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June 2000

# Income Tax Reduction Act of 1995

*Benefit to New Yorkers*

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# Contents

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Executive Summary		1
Background		3
	Tax Reform and Reduction Act of 1987	5
	Income Tax Policy in the Early 1990's	6
	Income Tax Reduction Act of 1995	7
Findings		9
	Tax Competitiveness	9
	Progressivity	18
	Tax Thresholds	21
Figures		
	<b>Figure 1:</b> Average Personal Income Tax Rates – 1980-1997	14
	<b>Figure 2:</b> Effective Tax Rates – Married Taxpayers, 2 Dependents, \$15,000 Income	17
	<b>Figure 3:</b> Effective Tax Rates – Married Taxpayers, 2 Dependents, \$50,000 Income	17
	<b>Figure 4:</b> Effective Tax Rates – Married Taxpayers, 2 Dependents, \$150,000 Income	18
	<b>Figure 5:</b> Percentage of Total Tax Paid by Quintile – 1994 Law vs. 1997 Law	20
	<b>Figure 6:</b> Tax Liability by Quintile – 1994 Law vs. 1997 Law	21
	<b>Figure 7:</b> Tax Thresholds and Poverty Levels – 1985-1997 Single Taxpayers	22
	<b>Figure 8:</b> Tax Thresholds and Poverty Levels – 1985-1997 Married Couples, 2 Children	22
Tables		
	<b>Table 1:</b> New York State Personal Income Tax Top Rates and Thresholds	4
	<b>Table 2:</b> Personal Income Tax Provisions	7
	<b>Table 3:</b> Top Statutory Tax Rates on Earned Income	10
	<b>Table 4:</b> Comparison of Actual Data from Tax Year 1994 and Tax Year 1997 Returns	11
	<b>Table 5:</b> Comparison of 1994 Law vs. 1997 Law Using Constant 1997 Income (1997 Returns)	13

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<b>Table 6:</b> Summary of New York and Neighboring State Personal Income Taxes	15
<b>Table 7:</b> Distribution of New York State Personal Income Tax – 1994 and 1997, With 1997 Incomes	19
<b>Table 8:</b> Tax Reductions by Quintiles of Filers (Tax Amounts in Millions of Dollars)	20

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# Executive Summary

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In 1994, New York State's personal income tax combined high marginal rates with low taxable income thresholds. This placed a comparatively heavy tax burden on all but the poorest families and individuals. New York's effective income tax rate, commonly measured by tax paid as a share of total income, remained among the highest of all states. This tax burden corresponded with the State's worst job losses in half a century during the recession of the early 1990's.

*The Income Tax Reduction Act of 1995 has provided taxpayers with over \$4 billion in savings annually.*

To address this adverse situation, Governor Pataki proposed a comprehensive State income tax cut program designed to revitalize New York's economic competitiveness and job creation potential. The "Income Tax Reduction Act of 1995" (part of Chapter 2 of the Laws of 1995) reduced the top marginal rate from 7.875 percent to 6.85 percent, and increased taxable income thresholds and standard deduction amounts. The result was a tax savings of at least 25 percent for the majority of New Yorkers. In aggregate, taxpayers have annually saved over \$4 billion annually, or some 20 percent, compared to their liability under 1994 law.

This report examines the impact of the 1995 law on aggregate groups of taxpayers and on individual taxpayers at various income levels. The Office of Tax Policy Analysis has prepared this report because complete income tax return data for the 1997 tax year now exists.

Key findings include:

- Total income tax burden was over \$4 billion lower in 1997 than it would have been if 1994 law had remained in effect.
- Individuals and families saved an average of \$500.
- The overall effective tax rate (tax liability as a share of income) dropped from 5.29 percent in 1994 to 4.47 percent in 1997.

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- Over 400,000 taxpayers were removed from the tax rolls.
  - The largest percentage tax reductions went to taxpayers with the lowest incomes.
  - The share of State income taxes paid by wealthy New Yorkers grew over the three years of the tax cut.
  - By 1997, New York's top marginal rate dropped from 13th highest to 22nd highest among the 43 states that impose income taxes. The competitive gap between New York and neighboring states with lower income taxes narrowed considerably.

This study examines New York State's personal income tax structure. It first reviews the evolution of the personal income tax structure and the major factors that shaped its development. After providing a brief historical overview of the income tax, the report concentrates on the 1997 tax environment following the full implementation of the 1995 tax cut legislation. The main comparative focus in the report is on tax burden changes between 1994 and 1997.

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# Background

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In 1919, New York became the eighth state to enact a personal income tax, imposing a top rate of 3 percent on taxable income greater than \$50,000 (equivalent to approximately \$400,000 in 1995 dollars). Table 1 provides a history of New York's top income tax rates and the income levels where the top rate becomes effective.

Over time, the State's top rate increased and the level of taxable income at which it applied decreased. After reaching 8 percent during the Depression years, the maximum rate dropped to 3.5 percent between 1945 and 1946, then steadily rose back to 7 percent by 1954.

In 1959, New York lawmakers increased the top rate to 10 percent on taxable income greater than \$15,000. They also restructured the income tax to be based on the federal Internal Revenue Code. Over the next ten years, the top rate rose to 15 percent, applied to taxable income greater than \$25,000.

Table 1: New York State  
Personal Income Tax Top  
Rates and Thresholds

Year	1919-1997			
	Earned Income		Unearned Income	
	Top Rate (%)	Taxable Income in Excess of:	Top Rate (%)	Taxable Income in Excess of:
1919-1930	3.00	\$50,000	*	*
1931-1933	6.00	50,000	*	*
1934-1940	8.00	9,000	*	*
1941-1944	5.25	9,000	*	*
1945-1946	3.50	9,000	*	*
1947	4.20	9,000	*	*
1948-1953	6.30	9,000	*	*
1954-1957	7.00	9,000	*	*
1958	No tax (a)			
1959	10.00	15,000	*	*
1960	9.10	15,000	*	*
1961-1968	14.00	23,000	*	*
1969-1972	15.00(b)	25,000	*	*
1973-1974	15.00	25,000	*	*
1975-1976	15.00(b)	25,000	*	*
1977	15.00(c)	30,000	*	*
1978	12.00	21,000	15.00	\$30,000
1979	12.00	21,000	14.00	23,000
1980	11.00	19,000	14.00	23,000
1981-1984	10.00	17,000	14.00	23,000
1985	9.50	15,000	13.75(d)	23,000
1986	9.50	16,000	13.50	26,000
1987	8.75	S-14,000/ M-23,000/ H-15,400**	8.75	(e)
1988	8.375	S-17,000/ M-34,000/ H-18,300	8.375	(f)
1989	7.875	S-13,000/ M-26,000/ H-17,000	*	*
1990	7.875	S-13,000/ M-26,000/ H-17,000	*	*
1991-1994	7.875(g)	S-13,000/ M-26,000/ H-17,000	*	*
1995	7.59375(g)	S-12,500/ M-25,000/ H-19,000	*	*
1996	7.125(g)	S-13,000/ M-26,000/ H-17,000	*	*
1997	6.85(g)	S-20,000/ M-40,000/ H-30,000	*	*

\* No difference between earned and unearned income.

