received 4 percent of the tax cut's benefits; those with an AGI between $30,000 and $100,000 received 43 percent; and households with an AGI above $100,000 received 53 percent (figure 7). Utah's population roughly mirrors national averages, with 37 percent earning less than $30,000 and 21 percent earning more than $100,000.

FIGURE 7

Who Benefited from Utah's Tax Cut?

How much goes to each adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: Analysis is of the three individual income tax provisions in SB 59. It does not include the legislation's corporate income tax rate reduction.

WHAT ABOUT OTHER STATE INCOME TAX RATE CUTS?

The individual income tax rate cuts enacted in the other 10 states in 2022 varied considerably in size. For example, Indiana lowered its flat individual income tax rate from 3.23 to 2.9 percent, while Iowa lowered its top tax rate from 8.53 percent to 3.9 percent. The reductions in both states were set to phase in over multiple years. Further, each state uses different standard deduction and personal exemption levels, meaning that the amount of AGI a household must earn to benefit from these income tax rate cuts also varied across states. For example, in tax year 2022, the standard deduction for married filers was $4,400 in Arkansas and $25,900 in Idaho.

That said, all states that reduced individual income tax rates in 2022 will see a similar distribution of benefits to what Mississippi and Utah experienced because, in every state, households with little or no taxable income cannot benefit from tax rate cuts, while households with high levels of taxable income see the greatest benefits. The only way for states to deliver significant tax benefits to households with little or no taxable income is by enacting or expanding refundable tax credits like the EITC and CTC.

EARNED INCOME TAX CREDITS IN CONNECTICUT AND UTAH

Seven states and the District of Columbia either created or expanded an EITC in 2022. In most states, the EITC is calculated as a share of the federal credit, so Connecticut, Maine, Illinois, and Vermont simply increased their match rate. For example, Maine increased its EITC match rate from 12 percent to 25 percent of the federal credit. The maximum federal

EITC available to filers with three or more children was $6,935 in tax year 2022, so the maximum Maine credit for filers with three or more children increased from $832 to $1,734.[13]

Meanwhile, Hawaii and Virginia changed their credit from nonrefundable to refundable. If a taxpayers' refundable credit exceeds their state tax liability, they can receive the excess amount as a payment from the state. However, if the credit is nonrefundable, the EITC can only reduce a filer's tax liability to $0. Utah created a nonrefundable EITC in 2022.

States can also expand EITC benefits for two specific types of households: filers without children on their tax return (we call them "childless workers" in this report for simplicity, although they might have children who are claimed by another filer) and workers who file tax with an Individual Taxpayer Identification Number (ITIN) instead of a Social Security number (these filers are typically undocumented workers). The federal EITC provides larger benefits to filers with children on their tax return than those without (in tax year 2022, the maximum credit for a filer with no qualifying children was $560), but states can assist childless workers by specifically increasing their match rate.[14] For example, Maine increased its overall EITC match to 25 percent, but separately increased its match for childless workers to 50 percent. Thus, a childless worker gets a maximum Maine EITC of $280 (50 percent) instead of $140 (25 percent). Additionally, states can make more childless workers eligible for the state EITC. The federal EITC is limited to childless workers ages 25 to 64, but New Jersey made all childless workers ages 18 and older eligible for its state EITC. The federal EITC can also only be claimed if every member of the tax unit has a Social Security number that is valid for employment. But increasingly states are making their credits available to ITIN filers. In 2022, the District of Columbia and Illinois made ITIN filers eligible for their state EITC, joining seven states that already allowed ITIN filers to claim their state credit.[15]

An increase to the state's refundable EITC match was a major part of Connecticut's tax package, and a new nonrefundable EITC was a part of Utah's legislation. Vermont also increased its EITC match rate in 2022 (from 36 percent to 38 percent), but because that was a relatively small part of its tax package, it was not included in this section.

Connecticut

WHAT DOES THE TAX CUT CHANGE?

In January 2022, Governor Ned Lamont directed the Connecticut Department of Revenue to increase the state's EITC match from 30.5 percent to 41.5 percent for tax year 2021.[16] Separately, Governor Lamont signed HB 5506 in May 2022.[17] The legislation included numerous tax changes, including the following:

- Created a one-time tax rebate for filers with children (defined as younger than age 19). The rebate was $250 per child for up to three children. For single filers, the rebate began to phase out at $100,000 in AGI and was unavailable to filers earning more than $109,000. For married filers, these thresholds were $200,000 and $209,000, respectively.

- Increased the state's property tax credit from $200 to $300. The credit is available to households that make property tax payments to a Connecticut political subdivision, but it is claimed on the state's income tax return (Pinho 2018).

The legislation also capped local government personal property tax rates on cars and suspended the state's gas tax until November 30, 2022, but we did not include these changes in our analysis because they were not individual income tax changes. Additionally, the legislation immediately exempted pension and annuity income from state income tax. However, the Connecticut legislature had already made this tax change in a previous bill, with the exemption set to increase over multiple years and reach 100 percent in tax year 2025. Because we treat phased-in tax changes enacted in 2022 as if they took effect immediately, we applied that rule to this previous legislative change and did not include it in our analysis.

HOW MUCH DOES THE TAX CUT COST?

The Tax Policy Center state tax model estimates HB 5506's larger property tax credit will reduce annual state tax revenue by roughly $59 million and its one-time tax rebate will cost $160 million in the year of enactment. Additionally, the expanded EITC costs $51 million, creating a combined one-time cost of $270 million for all three tax cuts. Connecticut's Office of Fiscal Analysis also estimated the EITC and property tax credit changes will reduce revenue by a combined $110 million, but it estimated that the one-time tax rebate will cost $125 million (Office of Fiscal Analysis 2022). The Tax Policy Center model estimate is higher because it assigns the rebate to all eligible households, while Connecticut's estimate assumes some eligible households will not claim the rebate.

WHAT INCOME GROUPS BENEFITED FROM THE TAX CUT?

The Tax Policy Center state tax model shows that the expansion of the state EITC, property tax credit, and one-time tax rebate will deliver an average tax cut of $130 for all Connecticut households. The average tax cut described is the total change in taxes net of refundable credits divided by the number of households in the state. That is, it includes both households that received a tax cut and those that did not. Looking only at Connecticut households receiving a tax cut, the average tax cut was $335. No Connecticut household saw a tax increase as a result of the legislation.

Overall, 39 percent of Connecticut households received a tax cut. The share of households seeing a tax cut was not related to income because the largest determinant of receiving a tax cut was having children. The one-time tax rebate only went to households with children, and the EITC benefits mostly went to households with children because of the EITC's eligibility rules (i.e., in tax year 2022, a single filer without children earning more than $16,480 cannot claim the EITC, but a single filer with children can earn up to $53,057 and still claim the credit[18]). Still, broadly speaking, up to a third of households earning less than $30,000 got a tax cut; roughly half of households earning between $30,000 and $200,000 got a tax cut; and few households earning above $200,000 got a tax cut (figure 8). Households in income groups above $30,000 were more likely to benefit from the expanded property tax credit because they are more likely to own homes. Few households earning more than $200,000 got a tax cut because all three policies had income eligibility restrictions that prevented high-income households from benefiting.

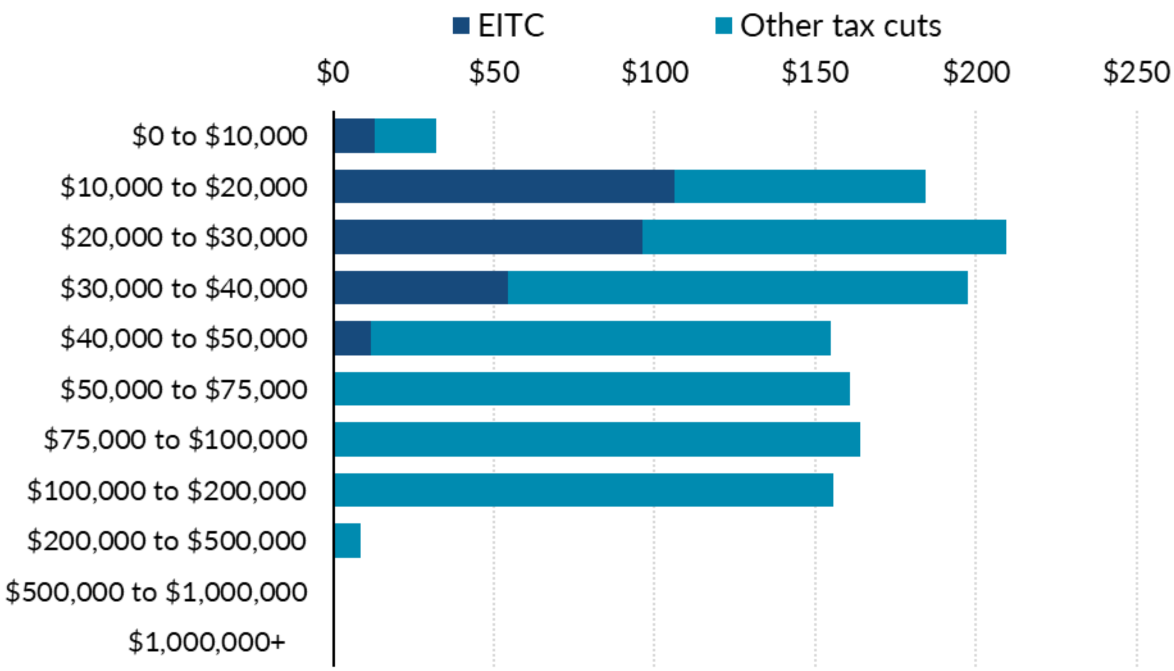
There was also little difference in the average annual tax cuts among households in different income groups. The average annual tax cut was roughly $150 to $200 for households in all income groups between $10,000 and $200,000. However, there was a difference in which policies benefited households in different income groups. For example, among households earning between $20,000 and $30,000, roughly half of the average benefit came from the expanded EITC.

