

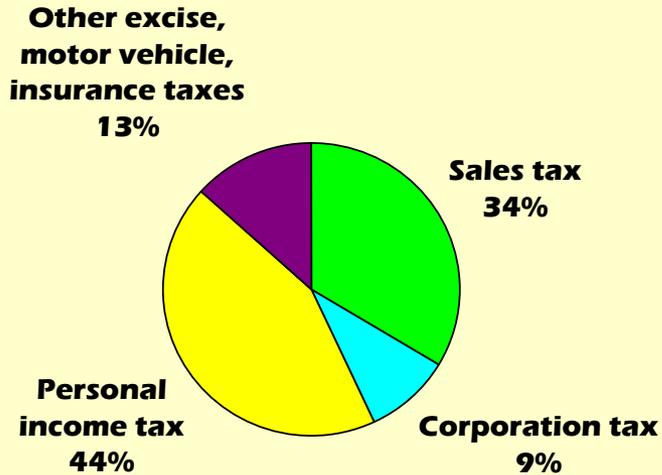


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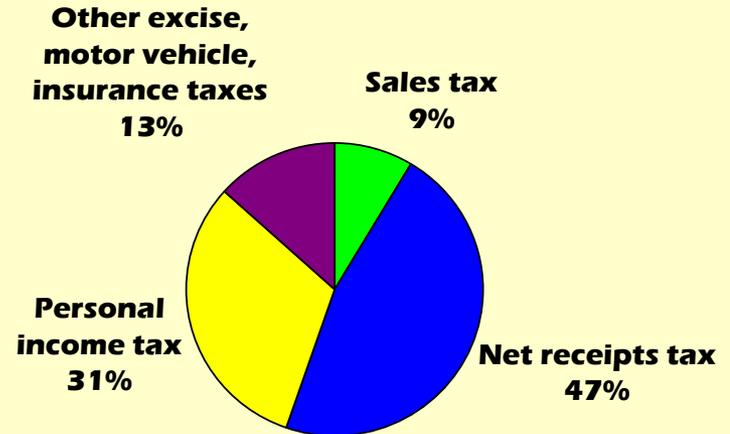
Proposed Tax Structure
September 14, 2009

Current and Proposed Revenue Sources

Current Law



Alternative



Incidence and Distributional Analysis

- Personal income tax is straightforward
- Sales and use tax on consumers estimated using personal consumption expenditures
- Business taxes are corporation tax, business sales and use tax, business net receipts tax
 - More difficult to estimate since the tax is shifted by the business
 - No single unified view of the incidence of business taxes
 - Various incidence assumptions can have large distributional consequences



Tax Package Alternative Tax Change by AGI Class (In billions of \$)