\*\* S denotes single, M denotes married, and H denotes head of household.

Note: The top rates between 1933 and 1957 reflect various statutory reductions and surcharges.

(a) General withholding of tax from wages commenced in 1959. Because this withholding would have required payment of two years' taxes within one year, taxes for calendar years 1958 and fiscal years ending for calendar year 1959 were canceled. Taxes on capital gains and the income of estates and trusts were not canceled.

(b) An additional 2.5% surcharge was imposed on tax liabilities prior to adjustment for credits for years 1972-1976. This means the top rate was 15.375%. The surcharge was suspended for 1973 and 1974.

(c) In 1976, the surcharge was extended until 4/1/77.

(d) Effective rate. The rate was lowered from 14% to 13.5% on 7/1/85.

(e) An additional tax of up to 3% on unearned income was imposed on taxpayers with NYAGI in excess of \$100,000.

(f) An additional tax of up to 2% on unearned income was imposed on taxpayers with NYAGI in excess of \$100,000.

(g) A supplemental tax recaptures the tax benefits of tax rates below the top marginal rate, creating a flat tax on taxable income where NYAGI exceeds \$150,000.

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The State's top tax rate last reached its highest point in 1975, at 15.375 percent, including a surcharge that was lifted in 1977. At that time, the steeply graduated rate structure contained 14 different tax brackets.

Lawmakers began to address the rising income tax burden in 1978, when the top rate on earned income was reduced, from 15 percent to 12 percent. However, the State at that time retained a higher rate on unearned income (e.g., dividends and interest), which in 1979 was reduced from 15 percent to 14 percent. In 1981, the top rate on earned income was reduced again, to 10 percent.

Additional tax cuts were enacted in 1985, reducing the top rate on earned income to 9.5 percent for 1985 and 1986. The top rate on unearned income was reduced to 13.75 percent in 1985 and to 13.5 percent in 1986. The two rates were scheduled to drop further in 1987, to 9 and 13 percent, but federal tax reform legislation necessitated revisiting the basic tax structure.

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## Tax Reform and Reduction Act of 1987

In 1986, Congress enacted a comprehensive reform of the federal income tax. In exchange for across-the-board rate reductions, the reform significantly broadened the tax base, eliminated certain exclusions from income, repealed certain itemized deductions and closed loopholes in the law.

Because New York automatically conforms to most federal definitions of income and itemized deductions, federal reform substantially expanded the State's tax base. Without State action, New York taxpayers would have faced significant tax increases that would have generated a revenue "windfall" for the State. The broader tax base from federal tax reform allowed New York to radically restructure its income tax.

The 1987 law broadened the tax base by permitting fewer exclusions and deductions. By eliminating deductions that benefitted only taxpayers with certain characteristics, the reforms increased the likelihood that taxpayers with similar incomes pay the same tax. In addition, by eliminating exclusions or deductions that disproportionately benefitted wealthier taxpayers, the 1987 law increased the progressivity of the tax structure.

The Tax Reform and Reduction Act of 1987 (TRARA) represented New York's response to federal tax reform. The 1987 tax law was



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designed to return the anticipated windfall and to provide significant tax relief beyond the windfall.

TRARA's objectives included furthering the basic goals of tax reform: improved tax fairness; simplification of the tax structure; creation of a more competitive tax structure; and removal of low-income New Yorkers from the tax rolls.

*The basic goals of the 1987 legislation were only partly achieved.*

The 1987 legislation was originally scheduled to phase in over five years, from 1987 through 1991. However, the new tax schedule was frozen at its 1989 levels each year between 1990 and 1994. Moreover, legislation enacted in 1990 stretched out the final two years of the 1987 law into three years. As a result, the basic goals underlying TRARA were only partly achieved.

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## Income Tax Policy in the Early 1990's

Other than the repeated postponement of the remaining 1987 reforms, several other changes enacted between 1990 and 1994 affected tax liabilities and the distribution of the tax burden.

First, New York automatically conformed to the federal limitation on itemized deductions enacted in 1990 and effective in 1991. The federal limitation reduced most itemized deductions of taxpayers with federal adjusted gross income (FAGI) above an annually indexed threshold amount. The impact of this change on individuals varied according to their incomes.

Second, New York enacted a "supplemental income tax," first effective for the 1991 tax year. For taxpayers with incomes above \$100,000, the tax was designed to recapture the benefits of the graduated tax rates below the top tax rate, with taxpayers adding this tax – as much as \$794 in 1997 – to regular tax liability for taxpayers with incomes over \$150,000.

The final significant income tax action over this period was the enactment of a refundable earned income tax credit (EITC), linked to the federal credit of the same name, effective in the 1994 tax year. The credit was originally scheduled to increase from 7.5 percent of the federal EITC in 1994 to 20 percent in 1997.

## Income Tax Reduction Act of 1995

As part of his SFY 1995-96 *Executive Budget*, Governor Pataki sought a personal income tax reduction package that would deliver not only the tax relief that TRARA never provided, but additional tax cuts as well. The compromise tax cut package, adopted by the Legislature as part of Chapter 2 of the Laws of 1995, featured a three-year reduction package estimated to be worth \$3.8 billion when fully effective in 1997.

Table 2 compares the provisions of the enacted program when fully phased in to provisions that were in effect in 1994.

Table 2: Personal Income Tax Provisions

Base Year (1994)			Income Tax Reduction of 1995 Fully Phased-In Tax Year 1997		
Single Taxpayers					
Taxable Income Bracket		Marginal Rate	Taxable Income Bracket		Marginal Rate
Over	But Not Over		Over	But Not Over	
\$ 0	\$ 5,500	4.00%	\$ 0	\$ 8,000	4.00%
5,500	8,000	5.00%	8,000	11,000	4.50%
8,000	11,000	6.00%	11,000	13,000	5.25%
11,000	13,000	7.00%	13,000	20,000	5.90%
13,000		7.875%	20,000		6.85%
Standard Deduction		\$6,000	Standard Deduction		\$7,500
Earned Income Credit		7.50%	Earned Income Credit*		20.00%
Household Credit		Yes	Household Credit		Yes
Married Filing Joint					
Taxable Income Bracket		Marginal Rate	Taxable Income Bracket		Marginal Rate
Over	But Not Over		Over	But Not Over	
\$ 0	\$11,000	4.00%	\$ 0	\$16,000	4.00%
11,000	16,000	5.00%	16,000	22,000	4.50%
16,000	22,000	6.00%	22,000	26,000	5.25%
22,000	26,000	7.00%	26,000	40,000	5.90%
26,000		7.875%	40,000		6.85%
Standard Deduction		\$9,500	Standard Deduction		\$13,000
Earned Income Credit		7.50%	Earned Income Credit*		20.00%
Household Credit		Yes	Household Credit		Yes

\* Offset by household credit.

