

EARL CARL INSTITUTE

for Legal & Social Policy, Inc.

Taxation As a Tool to Limit Wealth and Maintain Poverty

By: Professor Carlton Perkins, Chair, Wealth and Taxation Task Force

Considerable criticism has been lodged against current economic policies that critics argue increase net worth for the nation's richest Americans while decreasing the wealth of the nation's middle and lower income people.

Wealth refers to total net worth or total assets, including financial assets (such as cash, stocks, etc.) and other assets (such as a house) minus mortgages and other debts. Wealth is different from "annual income" which is the amount of money earned in a year.

Most wealth calculations are based on 'households, which is generally based on a 3 people household.

Numerous studies report a large disparity between the races as it relates to wealth. According to Black American Personal Wealth: Current Status, the typical Black household had less than one-quarter the net worth of the typical American household \$15,500 vs. \$71,700. Relying on a recent report from the most recent Federal Reserve data on household finances the study was based on a sample of more than 4000 households While this one study indicates that Black American wealth has been growing rapidly over the past decade---from \$3,680 in 1989 to \$15,500 in 1998, an increase of 321 percent, the Pew

Hispanic Center paints a more grim picture. Their study compared wealth in African American, Hispanic and Anglo American families between 1996 and 2002. This results in the Pew study were dramatically



Professor Carlton Perkins, JD, CPA

influenced by the economic recession of 2001 which more severely impacted African American and Hispanic communities than Anglo communities.

The Pew study found that by 2002 the median wealth of white households was \$88,651; the median wealth of Hispanic households was \$7,932 and the median wealth of African American households was \$5,988. Several factors help to maintain this disparity, including state and local taxes policies.

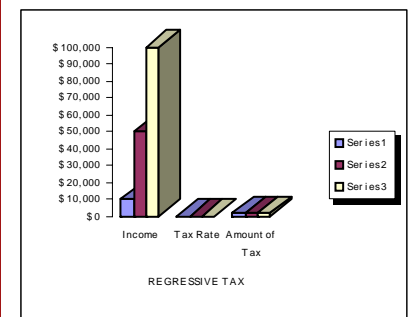
REGRESSIVE TAXATION AND WEALTH

The Institute on Taxation and Eco-

nomics Policy reports that most states, by an overwhelming margin, tax their middle and low income families far more heavily than the wealthy. That is, most state tax systems are regressive.

A regressive tax is one that takes a larger proportion of low income dollars than of high income dollars. An example of a regressive tax is a sales or excise tax which is a tax on expenditures also known as the consumption tax.

EXAMPLE OF REGRESSIVE TAX		
Income	Tax Rate	Amount of Tax
\$10,000	20%	\$2,000
\$50,000	4%	\$2,000
\$100,000	2%	\$2,000



Continued on page 5

Issues Facing the Institute

TSUNAMI ENERGIZES CLIMATE DEBATE

There will be many challenges that face the 21st century. In 2000, President Clinton, in his State of the Union address to Congress warned that greatest environmental challenge of the century is global warming. He cautioned that our failure to reduce the emission of greenhouse gases would ensure

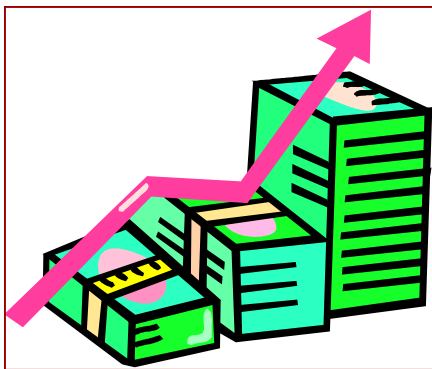
that deadly heat waves and droughts would become more frequent, that coastal areas would flood and economies significantly disrupted. The recent Tsunami tragedy spotlights the international debate on the magnitude of global warming especially as compared to other world threats that include nuclear war with

biological and chemical warfare and social threats of increasing poverty and political unrest. That debate will be brought onto the campus of Texas Southern University later this year when the Institute co-sponsors with the School of Public Affairs and others a symposium that looks at the science and the

politics of changing climate and its impact on the urban community. There will be special attention given to recommending policies to protect the urban community from threat. For more information about the seminar, contact Ebony Sparks at the School of Public Affairs, (713)313-7348.

ECI TO ADDRESS WEALTH DISPARITY

The Earl Carl Institute has begun developing a comprehensive assault on wealth disparity in Houston. Through its Wealth and Taxation Task Force, the Institute is establishing a collaboration with an international financing corporation and strategic community leaders to educate families in wealth development and retention.



WEALTH BUILDING COLLABORATION

The institute is collaborating with Merrill Lynch of Houston and area churches to establish an education outreach program

designed to enhance financial literacy and to modify financial habits.

