

How the States Stack Up

THE DIFFERENCE IN TAX BILLS BETWEEN STATES FOR FAMILIES IN SIMILAR CIRCUMSTANCES can be astounding. For example, the identical set of financial parameters that generated a tax bill of \$10,504 last year in tax-friendly Wyoming could have cost a family \$68,583 in tax-hell Rhode Island. To gauge the wealth friendliness of all 50 states and the District of Columbia, WEALTH MANAGER created four hypothetical families with incomes, assets, and spending patterns designed to measure the varied impact of state taxes on salary, real estate and personal property, and retirement assets. Each family was assumed to be married and filing jointly.

Family No. 1 derives most of its wealth from salary: \$500,000 in adjusted gross income, \$20,000 in long-term capital gains, \$3,000 in ordinary income, \$10,000 in municipal bond income from another state. Home value of \$500,000. Spending of \$80,000, including \$16,000 on food, \$4,000 on prescription drugs, \$2,000 on over-the-counter medications, and 600 gallons of gas. Two dependents. Car valued at \$50,000.

Family No. 2 has most of its wealth in real assets: \$100,000 in adjusted gross income, \$10,000 in long-term capital gains, \$2,000 in ordinary income, \$5,000 in municipal bond income from another state. Primary home value of \$1 million; secondary home value of \$250,000 in the same state. Spending of \$40,000, including \$10,000 on food, \$3,000 on prescription drugs, \$2,000 on over-the-counter medications, and 600 gallons of gas. Two dependents. Car valued at \$50,000.

Family No. 3's wealth is in mixed assets: \$500,000 in adjusted gross income, \$20,000 in long-term capital gains, \$3,000 in ordinary income, \$10,000 in municipal bond income from another state. Home value of \$1 million. Spending of \$80,000, including \$16,000 on food, \$4,000 on prescription drugs, \$2,000 on over-the-counter medications, and 600 gallons of gas. Two dependents. Car valued at \$50,000.

Family No. 4 receives most of its wealth in retirement income: No earned income, \$20,000 in long-term capital gains, \$5,000 in ordinary income, \$20,000 in municipal bond income from another state, \$10,000 in disbursements from individual retirement accounts, \$50,000 in a non-lump-sum distribution from a private defined-benefit pension plan, \$34,312 in Social Security income. Home value of \$500,000. Spending of \$50,000, including \$16,000 on food, \$10,000 on prescription drugs, \$4,000 on over-the-counter medications, and 600 gallons of gas. No dependents. Car valued at \$50,000.

To see how the four families fared in 2002, we crunched the income-tax numbers for each state using Quicken's TurboTax computer programs from Intuit. Real estate taxes were calculated based on the average tax rate in the 429 jurisdictions surveyed by Runzheimer International, a Wisconsin-based management consulting firm. Sales taxes were figured using data from the Federation of Tax Administrators, and personal property car taxes were based on information provided by the National Conference of State Legislatures.

Next, we ranked each state according to the tax due for each of the four families. Grades were assigned in 12-point increments: states ranked 1 through 12 earned an A, 13 through 24 garnered a B, and so forth. The results are displayed in the table at the right. —Thomas D. Saler