In addition to reducing the top tax rate, widening tax brackets, and increasing standard deduction amounts, the fully phased-in income tax reduction program also retained the 4 percent bottom rate, which applies to incomes below \$16,000 for a married filer. The 4 percent bracket would have been eliminated under remaining phases of the 1987

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TRARA, which would have actually caused tax increases for some low and moderate-income taxpayers.

The income tax reduction of 1995 accelerated the phase-in of the 20 percent EITC rate from 1997 to 1996. It also retained the household credit, scheduled to sunset. However, taxpayers who use the household credit must subtract the amount used from their EITC. This provision eliminated potential tax increases for taxpayers who did not benefit from other aspects of the tax cut, such as tax bracket widening and increases in standard deduction amounts.

#### Post-1995 Changes

In 1996 and 1997, lawmakers enacted additional tax reductions for the 1997 tax year. These included an increase in the child and dependent care credit for low-income families, and a new credit for a portion of school property taxes paid by farmers. These credits were targeted to specific taxpayers. As a result, they do not affect the basic analysis of the 1995 legislation as it applied for tax year 1997.

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# Findings

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*By 1997, individuals and families saved an average of \$500 annually compared to law in effect in 1994.*

By the 1997 tax year, the 1995 tax relief program reduced taxpayers' personal income tax by slightly over \$4 billion annually, providing taxpayers with an average annual savings of \$500. Over 400,000 individuals and families no longer owed tax. In fact, not only were they removed from the tax rolls, most actually receive refundable credits. In addition, the 1995 tax reduction initiative maintained the overall progressiveness of the tax structure. Percentage reductions in tax, including those associated with refundable credits, were largest for individuals and families with the lowest incomes. Finally, New York's top tax rate and overall average effective tax rate became considerably more competitive with those of other states.

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## Tax Competitiveness

In 1975, New York's top tax rate was at its highest point and was, in effect, the highest top rate in the nation. With a statutory rate of 15.375 percent, it was well above the top rates of neighboring states (see Table 3). New York's highest rate occurred during a time when Connecticut and New Jersey did not have an income tax. In 1975, Massachusetts and Pennsylvania had top statutory rates of 5 percent and 2 percent, respectively. Among the neighboring states, only Vermont, with a top rate of 12.5 percent (based on its percentage linkage to federal tax liability and thus federal tax rates) had a tax rate comparable to that of New York's. Table 3 shows that New York's top rate was also high in 1975 when compared with selected industrial states. Of these states, only California's top tax rate exceeded 10 percent at that time.

Since 1975, both New York and Vermont have reduced their top rates. By 1997, New York's rate declined significantly, to 6.85 percent. Vermont reduced its top rate to 9.9 percent in 1994.

Conversely, other neighboring states, with low personal income tax rates, increased their top rates. Those that had no personal income tax enacted one. A similar trend occurred in the rest of the nation. Of the selected states shown in Table 3, states that had low top rates in 1975 raised their top rates over time.

Table 3: Top Statutory Tax Rates on Earned Income

New York and Selected States						
State	1975	1980	1985	1990	1994	1997
New York	15.375%	11.00%	9.50%	7.875%	7.875%	6.85%
Neighboring States						
Vermont	12.50%	11.50%	13.25%	7.84%	9.90%	9.90%
Massachusetts	5.00%	5.00%	5.00%	5.95%	5.95%	5.95%
Connecticut	0.00%	0.00%	0.00%	0.00%	4.50%	4.50%
New Jersey	0.00%	2.50%	3.50%	3.50%	6.65%	6.37%
Pennsylvania	2.00%	2.20%	2.35%	2.10%	2.80%	2.80%
Other States						
California	11.00%	11.00%	11.00%	9.30%	11.00%	9.30%
Ohio	3.50%	3.50%	9.03%	6.90%	7.50%	7.00%
North Carolina	7.00%	7.00%	7.00%	7.00%	7.75%	7.75%
Illinois	2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
Michigan	3.90%	4.60%	5.10%	4.60%	4.40%	4.40%

*New York's comparative tax burden, in terms of top rates and effective tax rates, has improved considerably.*

The income tax reduction of 1995 reduced the top tax rate from 7.875 percent in 1994 to 6.85 percent in 1997. The 1995 legislation helped bring New York's top rate in line with those of other states. It reduced New York's national ranking, in terms of top rates, from 13th in 1994 to 22nd in 1997. The top rate is an important factor in comparing income tax climates between states.

Another frequently cited measure of comparative tax burdens is taxes as a share of personal income. In fiscal year 1995, the year before the tax cuts took effect, New York's rate was 3.69 percent, the 4th highest in the nation and 68 percent above the U.S. average of 2.20 percent. By fiscal year 1998, when the cuts were fully effective, New York's effective rate had dropped to 3.33 percent, 39 percent above the U.S. average of 2.39 percent.

Over the three-year period, New York's effective income tax rate fell by over 10 percent, while the U.S. average rose by 9 percent. As a result, the State's ranking improved from 4th to 8th.

### Aggregate Groups of Taxpayers

Table 4 compares actual tax liabilities in 1994 and 1997 at selected ranges of New York adjusted gross incomes. This type of analysis illustrates "what actually occurred" over the course of the tax cut legislation, and therefore does not control for the effects of income growth between 1994 and 1997. Original estimates that the tax cut would provide about \$3.8 billion of annual tax relief when fully effective were based on certain assumptions relating to incomes.

Table 4: Comparison of Actual Data from Tax Year 1994 and Tax Year 1997 Returns

NYS AGI		Personal Income Tax Returns			
		Tax After Credits			Percent Change
		(Millions \$)			
		1994 Returns	1997 Returns	Change	
\$0 -	or less	(\$1)	(\$3)	(\$2)	---
1 -	\$9,999	14	(98)	(112)	(802.40)
10,000 -	24,999	721	326	(395)	(54.80)
25,000 -	49,999	3,036	2,339	(696)	(22.90)
50,000 -	74,999	2,811	2,442	(369)	(13.10)
75,000 -	99,999	1,769	1,775	5	0.30
100,000 -	199,999	2,489	2,997	508	20.40
200,000 -	499,999	1,836	2,306	470	25.60
500,000 -	999,999	883	1,303	421	47.70
1,000,000 -	and over	1,683	3,562	1,879	111.70
Total		\$15,241	\$16,950	\$1,708	11.20

