

New Hampshire Ranks as the Second Most Tax-Friendly State in the Nation

Taxes are one of the certainties of life, but how much you pay in state and local taxes may depend on the state where you live. Granite Staters pay 7.6 percent of their income in taxes. Alaska was ranked as the most tax-friendly state in the nation, with Alaskans paying 6.3 percent of their income towards taxes. The least tax-friendly state in the nation was our neighbor to the east. Residents in Maine have the largest tax burden in the country. Maine residents pay over 13 percent of their income towards taxes.

Three other New England states ranked toward the bottom. Vermont (47th), Connecticut (45th), and Rhode Island (44th) with residents in these states paying 11.7 percent, 11.6 percent, and 11.4 percent of their income towards taxes respectively. Contrary to popular belief, Massachusetts residents pay less than 10 percent of their income in taxes, ranking it eleventh nationally.¹

There are several types of taxes that determine each state's tax-friendliness - income, sales, property, business, and interest and dividends taxes, to name a few. Five states do not impose a state sales tax,² while nine states do not impose a state income tax.³ Only Alaska and New Hampshire have no state income tax or state sales tax. Nonetheless, the Granite State does impose an interest and dividends tax, and cities in Alaska can impose a sales tax.

Being a tax-friendly state does not mean all taxes levied in the state are low. Both

New England's Tax Burden		
	% of Income	Rank
New England	10.9%	
Connecticut	11.6%	45
Maine	13.6%	50
Massachusetts	9.5%	11
New Hampshire	7.6%	2
Rhode Island	11.4%	44
Vermont	11.7%	47

Source: Tax Foundation

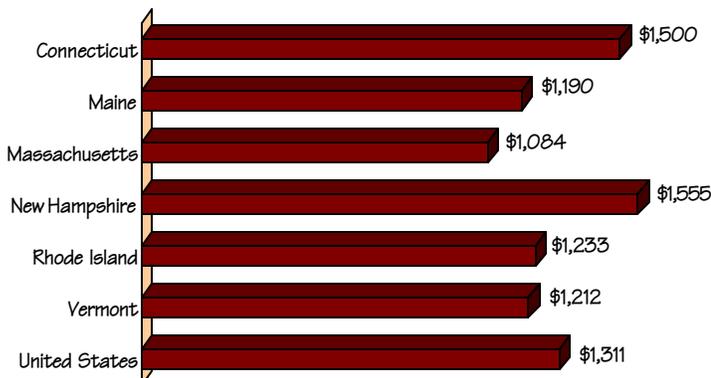
New Hampshire and Alaska are in the bottom ten for property taxes. New Hampshire had the second highest per capita property tax in the nation, \$1,555, based on data from 1997. Only New Jersey was higher, at \$1,591. This was seven times higher than Alabama's per capita property tax, the lowest in the nation.

New England can be an expensive place to own property. Every New England state ranked in the bottom ten for per capita property taxes. Massachusetts had the lowest per capita property tax in New England, \$1,084, and ranked 43rd nationally.⁴

The tax burden was estimated for a family of four with an annual income of \$100,000 living in the largest city in each state. Manchester, New Hampshire, residents pay 8.5 percent of their income for taxes. This was the lowest of the six New England cities and 18th nationally. Residents in Anchorage, Alaska, pay the least in taxes, 3.2 percent, while in Bridgeport, Connecticut, residents pay 22.4 percent, the highest among the 51 cities included.⁵

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Per Capita Property Tax for the New England States



Source: Tax Foundation's Special Report on State and Local Property Taxes

¹Tax Foundation <www.taxfoundation.org>, "Tax Bites" accessed April 2, 2002

²Federation of Tax Administrators, <www.taxadmin.org> "State Sales Tax Rates" accessed April 3, 2002

³Federation of Tax Administrators, <www.taxadmin.org> "State Individual Income Taxes" accessed April 3, 2002

⁴Tax Foundation, <www.taxfoundation.org>, "State and Local Property Taxes" release date August 2001, accessed April 2, 2002

⁵The District of Columbia, Office of the Chief Financial Officer, Office of Research and Analysis, <www.dc.gov> "Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison, 2000" released August 2001, accessed April 3, 2002