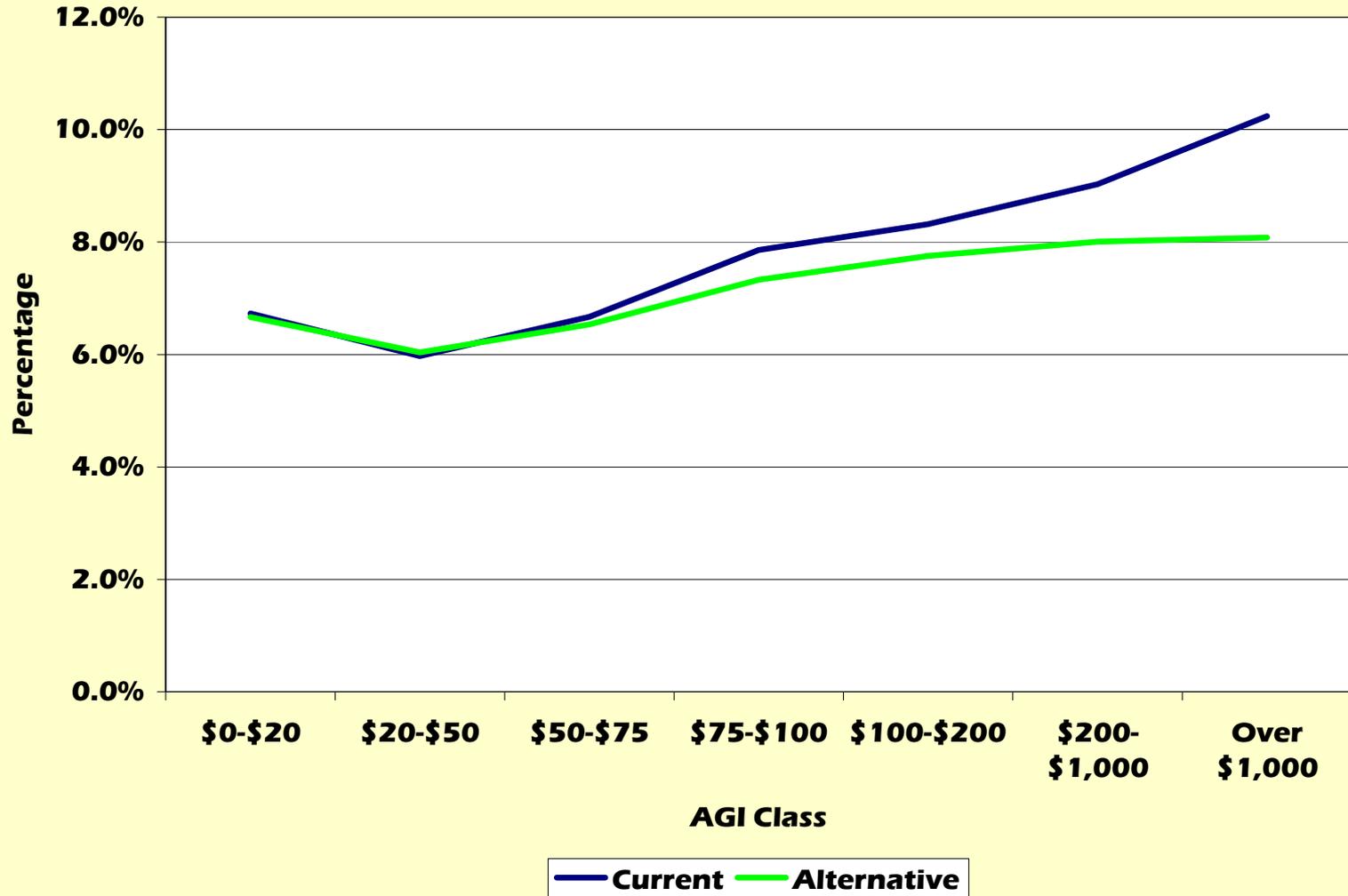
\$0-\$20	\$0.0
\$20-\$50	\$0.1
\$50-\$75	-\$0.2
\$75-\$100	-\$0.6
\$100-\$200	-\$2.0
\$200-\$1,000	-\$1.7
Over \$1,000	<u>-\$2.6</u>
Total Resident	<u>-\$6.9</u>

**Nonresidents and
Federal Offset** **\$6.9**

Total **\$0.0**

Tax Package Alternative

Effective Tax Rates



Personal Income Tax

- **Two rates: 2.75% up to \$28,000 single/ \$56,000 joint; 6.5% above those levels**
- **Standard deduction of \$22,500 single/ \$45,000 joint**
- **Itemized deductions for mortgage interest, property tax, and charitable contributions**



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Personal Income Tax Change by AGI Class

Personal Income Tax

2014 Tax Year

AGI Bracket	Number of Returns	Current Law Tax	Difference	Percent Difference	Current Law Tax per Return	Diff per Return
0 - 20,000	4,655,787	16,269,745	-16,269,745	-100.0%	\$3	(\$3)
20,000 - 50,000	5,511,843	1,077,735,430	-19,474,016	-1.8%	\$196	(\$4)
50,000 - 75,000	1,786,925	2,302,534,219	-338,799,533	-14.7%	\$1,289	(\$190)
75,000 - 100,000	1,287,551	3,902,263,960	-1,171,224,060	-30.0%	\$3,031	(\$910)
100,000 - 200,000	2,597,114	19,372,380,804	-5,961,968,024	-30.8%	\$7,459	(\$2,296)
200,000 - 1,000,000	461,319	12,409,483,082	-3,541,552,097	-28.5%	\$26,900	(\$7,677)
1,000,000 - and up	37,201	13,004,159,906	-4,052,073,386	-31.2%	\$349,569	(\$108,925)
Total	16,337,738	52,084,827,145	-15,101,360,862	-29.0%	\$3,188	(\$924)