BREAKING BAD HABITS

One of the greatest challenges will be to change community buying and spending habits. Emphasis will be placed on the type of purchases that increase wealth, like homeownership and distinguishing it from the kind of purchases that reduce wealth, like new cars and other consumables.

The program will also address how purchases are made by comparing rent-to-own costs which are often very expensive with cash and carry costs.

ECI TO PREPARE STUDY

NJERI MWANIKI, second year law student, has joined the Institute to head the research and writing student team to prepare

a comprehensive study of the regressive tax in Texas and its impact on Texas citizens. The study will present recommendations for changes in policy designed to close the wealth gap between Texans and increase Texas' wealth.

Mwaniki will also consider the economic impact of sales tax deductions. Professors James Beard and Gabriel Aitsebaomo will supervise the research.

“The way to wealth is as plain as the road to market. It depends chiefly on two words, — industry and frugality.”
Franklin

Spotlighting Our Students



Research Topic:
Who Commits Crimes
Education Finance...
HPD Statistics

Jamey Anderson 2L



Research Topic:
Abstinence Only Education vs. Abstinence Plus Education

Arica Brandford 2L



Research Topic:
Extended Day/Extended Year

Annika Chin 2L



Research Topic:
Sentencing Disparities

Rashan Clark 2L



Research Topic:
Gautreaux Housing Study

Angela Graves-Harrington 2L



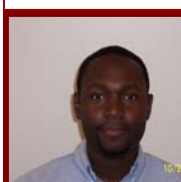
Research Topic:
Homeownership
Education Finance

Ryan Leach 2L



Research Topic:
Breach of Trust
Domestic Violence

Rhoda Matiru 2L



Research Topic:
Abstinence Only Education vs. Abstinence Plus Education

Leroy Mitchell 2L



Research Topic:
Abstinence Only Education vs. Abstinence Plus Education

Vonetta Norman 2L



Research Topic:
Police Power & Crime

Paul Orhii 2L



Research Topic:
Faculty Senate and Federal Political Action Committees

Scott Nagel 2L

Not Pictured:

Julie Brock 2L
Research Topic:
No Child Left Behind

Not Pictured :

Sherea Vitelli-2L
Research Topic:
Homeownership

Jennifer Silva-2L
Research Topic:
Gender/Women's Rights

Kayin Darby-2L
Research Topic:
Curbing College Drop-out

Njeri Mwaniki-2L
Research Topic:
Taxes/Wealth

Okechukwi Ogba
Research Topic:
Comparison: Int'l & U.S. Prison Systems

NEW ECI ATTORNEYS



Sherrie Washington
June 2004 graduate

Earl Carl Institute student researchers performed well on the July 2004 Texas bar Examination.

The research and writing section's performance was 85.7%.

Overall performance for research and writing is 92.85%.



Equator Turner
June 2004 Graduate

The Institute for Trial Advocacy had two students who remained with the program for more than one year to sit for the exam. Both passed. **That's 100%!**

The overall bar performance for ITA is **70.5%.**

The institute congratulates all our newly licensed attorneys: **Tameika Badger**

Huff, Jamila Boozer, Wilvin Carter, Sandra Dieudonne, Dory Edwards, Chris Payne, Equator Turner, Monique Ward and Sherrie Washington.



ANNOUNCEMENTS

QUARTERLY BOARD MEETING SCHEDULED

The Earl Carl Institute will convene its quarterly meeting of the Board of Directors at noon on January 20, 2005 in the Dean's Conference Room. The Governing Board will consider various matters including selecting an audit firm for the 2004 fiscal year, adopting its annual budget and filling board vacancies.

INSTITUTE ASSIGNED NEW STUDENT WORK SPACE

Student researchers for the Earl Carl Institute have been assigned work stations in room 27B in the TMSL Library Basement.

HELP WANTED

The institute is looking for bright energetic students who have a minimum cumulative grade point average of 2.7 to research and write on issues that impact the urban community. Students must have at least ten hours each week that can be dedicated to the institute, must be reliable and trustworthy. If you are interested, please contact Vendetta Lavine, Institute Administrative Assistant in Room 108 or at 713-313-1139 or by e-mail at vlavine@tsulaw.edu.

TASK FORCE MEMBERS NEEDED

The institute is looking for highly qualified professional men and women who are interested in serving on one of its task forces. Please read the article on this page of this newsletter about the various task forces and their responsibilities. For more information, please contact Vendetta Lavine, Institute Administrative Assistant in Room 108 or at 713-313-1139 or by e-mail at vlavine@tsulaw.edu.

You may also contact Professor Johnson directly at 713-313-1027 or mjohnson@tsulaw.edu.