	WEALTH IN MIXED ASSETS			WEALTH IN SALARY			WEALTH IN REAL ASSETS			WEALTH IN RETIREMENT			OVERALL WEALTH FRIENDLINESS		
		RANK	GRADE		RANK	GRADE		RANK	GRADE		RANK	GRADE	AVERAGE RANK	RANK	GRADE
Alabama	\$24,950	9	A-	\$22,711	10	A-	\$11,129	3	A+	\$4,395	2	A+	6.00	2*	A+
Alaska	16,148	4	A+	8,498	2	A+	19,973	24	B-	8,530	11	A-	10.25	7	A
Arizona	35,889	13	B+	31,639	15	B+	15,008	8	A	8,308	9	A-	11.25	9	A-
Arkansas	46,609	30	C	42,987	32	C	16,245	11	A-	9,338	15	B+	22.00	18	B
California	61,157	49	D-	55,793	49	F	19,595	18	B	11,250	24	B-	35.00	36*	D+
Colorado	32,657	12	A-	29,807	13	B+	12,446	5	A	7,598	6	A	9.00	6	A
Connecticut	45,813	26	C+	38,113	23	B-	26,945	40	D+	15,041	46	D-	33.75	34	C-
Delaware	36,898	15	B+	33,648	19	B	12,485	6	A	5,805	4	A+	11.00	8	A-
District of Columbia	58,758	44	D	54,683	48	D-	18,053	15	B+	9,469	17	B	31.00	33	C-
Florida	19,225	7	A	11,575	8	A	20,867	29	C	9,351	16	B+	15.00	10	A-
Georgia	43,966	23	B-	39,162	26	C+	18,837	16	B+	9,199	14	B+	19.75	17	B
Hawaii	47,641	31	C	46,006	36	C-	11,124	2	A+	4,049	1	A+	17.50	14	B+
Idaho	54,121	38	D+	48,265	42	D	20,606	26	C+	12,276	33	C-	34.75	35	C-
Illinois	41,040	19	B	30,287	14	B+	32,287	50	F	13,671	39	D+	30.50	31	C
Indiana	39,079	16	B+	32,965	16	B+	21,047	31	C	11,605	27	C+	22.50	19	B
Iowa	46,483	29	C	39,082	25	C+	25,763	37	D+	12,242	32	C	30.75	32	C-
Kansas	49,170	35	C-	43,353	33	C-	22,110	33	C-	14,598	45	D-	36.50	38	D+
Kentucky	46,454	28	C+	41,228	29	C	20,815	27	C+	9,655	19	B	25.75	24	C+
Louisiana	28,131	11	A-	25,146	11	A-	11,929	4	A+	6,661	5	A	7.75	4	A
Maine	60,648	48	D-	53,973	47	D-	25,102	36	C-	14,523	43	D	43.50	45	D-
Maryland	39,352	17	B	33,632	18	B	19,788	21	B-	10,576	21	B-	19.25	15	B+
Massachusetts	41,327	20	B	36,005	21	B-	20,821	28	C+	11,727	28	C+	24.25	22	B-
Michigan	42,080	22	B-	33,618	17	B	27,274	41	D	11,545	25	C+	26.25	25	C+
Minnesota	54,893	40	D+	49,666	44	D	20,309	25	C+	14,249	42	D	37.75	40	D
Mississippi	40,303	18	B	35,220	20	B	19,770	20	B	8,355	10	A-	17.00	13	B+
Missouri	45,790	25	C+	39,889	28	C+	21,042	30	C	13,462	37	D+	30.00	30	C
Montana	55,874	42	D	47,152	38	D+	29,171	44	D	16,095	49	F	43.25	44	D-
Nebraska	55,934	43	D	47,908	39	D+	26,709	39	D+	16,011	48	D-	42.25	43	D-
Nevada	15,639	3	A+	10,214	4	A+	16,207	10	A-	7,840	7	A	6.00	2*	A+
New Hampshire	17,877	6	A	9,577	3	A+	21,617	32	C	10,135	20	B	15.25	11	A-
New Jersey	53,157	37	D+	42,839	31	C	30,132	46	D-	13,081	35	C-	37.25	39	D
New Mexico	52,249	36	C-	48,159	41	D	15,790	9	A-	11,807	30	C	29.00	29	C
New York	59,085	46	D-	48,471	43	D	31,837	49	F	14,571	44	D	45.50	46	D-
North Carolina	55,091	41	D	50,391	45	D-	19,961	23	B-	12,240	31	C	35.00	36*	D+
North Dakota	48,568	34	C-	38,130	24	B-	30,087	45	D-	14,198	41	D	36.00	37	D+
Ohio	54,881	39	D+	46,977	37	D+	26,510	38	D+	13,620	38	D+	38.00	41	D
Oklahoma	48,045	32	C	43,515	34	C-	19,732	19	B	11,598	26	C+	27.75	28	C
Oregon	59,341	47	D-	53,187	46	D-	23,036	35	C-	13,112	36	C-	41.00	42	D
Pennsylvania	36,659	14	B+	27,609	12	A-	27,556	42	D	11,769	29	C	24.25	23	B-
Rhode Island	68,583	51	F	58,762	51	F	31,395	48	D-	17,502	50	F	50.00	49	F
South Carolina	48,215	33	C-	44,540	35	C-	16,914	13	B+	9,013	13	A-	23.50	20	B-
South Dakota	19,352	8	A	10,902	7	A	22,257	34	C-	9,470	18	B	16.75	12	B+
Tennessee	15,418	2	A+	10,598	6	A	14,798	7	A	8,744	12	A-	6.75	3	A+
Texas	26,995	10	A-	15,995	9	A-	30,433	47	D-	13,700	40	D+	26.50	26	C+
Utah	41,515	21	B-	37,215	22	B-	16,526	12	A-	10,702	23	B-	19.50	16	B
Vermont	65,420	50	F	56,461	50	F	28,489	43	D	15,918	47	D-	47.50	48	F
Virginia	44,248	24	B-	39,386	27	C+	19,832	22	B-	10,622	22	B-	23.75	21	B-
Washington	16,608	5	A	10,258	5	A	17,638	14	B+	7,880	8	A	8.00	5	A
West Virginia	46,007	27	C+	41,657	30	C	19,162	17	B	12,775	34	C-	27.00	27	C+
Wisconsin	58,768	45	D-	47,926	40	D+	34,008	51	F	17,611	51	F	46.75	47	F
Wyoming	10,504	1	A+	6,904	1	A+	10,984	1	A+	5,440	3	A+	1.50	1	A+

*Tie rankings.