Meanwhile, among households earning between $75,000 and $100,000, none of the benefit came from the larger EITC, and instead the benefits came entirely from the property tax credit and one-time tax rebate.

FIGURE 8

Average Connecticut Tax Cut, Annual and One-Time Changes

By adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: EITC = earned income tax credit. "Average annual Connecticut tax cut" accounts for both Connecticut households that did and did not get a tax cut from the expanded EITC, one-time tax rebate, and property tax credit. The legislation's gas tax suspension, cap on local property taxes, and changes to the taxation of retirement income are not included in this analysis. The chart subtracts the average benefit from the expanded EITC (run in isolation; dark blue bar) from the overall average benefits (the sum of the light and dark blue bars) to provide a picture of the benefits from different policies. For actual households, policies may interact, and the share of benefits from each provision could vary.

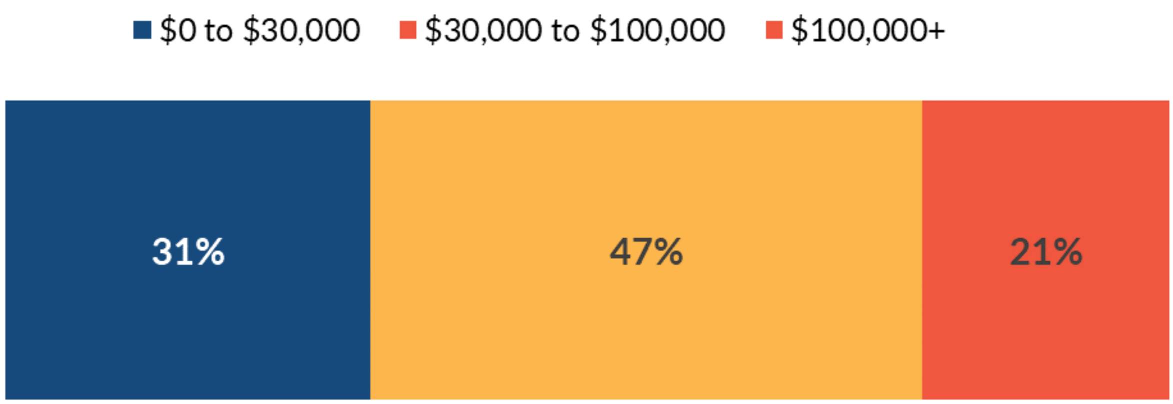
The differences are more distinct looking only at households that got a tax cut. Only 36 percent of households earning between $20,000 and 30,000 got a tax cut, but among that group the average tax cut was $590. Meanwhile, 71 percent of households earning between $75,000 and $100,000 got a tax cut, but among that group the average tax cut was $230. That is, the legislation delivered a relatively large tax cut to a narrow, targeted group (low-income households with children), and it also provided a relatively smaller tax cut to a broader group (mostly middle-income households that pay property taxes).

Analysis of the three individual income tax cuts showed that Connecticut households with an AGI below $30,000 received 31 percent of the tax cut's benefits; those with an AGI between $30,000 and $100,000 received 47 percent; and households with an AGI above $100,000 received 21 percent (figure 9). Connecticut's population is more affluent than the nation's, with 35 percent of households earning less than $30,000 and 27 percent earning more than $100,000. As a result, the benefits going to the group of households earning more than $100,000 is somewhat inflated by the relatively high number of those households more than the size of the tax benefit.

FIGURE 9

Who Benefited from Connecticut's Tax Cut?

How much goes to each adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: Analysis includes the expanded earned income tax credit, one-time rebate, and property tax credit. It does not include the legislation's suspended gas tax, cap on local property taxes, and changes to the taxation of retirement income. Bar does not add up to 100 percent because of rounding.

Utah

WHAT DOES THE TAX CUT CHANGE?

As part of SB 59, Utah created a nonrefundable EITC that is 15 percent of the federal credit. This tax cut was a relatively small part of the state's larger tax package. The Tax Policy Center state tax model estimates that the new EITC will reduce annual revenue by $15 million, while the state's individual income tax rate reduction will cost over $100 million annually.

Utah's EITC is relatively small because it is a nonrefundable credit. That is, Utah's EITC can only reduce a filer's taxable income to $0. In contrast, a refundable credit can deliver a tax rebate to filers whose calculated credit is larger than their income tax liability. For example, single filers with children in Utah must earn roughly more than $24,500 before having a tax liability, because existing state tax provisions reduce their taxable income to $0. Thus, single filers with children earning $20,000 get no benefit from Utah's nonrefundable EITC, while single filers with children earning $40,000 benefit from the credit (i.e., the EITC still reduces their taxable income after those other provisions are applied).

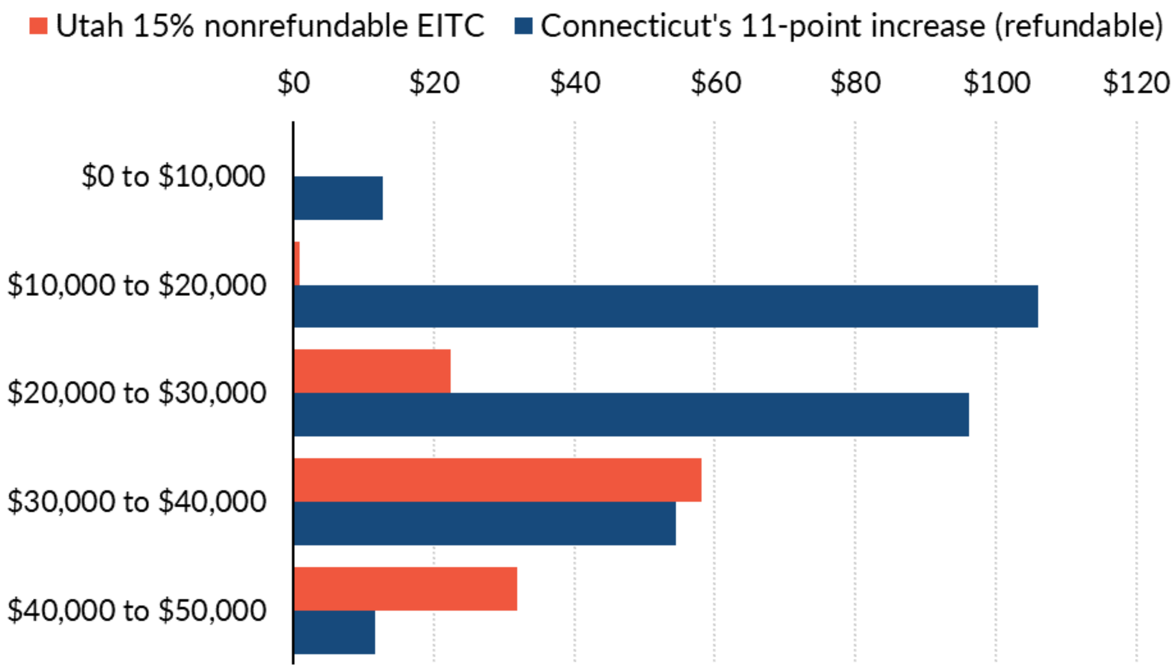
WHAT INCOME GROUPS BENEFITED FROM THE TAX CUT?

If we model only Utah's new EITC, and do not model the other income tax cuts included in SB 59, Utah households would get an annual average tax cut of $10. However, that small amount mostly reflects the small share (5 percent) of Utah households benefiting from the new EITC. Specifically, 0 percent of households earning less than $10,000 benefit, 1 percent of households earning between $10,000 and $20,000 benefit, and 10 percent of households earning between $20,000 and $30,000 benefit. (No households earning above $75,000 benefit from the federal EITC or any state credit.) In contrast, if we model only Connecticut's expansion of its refundable EITC, and not its other income tax provisions, the shares of households in those lower income groups benefiting are 12 percent, 32 percent, and 24 percent, respectively. For households earning between $30,000 and $50,000, similar shares of households in both states benefited from the respective changes to the EITC (roughly on-in-five). Of course, Connecticut's and Utah's EITC changes were not passed in isolation, and the various tax changes could interact with each other and affect actual households differently. But this exercise lets us examine who generally benefited from the earned income tax credit changes in these states.