NYS AGI		Number of Returns Paying Tax			Percent Change
		1994 Returns	1997 Returns	Change	
\$0 -	or less	0	0	0	---
1 -	\$9,999	523,488	460,862	(62,626)	(12.00)
10,000 -	24,999	1,766,268	1,459,150	(307,118)	(17.40)
25,000 -	49,999	1,955,879	1,977,581	21,702	1.10
50,000 -	74,999	891,664	968,077	76,413	8.60
75,000 -	99,999	365,512	445,984	80,472	22.00
100,000 -	199,999	298,181	413,668	115,487	38.70
200,000 -	499,999	89,188	128,187	38,999	43.70
500,000 -	999,999	17,752	30,123	12,371	69.70
1,000,000 -	and over	8,792	18,462	9,670	110.00
Total		5,916,724	5,902,094	(14,630)	(0.20)

NYS AGI		1994 NYS AGI (Millions \$)	1997 NYS AGI (Millions \$)	Effective Tax Rates	
				1994	1997
\$0 -	or less	(\$13,455)	(\$3,945)	---	---
1 -	\$9,999	9,655	9,807	0.14%	(1.00%)
10,000 -	24,999	34,720	34,428	2.08%	0.95%
25,000 -	49,999	70,363	71,443	4.31%	3.27%
50,000 -	74,999	54,243	59,117	5.18%	4.13%
75,000 -	99,999	31,354	38,295	5.64%	4.63%
100,000 -	199,999	39,303	54,944	6.33%	5.45%
200,000 -	499,999	26,106	37,833	7.03%	6.10%
500,000 -	999,999	12,081	20,590	7.31%	6.33%
1,000,000 -	and over	23,484	56,710	7.17%	6.28%
Total		\$287,853	\$379,221	5.29%	4.47%

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Total New York adjusted gross income (NYAGI) grew from \$288 billion in 1994 to \$379 billion in 1997, or by 32 percent. As a result, total tax liability grew by \$1.7 billion. However, the key indicator is the decline in the overall effective tax rate, from 5.29 percent to 4.47 percent, a 16 percent drop. Effective tax rates fell most at lower and middle income ranges, reflecting the overall progressive nature of the tax cut.

Table 5 focuses on the impact of the tax reduction legislation under constant 1997 incomes. Therefore, it compares what actually occurred in 1997 with what would have occurred if 1994 law had remained in effect in 1997. This strips away the impact of income growth and allows for a direct analysis of the effect of the tax cut.

Table 5 shows that in 1997, taxpayers paid over \$4 billion less than they would have under 1994 law. The overall effective rate declined from 5.52 percent to 4.47 percent, a 19 percent drop. The tax cut was progressive, with reductions in effective tax rates highest in the lower and middle income ranges. The table also shows that had 1994 law been in effect during 1997, 6.3 million returns would have had positive tax liability. This compares to 5.9 million returns which actually had positive liability in 1997 with the tax cuts. Therefore, the tax cuts resulted in the removal of over 400,000 taxpayers from the tax rolls.

Table 5: Comparison of 1994 Law vs. 1997 Law Using Constant 1997 Income (1997 Returns)

NYS AGI	Tax After Credits				Percent Change
	(Millions \$)				
	1994 Law	1997 Law	Change		
\$0 - or less	(\$1)	(\$3)	(\$2)	---	
1 - \$9,999	13	(98)	(111)	(849.70)	
10,000 - 24,999	714	326	(388)	(54.30)	
25,000 - 49,999	3,130	2,339	(790)	(25.30)	
50,000 - 74,999	3,115	2,442	(673)	(21.60)	
75,000 - 99,999	2,177	1,775	(402)	(18.50)	
100,000 - 199,999	3,525	2,997	(529)	(15.00)	
200,000 - 499,999	2,672	2,306	(366)	(13.70)	
500,000 - 999,999	1,508	1,303	(205)	(13.60)	
1,000,000 - and over	4,122	3,562	(560)	(13.60)	
Total	\$20,975	\$16,950	(\$4,025)	(19.20)	

NYS AGI	Number of Returns Paying Tax				Percent Change
	1994 Law	1997 Law	Change		
\$0 - or less	0	0	0	---	
1 - \$9,999	598,160	460,862	(137,298)	(23.00)	
10,000 - 24,999	1,720,158	1,459,150	(261,008)	(15.20)	
25,000 - 49,999	1,980,609	1,977,581	(3,028)	(0.20)	
50,000 - 74,999	968,647	968,077	(570)	(0.10)	
75,000 - 99,999	446,084	445,984	(100)	0.00	
100,000 - 199,999	414,179	413,668	(511)	(0.10)	
200,000 - 499,999	128,356	128,187	(169)	(0.10)	
500,000 - 999,999	30,196	30,123	(73)	(0.20)	
1,000,000 - and over	18,492	18,462	(30)	(0.20)	
Total	6,304,881	5,902,094	(402,787)	(6.40)	

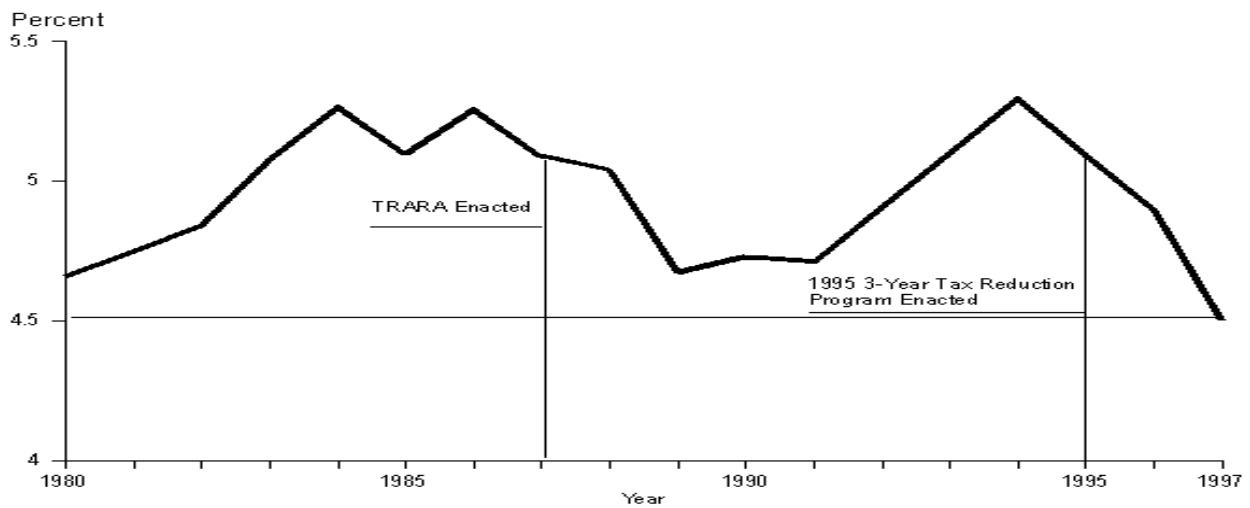
NYS AGI	NYS Adjusted Gross Income (Millions \$)	Effective Tax Rates	
		1994	1997
\$0 - or less	(\$3,945)	---	---
1 - \$9,999	9,807	0.13%	(1.00%)
10,000 - 24,999	34,428	2.07%	0.95%
25,000 - 49,999	71,443	4.38%	3.27%
50,000 - 74,999	59,117	5.27%	4.13%
75,000 - 99,999	38,295	5.68%	4.63%
100,000 - 199,999	54,944	6.42%	5.45%
200,000 - 499,999	37,833	7.06%	6.10%
500,000 - 999,999	20,590	7.33%	6.33%
1,000,000 - and over	56,710	7.27%	6.28%
Total	\$379,221	5.53%	4.47%