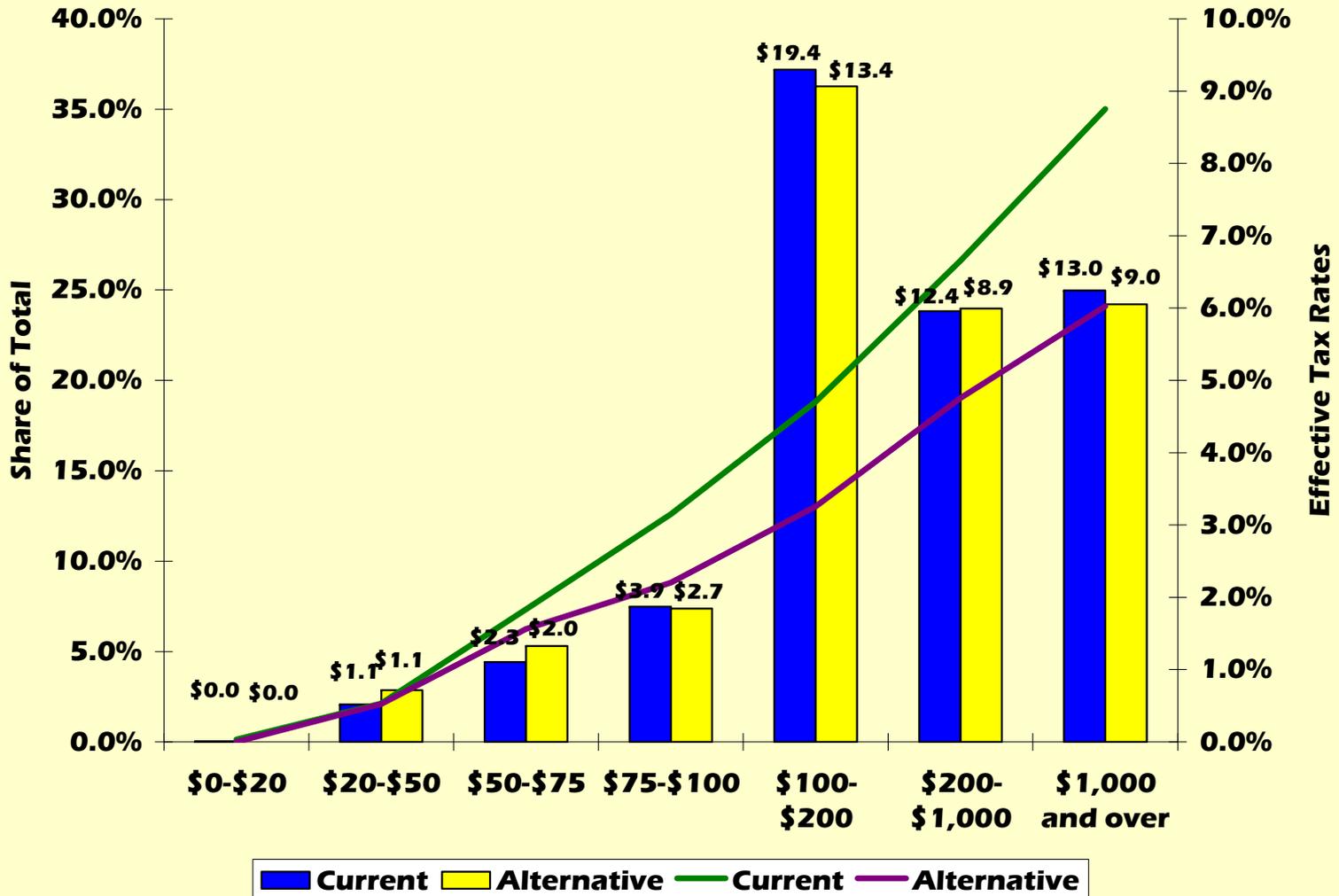
Note: Distribution for residents only; includes Mental Health Services Tax.



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Personal Income Tax

Effective Tax Rates and Share of Total



Tax Appeals Tribunal Proposal

- **Create an independent body with tax expertise to resolve disputes between the state and taxpayer.**
- **The taxpayer should be able to appeal for a ruling from the independent tribunal prior to having to pay the tax bill in question.**



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