FIGURE 10

Average Annual Tax Cut from 2022 EITC Changes

Among all households in Utah and Connecticut



Source: Tax Policy Center state tax model.
Notes: EITC = earned income tax credit. "Average annual tax cut" accounts for both households that did and did not get a tax cut from the EITC changes in Connecticut and Utah. This analysis only models Connecticut's 11-point EITC match increase (for its refundable credit) and Utah's new 15 percent nonrefundable EITC. If shown, the benefits from Connecticut's full 41.5 percent refundable EITC would be much larger for all income groups.

Looking only at the EITC changes, the average annual tax cut for households earning less than $30,000 is larger in Connecticut than Utah (figure 10). This difference occurs because households in this income range largely cannot benefit from Utah's nonrefundable credit but can benefit from Connecticut's expanded refundable credit. The average annual tax cut among households earning more than $30,000 (i.e., households earning enough to benefit from nonrefundable credits) is larger in Utah than Connecticut because Utah's new credit (15 percent) is larger than Connecticut's match increase (11 percent). However, Connecticut's full EITC match rate is now 41.5 percent, so while some Utah households saw a larger tax cut when comparing changes made in 2022, eligible Connecticut households always get far more benefit from their state's EITC than do comparable Utah households from their state's credit.

Further, if we limit the analysis to only households that benefited from the EITC changes—again, modeling only the EITC changes and not the other income tax provisions enacted in 2022—households earning between $10,000 and $20,000 saw an average annual tax cut of $85 in Utah and $330 in Connecticut. Among households earning between $20,000 and $30,000 and getting a tax cut, the average annual tax cuts were roughly $200 in Utah and $400 in Connecticut.

WHAT ABOUT OTHER STATES THAT EXPANDED AN EITC?

Maine, Illinois, and Vermont all increased their EITC match rates for refundable credits, so the benefits in these states would roughly mirror the distribution in Connecticut (but would vary with the size of the match increase). Hawaii and Virginia made their credits refundable for the first time, so the largest beneficiaries would be the low-income households that cannot benefit from a nonrefundable credit—similar to the households excluded from benefits in Utah but eligible in Connecticut. Meanwhile, the District of Columbia and Illinois made ITIN filers eligible for their state EITC. Because ITIN filers represent a relatively small share of households, there would not be a large average annual tax cut (or revenue cost) across all households, but the benefits would be significant for those newly eligible ITIN households.

CHILD TAX CREDIT IN VERMONT

Twelve states offer a state CTC, including three that created a new refundable CTC in 2022: New Mexico, New Jersey, and Vermont.[19] These counts do not include Connecticut and Rhode Island, states that sent a one-time tax rebate to filers with children on their tax return in 2022 but that do not provide an annual state CTC.

Although nearly all states calculate their EITC as a percentage of the federal credit, the eligibility rules and credit amounts for state CTCs vary considerably across states. Some states offer their state CTC to filers who are eligible for the federal CTC (e.g., Idaho), but others restrict the credit to certain children (e.g., New Jersey's credit is only available for children younger than age 6). Some states calculate their CTC as a share of the federal CTC (e.g., Oklahoma's credit is 5 percent of the federal CTC), but others provide a flat per child amount (e.g., Maine's CTC is $300 per eligible child). Seven of the state CTCs are refundable and five state credits are nonrefundable. As with the EITC, a refundable CTC can deliver benefits to households with little or no taxable income, but a nonrefundable credit cannot.

Vermont

WHAT DOES THE TAX CUT CHANGE?

Governor Phil Scott signed H.510 in May 2022.[20] The legislation included numerous tax changes, including the following:

- Created a new state CTC that provides a $1,000 credit per child. The CTC is limited to children younger than age 6. The credit phases out, for both single and married filers, between $125,000 and $175,000 in AGI.
- Expanded the state's child and dependent care tax credit (CDCTC) by increasing the credit from 24 percent to 72 percent of the federal CDCTC. The state credit is also now fully refundable.[21]
- Increased the state's refundable EITC match from 36 percent to 38 percent of the federal credit.
- Expanded an individual income tax exemption for Social Security income.

The legislation also created a deduction for student loan interest and an exemption for specific types of retirement income. We were not able to model these provisions. Although these narrowly targeted tax changes may provide significant benefits to eligible households, including them in our analysis would not have a large effect on the package's annual average tax cut among all households and overall revenue cost.

HOW MUCH DOES THE TAX CUT COST?

The Tax Policy Center state tax model estimates H.510's new CTC and its changes to the state's CDCTC, EITC, and exemption for Social Security income will reduce annual state tax revenue by roughly $38 million. The Vermont Legislative Joint Fiscal Office also estimated these changes will reduce annual revenue by $38 million.

WHAT INCOME GROUPS BENEFITED FROM THE TAX CUT?

The Tax Policy Center state tax model shows that H.501's new CTC and its changes to the state's CDCTC, EITC, and exemption for Social Security income will deliver an average tax cut of $100 for all Vermont households (figure 11). The average tax cut described is the total change in taxes net of refundable credits divided by the number of households in the state. That is, it includes both households that received a tax cut and those that did not.

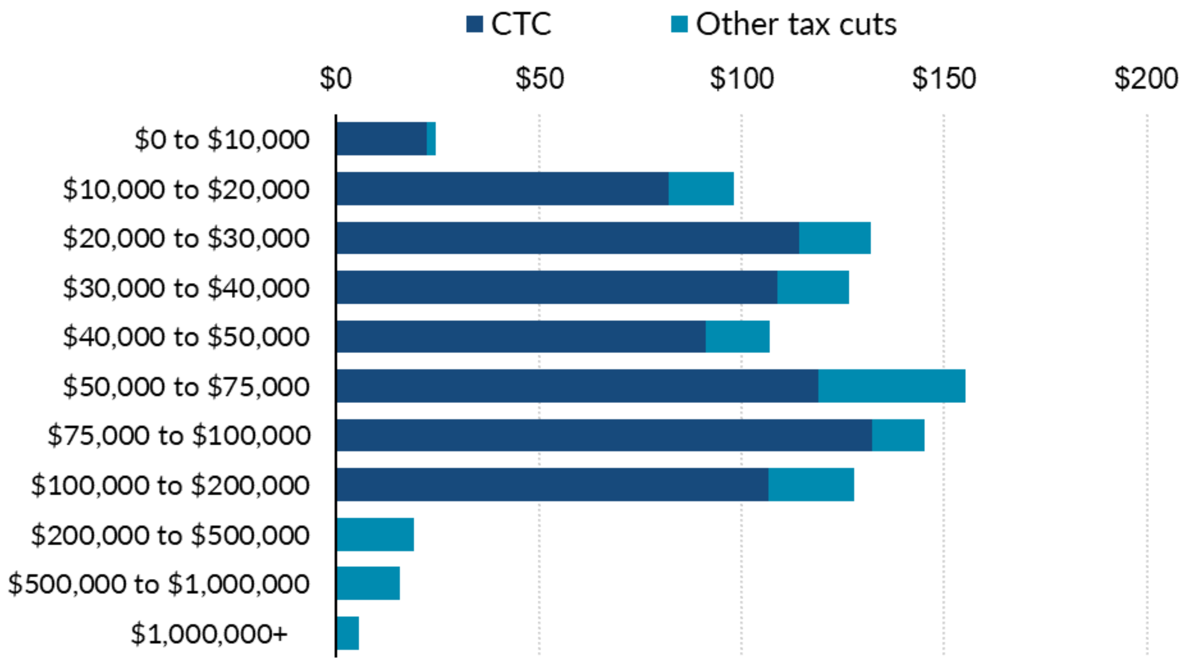
Looking only at Vermont households receiving a tax cut, the average annual tax cut was $670. There is a large difference between the two average annual tax cuts because all of Vermont's tax cuts were restricted to specific groups: the CTC is only available to households with children younger than age 6; the CDCTC is only available to households with childcare expenses; the EITC has eligibility rules based on a household's income and family characteristics; and the Social Security exemption is only available to households with Social Security income. As such, only 15 percent of Vermont households got a tax cut from the four provisions in H.510 that we modeled. (The two provisions we did not model were also narrowly targeted.) Thus, a small share of households in Vermont got a relatively large tax cut, but many households received no benefit. No Vermont taxpayer saw a tax increase as a result of the legislation.

Because Vermont's tax provisions were tied largely to family characteristics, the share of households getting a tax cut did not differ much across income groups earning below $200,000. In fact, roughly one-in-five households in all income groups earning between $10,000 and $200,000 got a tax cut. For households in these income groups, the new CTC provided the majority of the average annual tax cut. Relatively few households earning less than $10,000 benefited from the tax legislation because, on average, they were less likely to have young children and did not have enough earned income to benefit from the CDCTC, EITC, or Social Security changes. Few households earning more than $200,000 got a tax cut because many of the provisions—and specifically the new state CTC—phased out at higher income levels.

FIGURE 11

Average Annual Vermont Tax Cut

By adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: CTC = child tax credit. "Average annual Vermont tax cut" accounts for both Vermont households that did and did not get a tax cut from the state's new CTC, the expanded EITC, the expanded CDCTC, and the new exemption for Social Security income in H.510. The legislation's deduction for student loan interest and exemption for specific types of retirement income were not included in this analysis. The chart subtracts the average benefit from the new CTC (run in isolation; dark blue bar) from the overall average benefits (the sum of the light and dark blue bars) to provide a picture of the benefits from different policies. For actual households, policies may interact, and the share of benefits from each provision could vary.