*Due to the tax cut, the average tax rate dropped to its lowest level in nearly 20 years.*

Finally, the 1995 tax cut legislation markedly reduced average tax rates, as shown in Figure 1. By 1994, the average effective tax rate had climbed to 5.3 percent. Due to the tax cut, however, the average rate dropped to 4.5 percent in 1997, its lowest level in nearly 20 years.

Figure 1: Average Personal Income Tax Rates\* – 1980-1997



\*Tax as a percentage of New York adjusted gross income.

### Representative Taxpayers

The following tables show tax liabilities for selected representative taxpayers under New York State law for tax year 1994, and under the fully phased-in 1995 tax reduction program in tax year 1997. They also contain corresponding information for New York’s neighboring states for tax years 1994 and 1997. “Representative taxpayers” are taxpayers at various income levels with typical sources of income, and types and amounts of deductions and credits. The Appendix provides a more detailed description of how the representative taxpayers were developed, and shows how their tax liabilities were computed.

Table 6 shows effective tax rates in New York and neighboring states for single taxpayers and married couples with two children. For all but lower-income single taxpayers, New York’s 1994 effective rates exceeded those in the other states. By 1997, the rates still exceed those in other states except Massachusetts, but are clearly more in line with Connecticut, New Jersey and Vermont.

**Table 6: Summary of New York and Neighboring State Personal Income Taxes**

Single Taxpayer						
Income Levels & Effective Tax Rates						
States	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>New York</b>						
New York 1994	2.40%	4.39%	6.21%	5.72%	6.07%	7.06%
New York 1997	1.70%	3.14%	5.03%	4.87%	5.19%	6.13%
<b>Neighboring States</b>						
Connecticut 1994	0.23%	2.14%	4.50%	4.50%	4.50%	4.50%
Connecticut 1997	0.00%	1.14%	3.67%	4.17%	4.30%	4.37%
Massachusetts 1994	3.63%	4.38%	5.45%	5.70%	5.99%	6.17%
Massachusetts 1997	3.42%	4.25%	5.39%	5.66%	5.96%	6.16%
New Jersey 1994	1.57%	1.78%	3.06%	4.10%	4.73%	5.37%
New Jersey 1997	1.26%	1.34%	2.12%	3.15%	3.82%	4.17%
Pennsylvania 1994	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Pennsylvania 1997	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Vermont 1994	2.19%	2.81%	4.61%	4.02%	4.62%	5.44%
Vermont 1997	2.05%	2.73%	4.45%	3.92%	4.52%	5.32%
<b>Married Taxpayer, 2 Dependents</b>						
Income Levels & Effective Tax Rates						
States	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>New York</b>						
New York 1994	(0.68%)	1.92%	4.63%	4.98%	5.36%	6.56%
New York 1997	(4.01%)	0.88%	3.30%	4.11%	4.50%	5.69%
<b>Neighboring States</b>						
Connecticut 1994	0.00%	0.05%	2.14%	4.05%	4.50%	4.50%
Connecticut 1997	0.00%	0.00%	1.41%	3.54%	4.05%	4.30%
Massachusetts 1994	1.73%	3.23%	4.66%	5.15%	5.58%	5.90%
Massachusetts 1997	(1.12%)	2.50%	4.48%	5.04%	5.49%	5.84%
New Jersey 1994	1.07%	1.40%	1.95%	2.34%	3.16%	4.16%
New Jersey 1997	0.89%	1.07%	1.34%	1.59%	2.16%	3.28%
Pennsylvania 1994	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
Pennsylvania 1997	0.00%	2.80%	2.80%	2.80%	2.80%	2.80%
Vermont 1994	(3.03%)	1.27%	2.54%	2.72%	3.39%	4.43%
Vermont 1997	(5.02%)	0.22%	2.44%	2.52%	3.24%	4.28%

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For married couples with children, New York's refundable earned income tax credit resulted in comparatively low (and actually negative) tax rates for lower-income taxpayers, with the benefits growing substantially by 1997. For other taxpayers, the story is similar to that for single taxpayers, with New York's 1994 effective rates higher than all other states', except Massachusetts in some cases.

*The tax liabilities faced by typical New Yorkers are now closer to those of our neighboring states.*

By 1997, the 1995 tax cut legislation brought New York in line with most neighboring states. However, Pennsylvania continued to be the low-tax state, and New Jersey continued to impose relatively low effective rates on all but higher-income taxpayers.

Figures 2-4 illustrate the tax cuts for selected taxpayers. Figure 2 shows that a family with income of \$15,000 actually had a negative tax rate due to the refundable earned income credit, and its New York tax fell dramatically between 1994 and 1997. Figure 3 indicates that a family with income of \$50,000 still paid a higher tax in New York than in other neighbor states except Massachusetts, but that their liability was considerably more in line by 1997. Similarly, Figure 4 shows that the New York tax on a family with income of \$150,000 still exceeded those in neighbor states, but was less out of line by 1997.