FUNDRAISING

The institute is seeking financial assistance and encourages donations be sent to its mailing address at:
Earl Carl Institute for Legal & Social Policy
TMSL—TSU
Box #1156
Houston, TX 77004

ABOUT THE INSTITUTE TASK FORCES

Education Task Force – Dr. Jay Cummings, Chair

The Education task force is currently focused on examining the American public school system, laws that affect it and policies that impact it.

Criminal Justice Task Force

The Criminal Justice task force considers the American criminal justice system with an advocacy goal of identifying and eliminating those social policies and laws that foster crime.

Legislative Policy – Jew Don Boney, Chair

The Legislative Policy task force focuses on developing and writing proposed legislation.

Housing Task Force – Bruce Austin, Chair

The Housing task force is structured to identify barriers to providing safe, decent, sanitary housing to all Americans.

Student Placement Task Force

The Student Placement task force is designed to provide support for students as they enter the job market. Job readiness programs and seminars will be employed.

Family Relations and Gender Task Force – Anna T. James, Chair

The Family Relations and Gender task force will consider matters affecting the success of family relations

INSTITUTE TASK FORCES cont. from page 4

Institute projects are designed to recommend and advocate for change where research indicates change is needed. To date the institute has established the following task forces.

Wealth and Taxation Task Force – Carlton Perkins, Chair

The Wealth and Taxation task force is designed to research those areas that affect creation and retention of wealth.

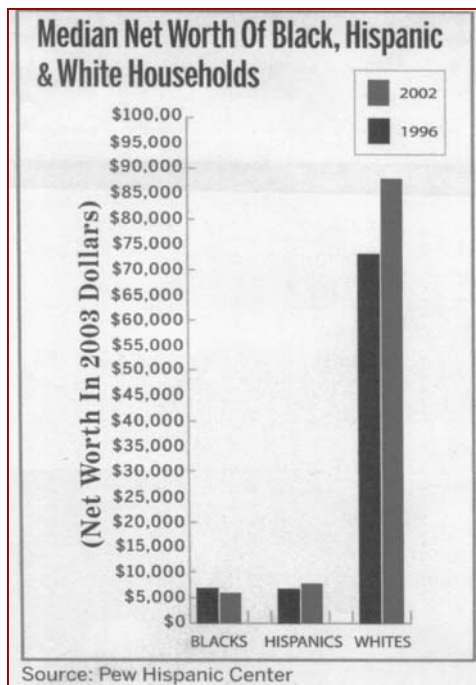
Trial Advocacy Task Force

Created to help establish a trial advocacy resource center for the institute. The center will be designed to house resources to aid students and practitioners in becoming better trial advocates.

Taxation As a Tool to Limit Wealth and Maintain Poverty continued from page 1

THE RICH GET RICHER

Nationwide, middle-income families pay almost 10 percent of their earnings in state and local taxes and poor families pay more than 11 percent. On the other hand, the richest people effectively pay only 5.2 percent of their income in state and local taxes.



Changes in state and local taxes over the past

decade have made tax systems even more regressive. While lawmakers in many states have taken steps to provide low-income tax relief through earned-income tax credits and similar mechanisms, these changes have often been insufficient to offset the growing use of regressive consumption taxes.

In a study published in 2003 entitled Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, the authors found that "...only four states require their best-off citizens to pay as much of their incomes as middle-income families have to pay. Only eight states tax their wealthiest residents at effective tax rates as high as the poorest taxpayers are required to pay---most states tax the wealthy at rates that are much lower than the rates on middle and low income families.

TEXAS

Texas ranks as one of the ten most regressive state tax systems in America. This is primarily due to its high reliance on consumption taxes. Taking more in taxes from the middle and low income families will continue the wealth disparity.

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Professor James Beard
 President

Visit our website at
www.earlcarl.org

President's Corner

As the Earl Carl Institute reflects on this past year's accomplishments, we congratulate our "Legal Eagles' " continuous success on the Texas Bar Examination. Likewise, we humbly acknowledge that our successes are not ours alone, but the result of our continued partnership with friends and contributors.

Since its establishment in 1992, the Earl Carl Institute has emerged as a research and writing think tank. The Institute has published

articles and engaged in projects that address quality of life issues in the urban community. Student researchers and vibrant Task Forces have performed cutting-edge research in areas such as education, ownership, wealth building, health, and justice. Our recent position papers, " Abstinence plus Textbooks" and "Public School Financing," are excellent examples of the Institute's ability to impact our state's decision makers now and beyond the upcoming legislative session.

Visit the Earl Carl Institute's website at <http://www.earlcarl.org/>. Explore the research data and financial information available for your perusal. E-mail us at mjohnson@tsulaw.edu, regarding issues that you believe are important to the urban community. Please visit our website to determine how you may continue to make your generous tax-deductible contributions. Your financial donations and support for the Earl Carl Institute will be deeply appreciated.