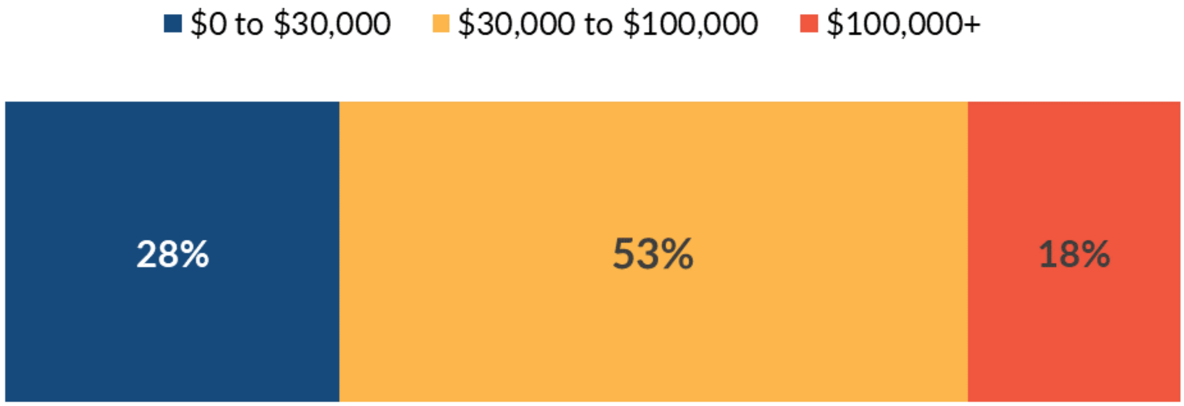
The average annual tax cuts for households earning between $10,000 and $200,000 were also similar: roughly $100 to $150 for households in each income group. However, this relatively small average annual tax cut mostly reflects the small share of households getting a tax cut rather than a small benefit delivered to eligible households. If we look only at the Vermont households getting a tax cut, the average annual tax cut was between $550 and $1,100 for households in these income groups. And if we look only at households that benefited from the new state CTC, running that tax change in isolation, the average annual tax cut from just the new CTC was closer to $1,200 for households in income groups below $200,000. To see this average tax cut we solely modeled Vermont's new CTC, but if an actual household was eligible for other provisions, like the larger EITC, then the overall average annual tax cut could be larger for such households.

Analysis of the four income tax provisions in H.510 showed that Vermont households with an AGI below $30,000 received 28 percent of the tax cut's benefits; those with an AGI between $30,000 and $100,000 received 53 percent; and households with an AGI above $100,000 received 18 percent (figure 12). Vermont's population roughly mirrors national averages, with 41 percent of households earning less than $30,000 and 18 percent earning more than $100,000.

FIGURE 12

Who Benefited from Vermont's Tax Cut?

How much goes to each adjusted gross income group



Source: Tax Policy Center state tax model.
Notes: Analysis includes the new child tax credit and the changes to the child and dependent care tax credit, earned income tax credit, and exemption for Social Security income. It does not include the new deduction for student loan interest and exemption for specific types of retirement income. Bar does not add up to 100 percent because of rounding.

WHAT ABOUT OTHER STATE CTC INCREASES?

New Jersey enacted a $500 refundable credit for each child younger than age 6. The credit phases out between $30,000 and $80,000 in AGI for all households. Thus, New Jersey's distribution of benefits would look similar (but smaller) than the benefits from Vermont's CTC, except that households earning above $80,000 would see no benefit. New Mexico enacted a $175 refundable credit for all qualifying children (as defined by the IRS, which includes children younger than age 19). The credit phases out as income increases (e.g., a household with an AGI between $75,000 and $100,000 gets a $100 credit), but it is never eliminated. Thus, more households, including high-income households, would see small benefits from New Mexico's credit, but the tax cuts would still be concentrated among low- and middle-income households.

ONE-TIME TAX REBATES IN DELAWARE AND CONNECTICUT

Eighteen states provided a one-time income tax rebate in 2022: Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Maine, Massachusetts[22], New Mexico, New York, Oregon, Rhode Island, South Carolina, and Virginia.[23] Some states have laws that require the government to refund taxpayers if the state collects too much tax revenue, and it is not unheard of for states to provide one-time tax rebates during good fiscal conditions. However, it is highly unusual for so many states to pass one-time tax rebates in the same year. In fact, even in 2021, when 29 states passed a tax cut, only three states enacted a one-time tax rebate.

Although the idea of sending rebates was popular across a diverse set of states, eligibility rules and amounts varied considerably. Some states sent rebates to all residents who filed a tax return in a previous year (e.g., Georgia); some sent rebates only to filers who had children on their tax return (e.g., Rhode Island); some sent rebates only to filers who claimed the EITC (e.g., Oregon); and many states put income eligibility limitations on their rebates that prevented high-income households from getting one. The amount of the one-time tax rebates ranged from $50 for a single filer with no children in Illinois to $1,500 for married filers in New Mexico,[24] but most rebates were a couple of hundred dollars.

Delaware

WHAT DOES THE TAX CUT CHANGE?

Governor John Carney signed HB 360 in April 2022.[25] The legislation provided one-time tax rebates of $300 for single filers and $600 for married couples. To be eligible for the rebate, a resident must have filed a 2020 or 2021 Delaware state tax return or provided proof of residency via another state agency.[26]

HOW MUCH DOES THE TAX CUT COST?

The Tax Policy Center state tax model estimates HB 360's tax rebates will have a one-time cost of roughly $220 million. The Delaware Office of the Controller General estimated the payments will cost roughly $235 million.

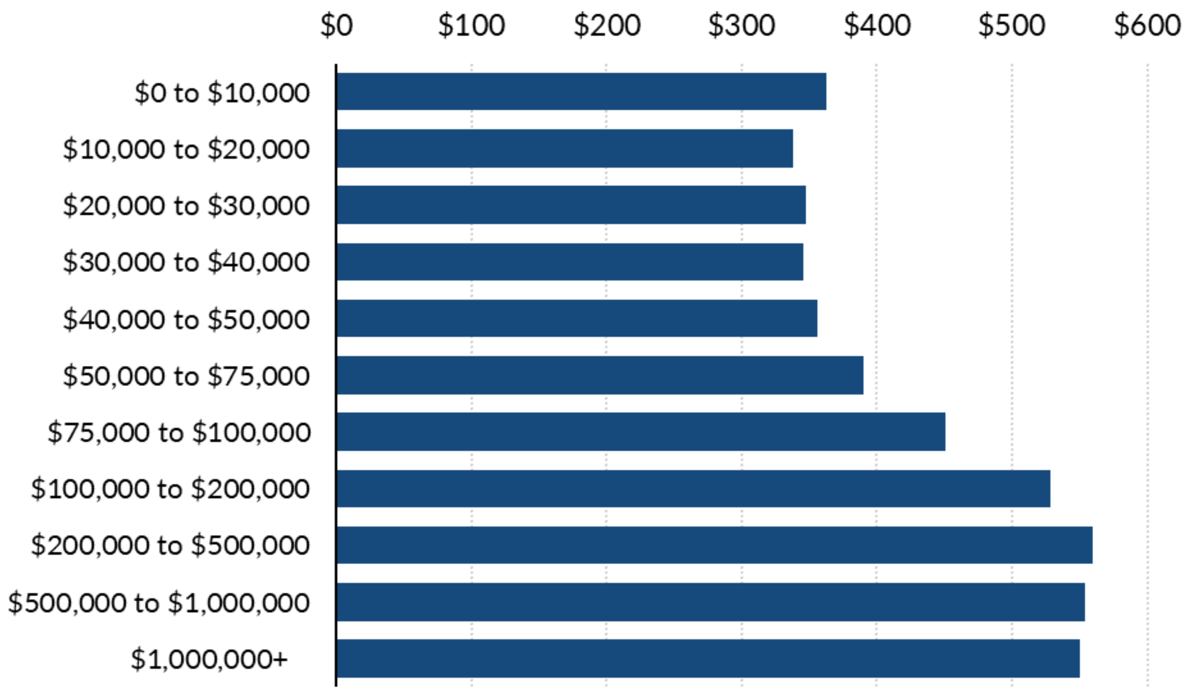
WHAT INCOME GROUPS BENEFITED FROM THE TAX CUT?

The Tax Policy Center state tax model shows that HB 360's one-time tax rebates will deliver an average tax cut of $405 for all Delaware households (figure 13).

FIGURE 13

Average One-Time Delaware Tax Cut

By adjusted gross income group



Source: Tax Policy Center state tax model.
Note: "Average one-time Delaware tax cut" accounts for both households that did and did not get a tax cut. The model assigns the HB 360 tax rebate to all households in Delaware.