Figure 2: Effective Tax Rates – Married Taxpayers, 2 Dependents, \$15,000 Income

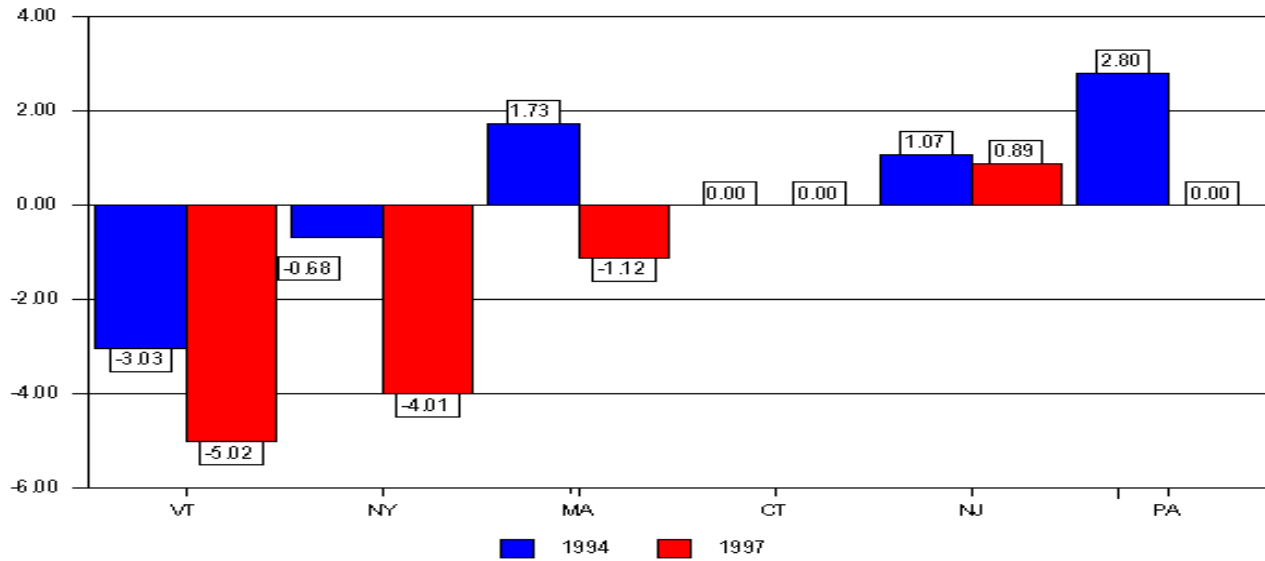


Figure 3: Effective Tax Rates – Married Taxpayers, 2 Dependents, \$50,000 Income

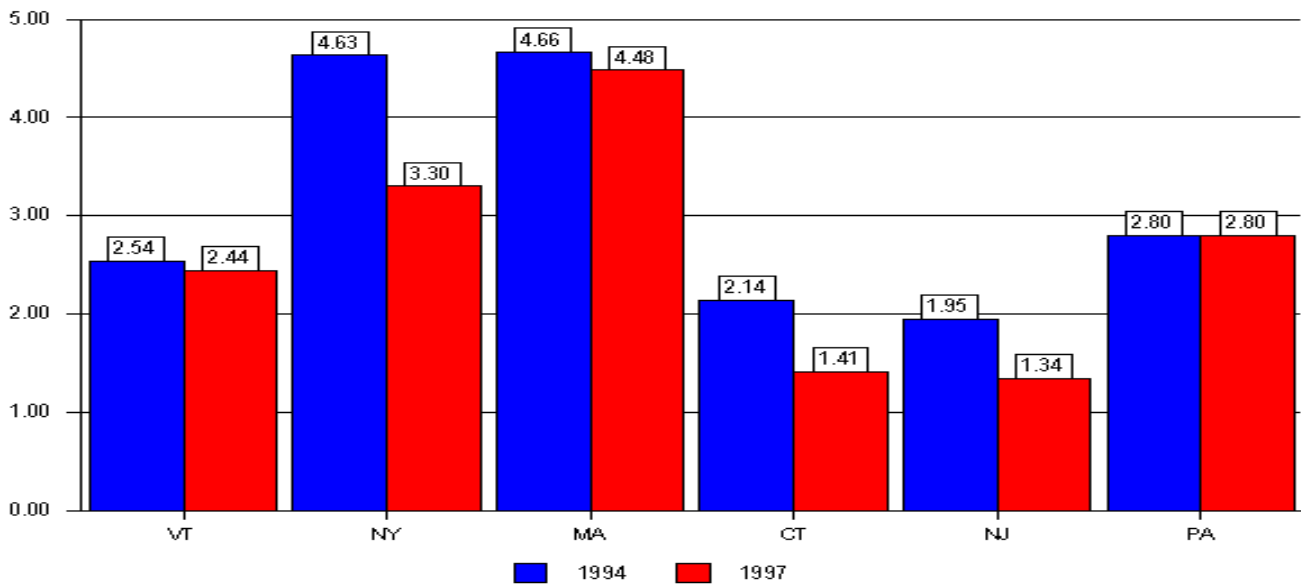
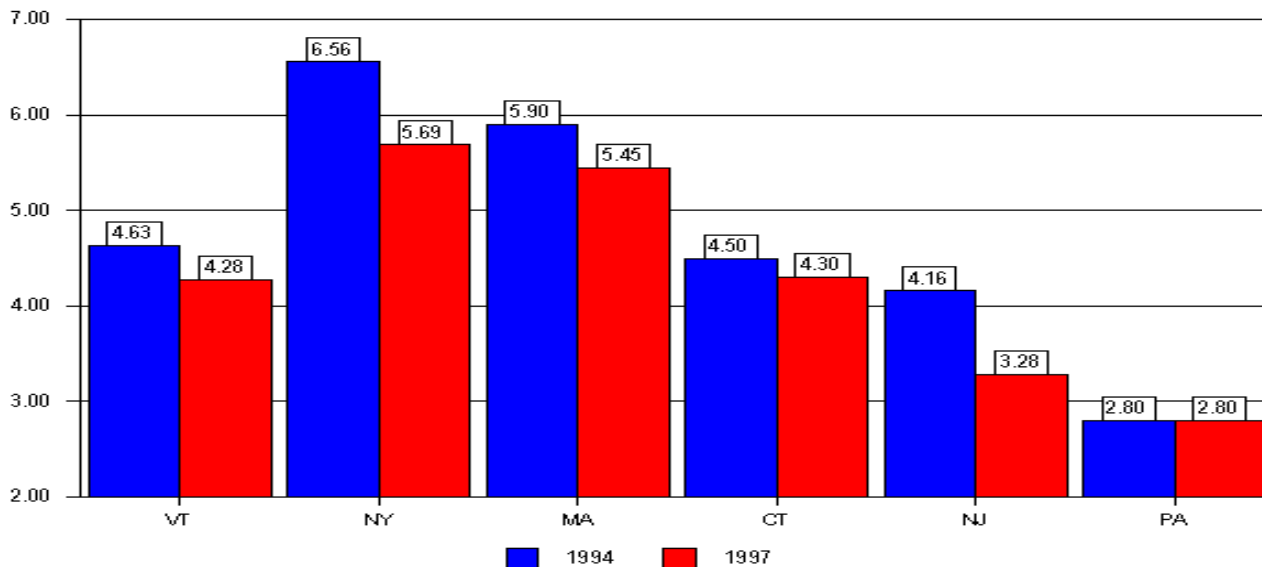


Figure 4: Effective Tax Rates – Married Taxpayers, 2 Dependents, \$150,000 Income



## Progressivity

Over the past several decades, the New York tax structure exhibited significant progressivity. A progressive tax structure is one in which effective tax rates increase as incomes increase.

Since 1987, the number of tax brackets has been reduced, but progressivity has been preserved through several other provisions. These include larger standard deductions, the earned income credit, and the supplemental tax and itemized deduction limitations applicable to upper-income taxpayers.

