Tax reform provides a pivotal opportunity to support working families in Mississippi. Nearly half of the state’s working families are considered working poor, meaning that they work at least one job but are still struggling to meet their families’ basic needs. That is why efforts to reform Mississippi’s tax system should focus on the implications for low- and middle-income working families. Tax reform should ease, not worsen, the financial responsibility of paying taxes for low- and middle-income Mississippians.
Some tax reform efforts may appear simple and fair at first glance, but would actually result in a tax shift. A tax shift is a change in taxes that results in reducing taxes for some while increasing taxes for others. Personal and corporate income tax cuts generally benefit higher income taxpayers more than working families. They are also more costly than tax cuts that affect low- and middle-income earners. To avoid triggering large budget cuts to public services, like education and mental health care, broad income tax cuts will require an increase in other taxes like sales and/or property taxes. This results in a tax shift onto low- and middle-income working families.

All Mississippi families pay taxes, including low-income families. Low-income families pay taxes such as sales, property, and gasoline taxes. Mississippi relies heavily on the sales tax, which is based on how much you spend, not how much you earn. As a result, Mississippi’s working poor families pay more than seven times as much in sales taxes as a share of their income than the state’s top earning households.

**Some proposals would place more of the tax responsibility on low- and middle-income families.**

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Tax reform can be targeted to support working families.

All tax reform efforts should be evaluated based on how they will affect Mississippi families. Tax reform that benefits families struggling to make ends meet while maintaining adequate revenue should be the goal of any tax reform efforts. A refundable state Earned Income Tax Credit (EITC) modeled on the federal credit would reduce taxes for low-earning working families and strengthen local economies by putting dollars in the hands of families who will turn around and spend them in their local communities on things like groceries and other goods.