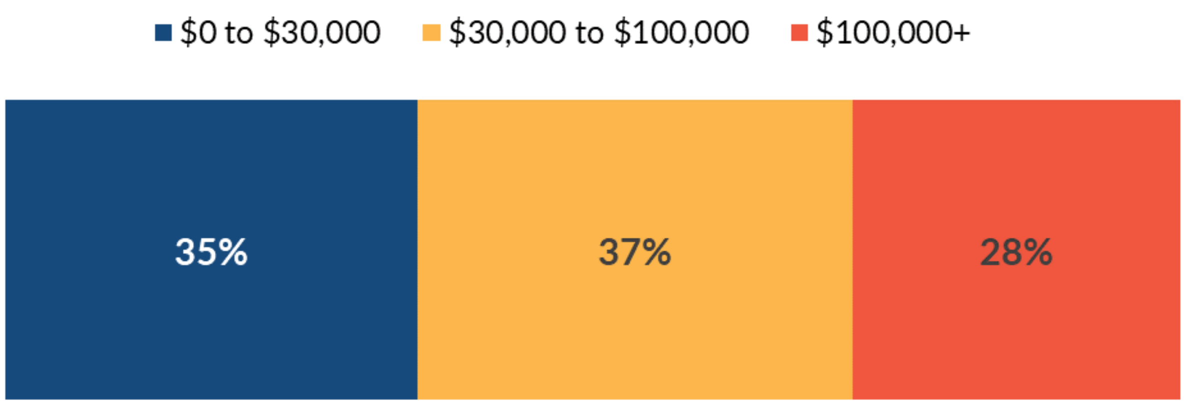
The average tax cut described is the total change in taxes net of refundable credits divided by the number of households in the state. That is, it includes both taxpayers who received a tax cut and those who did not. However, because the model assigns the rebate to all households in Delaware, 100 percent of households get a tax cut. No Delaware taxpayer saw a tax increase as a result of the legislation. The difference in average tax cuts among different income groups is solely a reflection of the demographics of those groups and not related to the tax rebates. That is, the tax rebates were the same for all households in Delaware regardless of income, but there is a larger share of married couples among higher-income households than lower-income households. As a result, the average tax cut for households earning between $100,000 and $200,000 was $530, and the average tax cut for households earning between $20,000 and $30,000 was $350, solely because more households in the higher-income group were married and received $600 rebates.

Analysis of the tax rebates showed Delaware households with an AGI below $30,000 received 35 percent of the tax cut's benefits; those with an AGI between $30,000 and $100,000 received 37 percent; and households with an AGI above $100,000 received 28 percent (figure 14). Delaware's population roughly mirrors national averages, with 40 percent of households earning less than $30,000 and 21 percent earning more than $100,000.

FIGURE 14

Who Benefited from Delaware's Tax Cut?

How much goes to each adjusted gross income group



Source: Tax Policy Center state tax model.
Note: The model assigns the rebate to all Delaware households.

Connecticut

WHAT DOES THE TAX CUT CHANGE?

While Delaware sent tax rebates to all residents who had previously filed a tax return, the one-time tax rebate enacted in Connecticut had stricter eligibility rules. To receive a tax rebate in the Nutmeg State, filers must have had a child on their tax return and earned less than $100,000 if single and $200,000 if married. If eligible, the household received a rebate of $250 for each eligible child with a maximum rebate of $750 per household. Connecticut's one-time tax rebate was a part of the state's larger tax package.

HOW MUCH DOES THE TAX CUT COST?

The Tax Policy Center state tax model estimates Connecticut's one-time tax rebate cost $160 million. The Connecticut Office of Fiscal Analysis estimated the one-time credit will cost $125 million. The Tax Policy Center estimate is higher because it assigns the rebate to all eligible households, while Connecticut assumes some households will not claim the rebate.

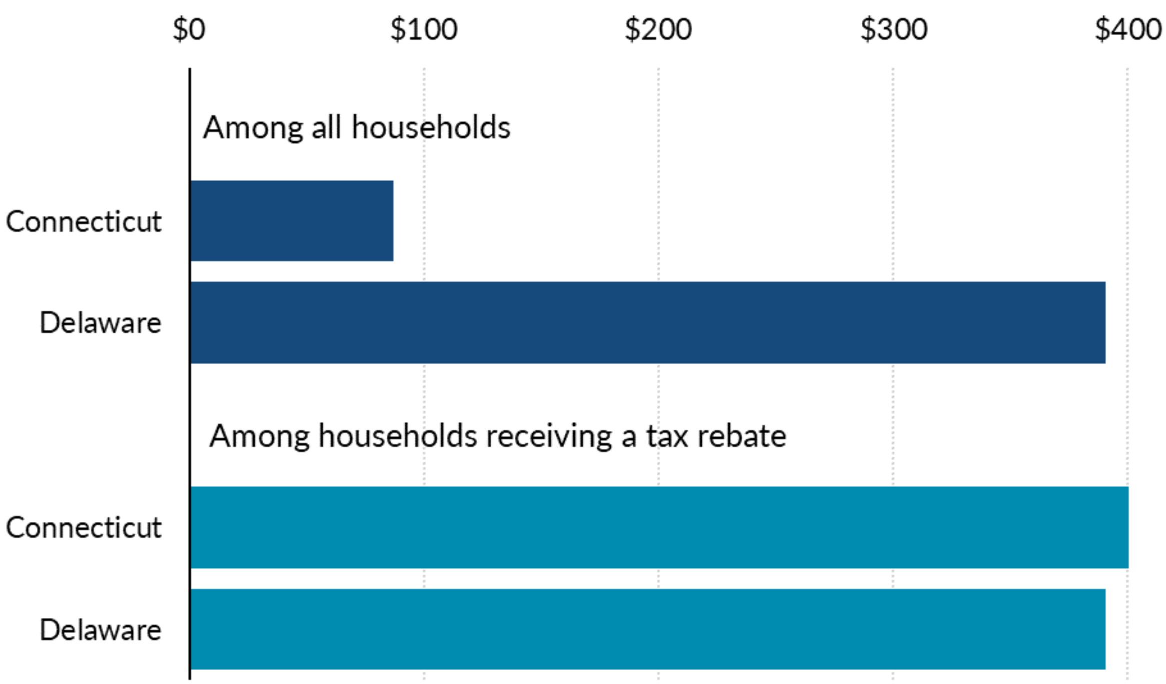
WHAT INCOME GROUPS BENEFITED FROM THE TAX CUT?

If we model only Connecticut's one-time tax rebate, and do not model the state's other income tax cuts, then Connecticut households would get an annual average tax cut of $75. That estimate includes both households that did and did not receive the tax rebate. However, if we look only at the 19 percent of Connecticut households that got the tax rebate, the average tax cut from the rebate was $400. Thus, when comparing households that received rebates, Connecticut provided a similar-sized rebate as Delaware but for a far narrower group of residents. For example, among households earning between $50,000 and $75,000 in AGI, the average tax cut among all households was far smaller in Connecticut ($90) than Delaware ($390), but among households that received a tax rebate, the average tax cut was slightly larger in Connecticut ($400) than Delaware ($390) (figure 15).

FIGURE 15

Average One-Time Tax Rebate Comparison for Connecticut and Delaware

For households earning between $50,000 and $75,000 in AGI



Source: Tax Policy Center state tax model.
Notes: AGI = adjusted gross income. The average annual tax cut for all households accounts for both Connecticut

households that did and did not get a tax rebate. The model assigns Delaware's tax rebate to all households, so the average was the same for both populations.

By restricting eligibility, a state can limit the revenue costs and concentrate benefits on specific groups. In Connecticut, that group was low- and middle-income households with children. Notably, Delaware sent tax rebates to all households but did not pass any other major tax cuts, while Connecticut limited its tax rebate but passed other forms of significant tax relief in 2022.

WHAT ABOUT OTHER ONE-TIME TAX REBATES?

New York, Oregon, and Rhode Island also targeted their tax rebates at specific households, either sending rebates to filers with children on their returns or filers who previously claimed a tax credit tied to children (i.e., the CTC or EITC). As in Connecticut, these states would similarly see concentrated benefits among a small share of households. High-income households could not benefit from tax rebates in these states.

High-income households were also not eligible for tax rebates in Arkansas, California, Hawaii, Illinois, Maine, and New Mexico. These states did not tie tax rebates to family characteristics or existing tax credits and thus had broader eligibility rules, similar to Delaware, but they specifically excluded filers who earned above a specified AGI amount.

Conversely, Arkansas, Georgia, Massachusetts, South Carolina, and Virginia only allowed filers with a tax liability to claim their one-time tax rebates. As noted in "Individual Income Tax Rate Cuts in Mississippi and Utah," a household must earn above a certain threshold of income before having taxable income and a tax liability. AGI thresholds for engendering a tax liability varies across states depending on the state's specific tax rules, but because these five states tied their tax rebates to tax liability, many lower-income households in all five states did not receive a tax rebate.