The 1995 tax reduction legislation maintained the progressivity of the tax, in part, by retaining low-income provisions that were scheduled to expire under 1987 law. It provided a markedly larger tax cut than previously scheduled, particularly for middle-income taxpayers. This resulted mainly from the stretching of tax brackets, retention of lower tax rates, and increases in the standard deduction amounts.

*The Income Tax Reduction Act of 1995 was clearly progressive.*

Table 7 and Figure 5 show the percentage of the total tax paid by quintile – i.e., tax filers (both taxpayers with tax liability and persons filing nontaxable returns) distributed by income into one-fifth segments of the whole, with the first quintile being the 20 percent of taxpayers with the lowest incomes. The basis for comparison are the tax laws in effect in 1994 and under the fully implemented Taxpayer Relief Act in 1997. They illustrate that after the tax cut, the distribution of the total tax burden shifted toward the 20 percent of filers with the highest incomes. All other quintiles paid less of the total tax in 1997 than in 1994. In fact, the 40 percent of filers (first two quintiles) with the lowest incomes, who paid a small amount of the total tax in 1994, actually had negative shares in 1997, reflecting the enhanced refundable earned income credit and higher standard deduction amounts.

Table 7: Distribution of New York State Personal Income Tax – 1994 and 1997, With 1997 Incomes

Quintile	New York AGI Range	Percent of Total Tax	
		1994 Law	1997 Law
First	Less than \$ 7,168	0.0	(0.3)
Second	\$ 7,169 - 17,342	0.9	(0.4)
Third	17,343 - 32,031	6.2	5.2
Fourth	32,032 - 57,406	16.0	15.1
Fifth	57,407 and over	76.8	80.3
Total		100.0	100.0

Figure 5: Percentage of Total Tax Paid by Quintile – 1994 Law vs. 1997 Law

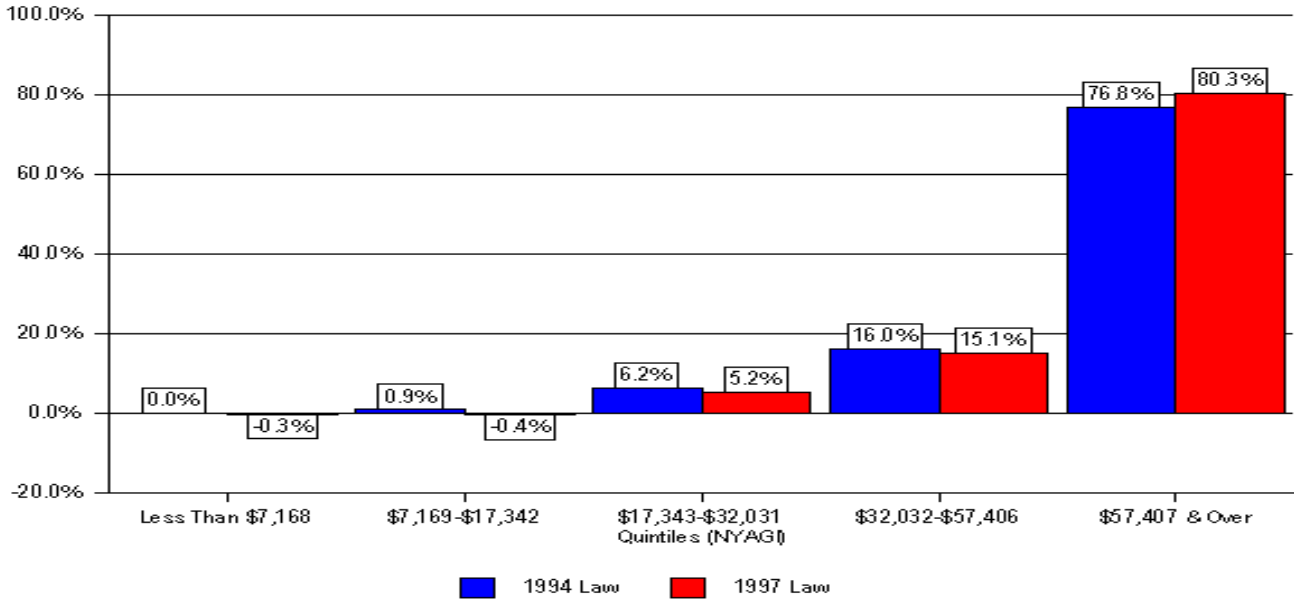
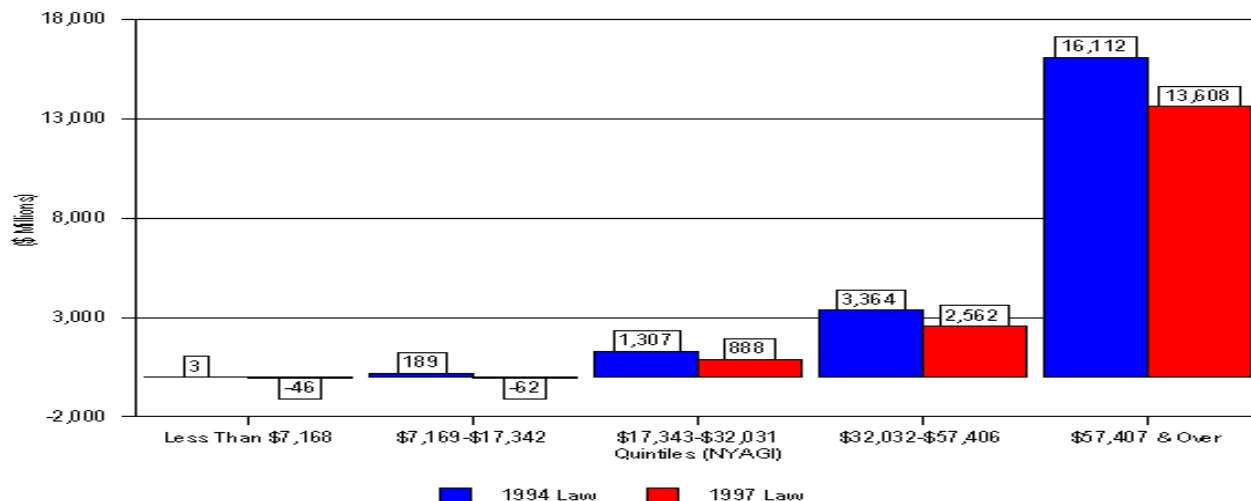


Table 8 and Figure 6 show the dollar and percentage tax reductions between 1994 and 1997, based on 1997 incomes and quintiles of tax filers. They clearly indicate the progressive nature of the tax reductions, with filers in the first two quintiles receiving much higher percentage tax cuts than those in the other three quintiles.