COMPARING TAX CUTS IN 2022

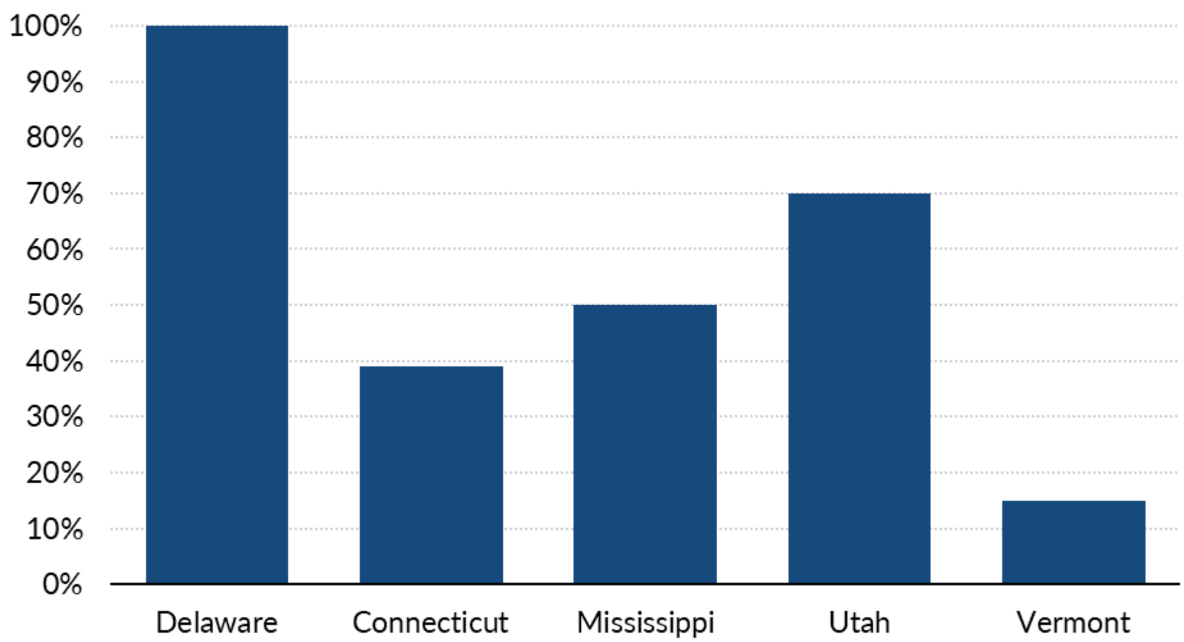
States cut taxes for numerous reasons, but three prominent ones are to promote or incentivize economic growth; to return surplus funds to taxpayers after funding public goods and services; and to create a more equitable tax system by lowering the burden on a specific group of households, such as low- and middle-income households, households with children, or households with retirement income. Critically, no single tax change can achieve all of these goals, and any goal must be weighed against the revenue cost of the tax cut—both in the current and future fiscal years.

By sending tax rebates to all residents who filed a tax return, Delaware made 100 percent of its households eligible for a tax cut. In contrast, Vermont's targeted tax changes benefited only 15 percent of its households (figure 16).

FIGURE 16

Share of Households Getting a Tax Cut

What percentage of households in each state benefited from the tax cut?

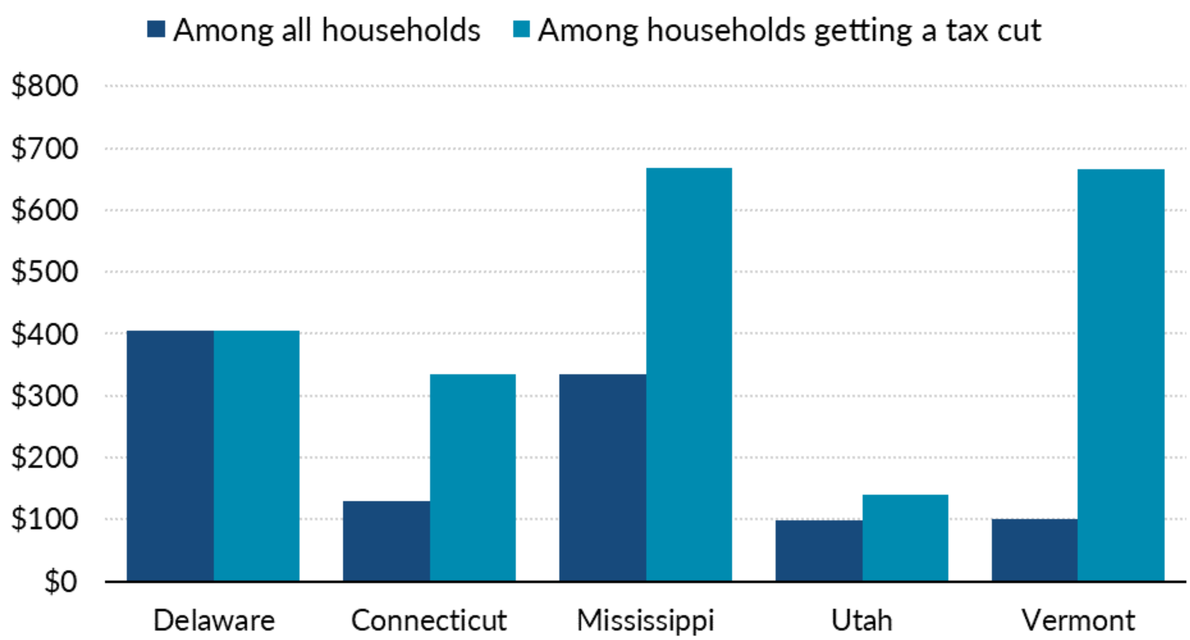


Source: Tax Policy Center state tax model.
Note: The analysis was performed on all individual income tax changes (omitting some smaller changes) enacted in these states in 2022 and assumes all changes took effect immediately. See the sections on each state for a full description on what was modeled and what was omitted.

However, limiting who gets a tax cut can allow policymakers to provide larger benefits to eligible households while staying within fiscal limitations. For example, the Vermont households that got a tax cut received a larger average tax cut ($665) than Delaware households ($405) (figure 17). That is, Delaware decided to use its available resources to provide a tax benefit to everyone (regardless of family characteristics and income), while Vermont used its resources to target benefits mostly at households with children that earned below a certain income threshold. Connecticut similarly targeted its benefits at households with children. As a result, while a relatively small share (39 percent) of Connecticut households benefited from its tax cut, the benefits to these households were relatively large ($335).

FIGURE 17

Average Tax Cut in Each State



Source: Tax Policy Center state tax model.
Notes: The analysis was performed on all individual income tax cuts enacted in these states (omitting a few small changes) and assumes all tax changes took effect immediately. See the sections on each state for a full description on what was modeled and what was omitted.

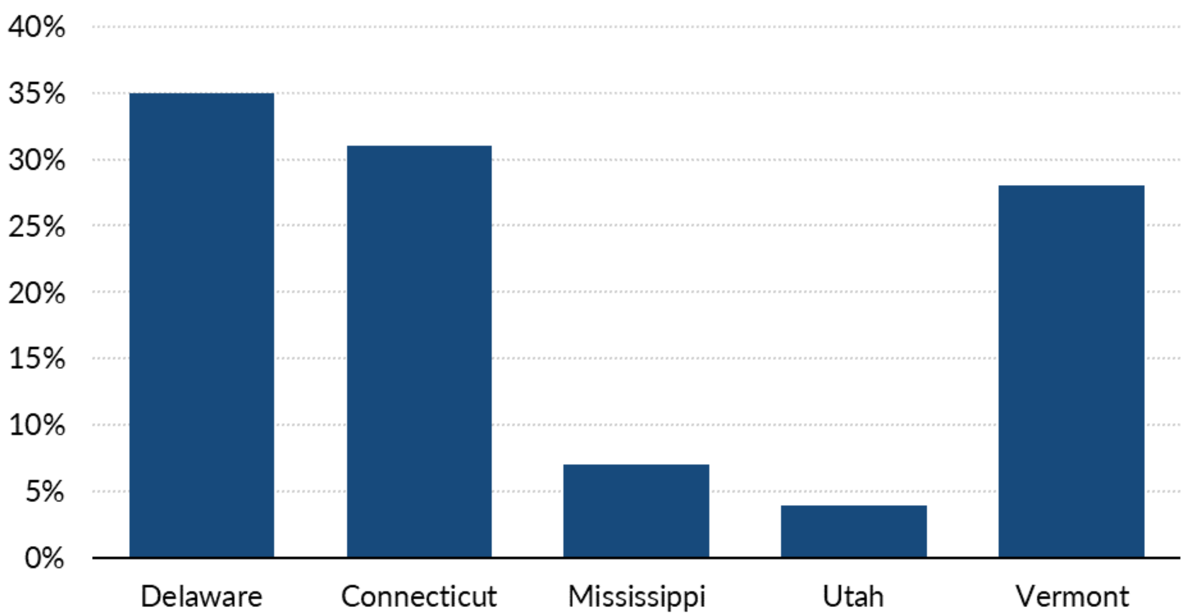
Mississippi's individual income tax rate reduction also produced a large discrepancy between the average annual tax cut for all households ($335) and the average annual tax cut among those who benefited ($670), but this discrepancy was not the result of a targeted tax cut. In fact, 50 percent of Mississippi households benefited from its tax cut. Further, as we noted in the section on Mississippi, the average tax cut among all households and households that benefited was not significantly different *within income groups.* For example, among households earning between $50,000 and $75,000, the average annual tax cuts were $430 among all households and $525 among households getting a tax cut. Instead, the size of the tax cuts among the highest-earning households in Mississippi drove the difference in average tax cuts. That is, by removing the half of Mississippi households seeing no benefit, the thousands of dollars in tax cuts going to households earning more than $100,000—and specifically the $24,545, on average, going to households earning more than $1 million—pulled the state's average up among only households getting a tax cut.

Utah also enacted an individual income tax rate reduction, but there was a relatively smaller difference between the state's average annual tax cut among all households ($100) and those receiving a tax cut ($140) for two reasons. One, Utah's income tax rate reduction (0.1 point) was smaller than Mississippi's reduction (1.0 point), so while Utah's high-income households benefited the most from the state's tax cut, they did not benefit as much as similar households in Mississippi (i.e., Utah households earning more than $1 million got an average annual tax cut of $3,465). Two, while Mississippi only changed its income tax rates, Utah also created a nonrefundable EITC and expanded a tax credit for Social Security income, so more Utah households benefited from its total tax package (70 percent of households got a tax cut).

Proponents of Mississippi's tax cut argued that reducing the individual income tax rate makes the state more "tax-friendly" and will encourage business location and job creation in the state,[27] and the governor of Utah said his state's tax cut will "return hard-earned money to Utah families."[28] Although the ability of state tax cuts to engender economic growth is debatable and dependent on other fiscal decisions (Gale, Krupkin, and Rueben 2015), reducing an individual income tax rate unquestionably results in little to no benefit for low-income households. Overall, households earning less than $30,000 received 7 percent of the benefit of Mississippi's tax cut and 4 percent of Utah's tax cut (figure 18).

FIGURE 18

Share of Benefit Going to Households Earning Less than $30,000



Source: Tax Policy Center state tax model.
Notes: The analysis was performed on all individual income tax changes enacted in these states (omitting a few small changes) and assumes all tax changes took effect immediately. See the sections on each state for a full description on what was modeled and what was omitted.

In contrast, roughly 30 percent of the benefit from tax cuts passed in Connecticut and Vermont went to households earning less than $30,000. A large share of the benefit went to low-income households in these two states because they created or expanded refundable tax credits that provide benefits to households with little or no taxable income. Utah also enacted an EITC, but because its new credit is nonrefundable, it cannot benefit households without taxable income.

Roughly a third of Delaware's tax cut also went to households earning less than $30,000 because it sent tax rebates to all filers, regardless of income, which made its rebate essentially a one-time refundable tax credit.

Finally, each state had to decide how much revenue to allocate for these tax reductions. By providing a significant tax rebate to all households, Delaware enacted a relatively costly tax cut, equal to roughly 4 percent of its FY 2022 general fund revenue (NASBO 2022). However, because it was a one-time tax rebate, it will not affect future state budgets. Although policymakers can debate the efficacy of one-time tax rebates compared to other fiscal options, a major benefit for the 18 states that sent tax rebates in 2022 is that their one-time tax cut matched the one-time surge in revenue collections.

Mississippi passed an even larger tax cut (roughly 7 percent of its general fund revenue in FY 2022) than Delaware, and because Mississippi's change is permanent, its 2022 tax cut will have a large effect on its future revenue collections and budget decisions. Connecticut, Utah, and Vermont also made permanent changes to their tax codes, but the costs were smaller—roughly 1 to 2 percent of fiscal year general fund revenue in each state for FY 2022.

CONCLUSION

Rapid and largely unexpected economic growth over the past two years helped fill state coffers and fuel a wide range of state tax cuts. However, this same economic and revenue volatility makes predicting the fiscal future of states extremely difficult. An optimist could argue that current economic growth and low unemployment are sustainable and that states will continue to see revenue growth over the next few years. A pessimist could argue that inflation and its myriad economic and fiscal consequences will make balancing state budgets increasingly challenging. Adding to this fiscal uncertainty is an unknowable political future, and what looming federal tax decisions (or lack thereof) could mean for state tax collections (Auxier and Sammartino 2018).

Faced with such volatility and uncertainty, states should study the tax cuts enacted over the past two years as they prepare for different possible fiscal futures. If good economic and fiscal times continue, states that passed income tax rate reductions could consider refundable tax credits like the EITC and CTC, so that future tax cuts benefit the low- and middle-income households that largely did not benefit from previous tax cuts. And states that passed one-time tax rebates in 2022 could consider enacting fiscally responsible permanent tax cuts that achieve broader policy goals. Conversely, if economic and fiscal conditions worsen, state policymakers should remember who benefited from previous tax cuts during the good times, and what those tax cuts cost, as they plan possible tax increases and spending cuts during a downturn.

APPENDIX A: OTHER STATE TAX CUTS

In addition to individual income tax cuts, states enacted numerous other types of tax cuts in calendar year 2022. We cannot model these changes with the Tax Policy Center state income tax model, but these state tax cuts similarly benefited some households (and some households more than others) and reduced state tax collections (both temporarily and permanently). Here we broadly describe the main costs and benefits of each of these tax changes.

Arizona, Colorado, Connecticut, Illinois, Kansas, Maine, Massachusetts, Nebraska, New Jersey, New York, and Pennsylvania all passed some form of **property tax relief**. Some states levy taxes on personal property, such as business equipment, but local governments primarily levy property taxes on residential and commercial property.[29] Overall, the property tax accounts for roughly 30 percent of local government general revenue (including federal transfers) and close to 1 percent of state general revenue. However, states can provide property tax relief for homeowners by setting limitations on local taxes or providing tax credits to residents. For example, in 2022, Colorado[30] lowered its assessment rate for residential property (i.e., the share of the property's total value that is taxable by the local government), and New Jersey[31] expanded a refundable property tax credit that was available to homeowners and renters (who pay property tax via their rent) who earn below certain income limits. Colorado's assessment limit will benefit all homeowners, but the largest benefits will go to residents who own the most valuable properties. The New Jersey tax credit will benefit low-income residents, including renters, but not households earning more than $250,000 in income.[32] Although policy specifics ultimately determine who benefits, generally speaking, state property tax relief mirrors income tax relief. A limitation on the taxable value of a property helps all homeowners, but the largest benefits go to those with the most valuable homes, while a refundable tax credit can concentrate benefits on specific groups, such as low-income households or seniors. States provided both one-time property tax relief (e.g., Illinois provided a property tax rebate to homeowners in addition to its income tax rebate) and permanent tax cuts (e.g., Colorado's assessment limitation) in 2022.

Arkansas, Idaho, Iowa, Nebraska, New Hampshire, Oklahoma, Pennsylvania, and Utah **lowered corporate income tax rates or enacted a similar type of tax cut for businesses**. There is a lot of debate over who pays the corporate income tax and thus who benefits from corporate income tax rate cuts.[33] The Tax Policy Center assumes, at the federal level, that investment returns (e.g., dividends, interest, and capital gains) bear 80 percent of the corporate income tax burden, with wages and other labor income carrying the remaining 20 percent. Thus, most of the direct benefit of federal corporate tax cuts goes to high-income households. Most state corporate income tax systems conform with federal rules, so we can assume some overlap in the distribution of benefits, but state corporate taxes are further complicated because some businesses operate in multiple states, making it challenging to estimate the benefits for a given state's residents. Many policymakers who advocate for business tax cuts do not frame the issues as tax relief but rather as a way for their state to compete with other states for businesses and jobs. However, a host of nontax factors, including the state's mix of industries and its ability to effectively provide public services—such as education and transportation—ultimately determines whether such a tax cut is advantageous. All of the corporate income tax cuts enacted in calendar year 2022 were permanent changes and will affect future budgets.

APPENDIX A: OTHER STATE TAX CUTS

Connecticut, Florida, Georgia, Maryland, and New York **suspended their gas tax**. Policymakers pushed gas tax holidays in 2022 as the pandemic, the war in Ukraine, and various other factors increased the price of gasoline across the country. However, state gas tax rates are relatively low—ranging from 8.95 cents per gallon in Alaska to 57.6 cents per gallon in Pennsylvania at the start of 2022—and are a small share of the price of gas paid at the pump.[34] As a result, a gas tax suspension cannot deliver much benefit to consumers and does little to affect the overall price of gas (which is determined by a host of national and international factors). Further, there was no guarantee that consumers benefited from the state gas tax suspensions, as sellers could have collected most or all of the benefit. Suspending the gas tax was similar to a one-time income tax rebate in that, while possibly generating a large revenue cost, that cost only affected one budget year and will not permanently affect state tax collections. Additionally, Illinois and Kentucky stopped scheduled gas tax rate increases from taking effect. These tax cuts were smaller (for both consumers and state tax collections), but similarly created only a one-time revenue cost.

Illinois, Kansas, Tennessee, and Virginia either **repealed or suspended their general sales tax on grocery food**. At the start of 2022, only 13 states taxed grocery food. Exempting grocery food from the general sales tax benefits all consumers—low and high income, residents and nonresidents—but because grocery purchases are a larger share of a low-income household's consumption as a share of income, this tax cut is generally considered a progressive change. The suspended taxes in Illinois and Tennessee will not affect future budgets, but permanent reductions in Kansas and Virginia will reduce sales tax collections going forward.

New Mexico **reduced its general sales tax rate**, on all purchases, from 5.125 to 5 percent. New Mexico's tax is technically a gross receipts tax, but we refer to it as a general sales tax because the tax exempts business-to-business transactions and thus resembles the general sales taxes used in other states. New Mexico's rate reduction will benefit all consumers, but because low-income households spend a larger share of their income on consumption than high-income households, low-income households will see a larger benefit as a share of income—even as, in total dollars, high-income households get a larger benefit because they spend more. This change is permanent and will affect future budgets.

NOTES

[1] Unless specifically noted, all dates in this report refer to calendar years.

[2] The unit of analysis for this paper is nondependent tax units. We use "households" in the text for simplicity. Most actual households consist of a single tax unit but some contain more than one tax unit (e.g., parents who file as a couple and an older child who earns enough income to file separately). We use "households" to describe these separate tax units.

[3] The state tax model is based on the Tax Policy Center federal tax model with the data base reweighted to be representative by state. See Khitatrakun, Surachai, Gordon B. Mermin, and Norton Francis. 2016. "Incorporating State Analysis into the Tax Policy Center's Microsimulation Model: Documentation and Methodology." Washington, DC: Tax Policy Center. https://www.taxpolicycenter.org/publications/incorporating-state-analysis-tax-policy-centers-microsimulation-model-documentation-and

[4] The fiscal year runs from July 1 to June 30 in 46 states. The exceptions are Alabama, Michigan, and the District of Columbia (fiscal year ends on September 30); New York (March 31); and Texas (August 31).

[5] Lucy Dadayan, "COVID-19 Pandemic Could Slash 2020-21 State Revenues by $200 Billion," *TaxVox* (blog), Tax Policy Center, July 1, 2020, https://www.taxpolicycenter.org/taxvox/covid-19-pandemic-could-slash-2020-21-state-revenues-200-billion.

[6] Rebecca Thiess and Madalyn Bryant, "Robust Federal Pandemic Aid Has Sent over $800 Billion to States," Pew Charitable Trusts, November 3, 2022, https://www.pewtrusts.org/en/research-and-analysis/articles/2022/11/03/robust-federal-pandemic-aid-has-sent-over-$800-billion-to-states.

[7] This count does not include the 20 states that reduced tax collections by conforming with the federal government's $10,200 exemption of unemployment compensation in tax year 2020 or the 43 states that conformed with the federal government's tax treatment of Paycheck Protection Program loans.

[8] Richard C. Auxier, "A Tale of Two Tax Triggers," *TaxVox* (blog), Tax Policy Center, May 17, 2017, https://www.taxpolicycenter.org/taxvox/tale-two-tax-triggers. https://www.taxpolicycenter.org/taxvox/tale-two-tax-triggers

[9] "A228, R259, S1087," South Carolina General Assembly, 124th Session, 2021-2022, https://www.scstatehouse.gov/sess124_2021-2022/bills/1087.htm.

[10] "House Bill 531," Mississippi Legislature, 2022 Regular Session, http://billstatus.ls.state.ms.us/2022/pdf/history/HB/HB0531.xml.

[11] "S.B. 59 Tax Amendments," Utah State Legislature, 2022 General Session, https://le.utah.gov/~2022/bills/static/SB0059.html.

[12] "Nonrefundable Tax Credit Act: Section 1042 Nonrefundable Tax Credit for Social Security Benefits," Utah State Legislature, Utah Code, accessed October 27, 2022, https://le.utah.gov/xcode/Title59/Chapter10/59-10-S1042.html.

[13] "Earned Income and Earned Income Tax Credit (EITC) Tables," Internal Revenue Service, accessed October 14, 2022, https://le.utah.gov/xcode/Title59/Chapter10/59-10-S1042.html.

[14] Richard C. Auxier, "District of Columbia Shows How to Expand the EITC for Childless Workers," *TaxVox* (blog), Tax Policy Center, February 26, 2019, https://www.taxpolicycenter.org/taxvox/district-columbia-shows-how-expand-eitc-childless-workers.

[15] ITIN filers can now claim the state EITC in California, Colorado, Illinois, Maine, Maryland, New Mexico, Oregon, Washington, and the District of Columbia.

[16] Connecticut used ARP funds in calendar year 2022 to increase the state's EITC match rate to 41.5 percent for tax year 2021. Separately, HB 5506 included a permanent EITC increase to 41.5 percent, but that change was later repealed in an amendment to the state budget in Public Act No. 22-146.

[17] "H.B. No. 5506," Connecticut Legislature, Session Year 2022, https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB05506&which_year=2022.

[18] These amounts are from tax year 2022. The maximum income amounts vary depending on how many children the filer has: $42,492 for one child, $49,399 for two children, and $53,057 for three or more children.

NOTES

[19] The 12 states that offer a state CTC are Arizona, California, Colorado, Idaho, Maine, Massachusetts, New York, New Jersey, New Mexico, North Carolina, Oklahoma, and Vermont. These states enacted a new tax credit based in part on either the federal CTC eligibility rules or the state's definitions of children or dependents, and the state CTC is provided in addition to the state's personal exemptions or a relatively large standard deduction (e.g., Arizona does not use personal exemptions but its standard deduction amounts are equal to the federal levels). The 12-state count does not include states that have long used a personal credit as a substitute for a personal exemption (e.g., Arkansas offers a relatively small personal credit to filers and dependents).

[20] "H. 510 (Act 138)," Vermont General Assembly, 2021-2022 Session, https://legislature.vermont.gov/bill/status/2022/H.510.

[21] Vermont's legislation increased the share of the state credit that is refundable from 50 to 100 percent. However, Vermont's CDCTC is calculated as a share of the federal CDCTC, which is not refundable. As a result, even though the state credit is refundable, many Vermont lower-income households do not benefit from it because they do not receive the federal credit.

[22] The Massachusetts legislature did not enact a one-time tax rebate in 2022. Instead, while the legislature was debating and designing a tax rebate, policymakers discovered a 1986 law that *required* the state to send one-time tax rebates because of its level of tax collections. However, because this rebate is not a common occurrence and legislation creating a tax rebate was likely to pass without it, Massachusetts was included in our count of states passing one-time tax rebates.

[23] This list does not include states that increased existing tax rebates. For example, New Jersey expanded an existing rebate related to property taxes in 2022.

[24] New Mexico enacted one-time tax rebates twice in 2022. This total combines those rebates for an eligible household.

[25] "House Bill 360," Delaware General Assembly, 151st General Assembly, https://legis.delaware.gov/BillDetail/99311.

[26] In calendar year 2022, Delaware also exempted unemployment income from state income tax for tax year 2021 and permanently increased an exclusion for military retirement income. Neither change was included in this analysis.

[27] Emily Wagster Pettus, "Top Mississippi Lawmakers Reach Deal on Income Tax Cut," Associated Press, March 26, 2022, https://apnews.com/article/business-mississippi-tate-reeves-delbert-hosemann-9a5d778f43d4f1ba22f97543410964e9.

[28] Kim Bojórquez, "Utah Gov. Cox Has Signed Nearly $200M in Tax Relief into Law. Here's How Much You'll Actually Get," *Salt Lake Tribune*, February 10, 2022, https://www.sltrib.com/news/politics/2022/02/10/utah-senate-gives-final/?utm_campaign=2022-02-11+SD&utm_medium=email&utm_source=Pew&subscriberkey=00QU000000Aofy9MAB%27.

[29] "State and Local Backgrounders: Property Taxes," Urban Institute, accessed December 12, 2022, https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/projects/state-and-local-backgrounders/property-taxes.

[30] "SB22-238: 2023 and 2024 Property Tax," Colorado General Assembly, accessed November 16, 2022, https://leg.colorado.gov/bills/sb22-238.

[31] "Bill S2023 (LIV)," New Jersey Legislature, accessed November 16, 2022, https://www.njleg.state.nj.us/bill-search/2022/S2023.

[32] "ANCHOR–Affordable NJ Communities for Homeowners & Renters," New Jersey Treasury, accessed November 16, 2022, https://www.state.nj.us/treasury/media/anchor/index.shtml.

[33] William G. Gale and Samuel Thorpe, "Rethinking the Incidence of the Corporate Income Tax," *TaxVox* (blog), Tax Policy Center, May 10, 2022, https://www.taxpolicycenter.org/taxvox/rethinking-incidence-corporate-income-tax.

[34] "Gasoline Explained: Factors Affecting Gasoline Prices," US Energy Information Administration, accessed November 16, 2022, https://www.eia.gov/energyexplained/gasoline/factors-affecting-gasoline-prices.php#.

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ERRATA

This publication was updated on February 6, 2023. The original version noted that both the Connecticut governor (temporarily, via directive) and legislature (permanently, via legislation) increased the state's EITC match rate to 41.5 percent. However, the legislature repealed its EITC increase in subsequent legislation. This version only describes the governor's action. None of the estimates of the distributional effect of Connecticut's overall tax cut were changed.

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