Table 8: Tax Reductions by Quintiles of Filers (Tax Amounts in Millions of Dollars)

Quintile	New York AGI Range	1994 Law		1997 Law	
		Tax Liability	Tax Liability	Reduction	% Reduction
First	Less than \$ 7,168	3	(46)	49	1,633.00
Second	\$ 7,169 - 17,342	189	(62)	251	132.80
Third	17,343 - 32,031	1,307	888	419	32.10
Fourth	32,032 - 57,406	3,364	2,562	802	23.80
Fifth	57,407 and over	16,112	13,608	2,504	15.50
Total		20,975	16,950	4,025	19.20

Figure 6: Tax Liability by Quintile – 1994 Law vs. 1997 Law



## Tax Thresholds

The combination of the standard deduction, personal and dependent exemptions, credits, and tax rate schedule creates a level of income, below which there is no tax liability (“tax threshold”). Taxpayers classified to be under the poverty level, as defined by the federal government, generally do not owe New York personal income taxes. The poverty level is adjusted each year for increases in the cost of living. As reflected in Figures 7 and 8, the tax thresholds in New York became less effective in keeping poor taxpayers off the tax rolls after 1989. For married taxpayers, the difference between the tax threshold and the poverty level narrowed beginning in 1989. By 1992, single taxpayers with incomes below the poverty level paid taxes. This was largely the result of the freeze in standard deduction amounts.

*In 1997, only 5 other states had a higher tax thresholds for married couples with children.*

The 1995 tax cut legislation reversed these trends. For example, as shown in Figure 7, in 1994 New York began to impose tax on a family of four with income above \$16,900. This was approximately \$2,100 above the federally defined poverty line. By 1997, tax did not apply until income exceeded \$22,300, or nearly \$5,900 above the poverty line. According to the Center on Budget and Policy Priorities, only five other states had a higher tax threshold in 1997, and the median for the 41 states imposing broad-based income taxes was \$15,900.

Although less dramatic, Figure 8 shows that beginning in 1995, the tax threshold began to exceed the poverty level for single individuals as well.



Figure 7: Tax Thresholds and Poverty Levels – 1985-1997 Single Taxpayers

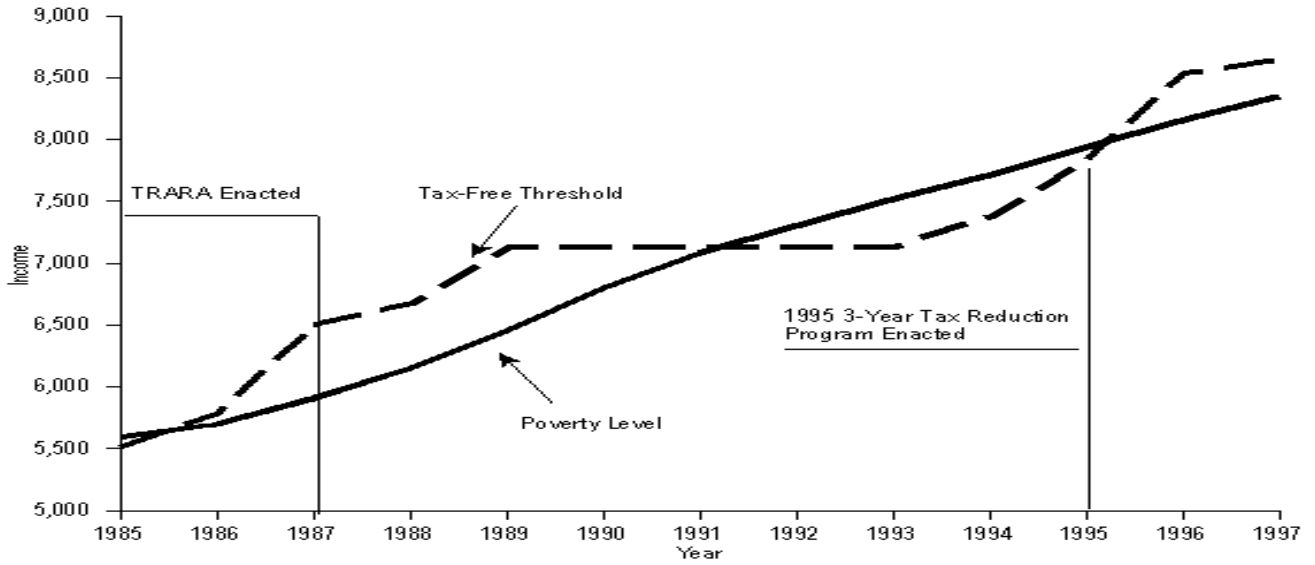
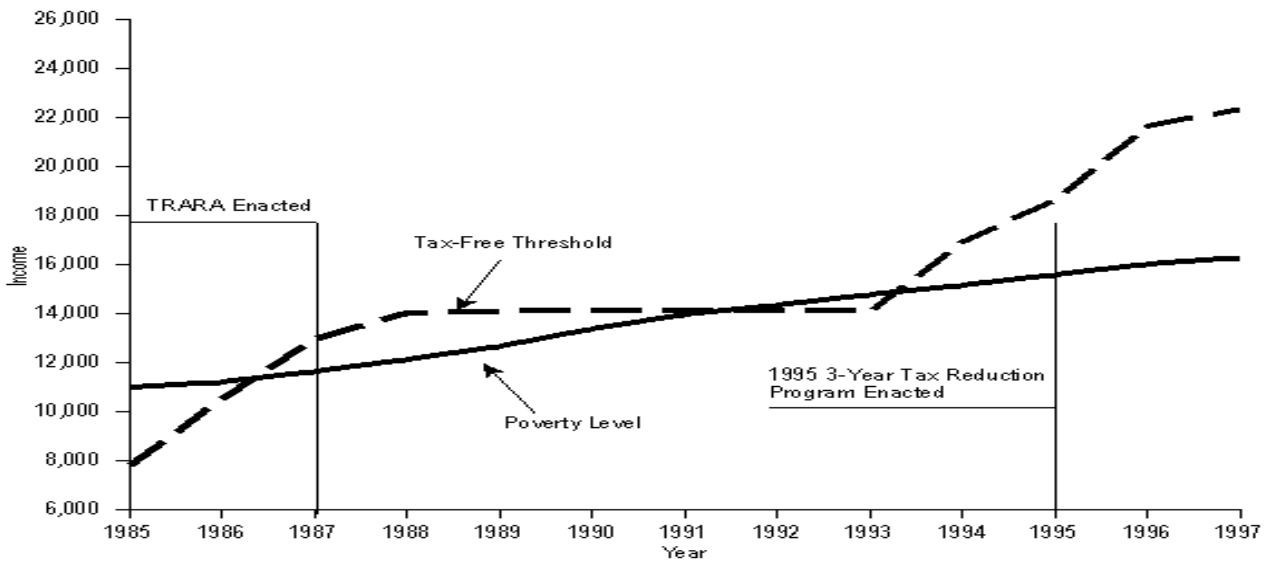


Figure 8: Tax Thresholds and Poverty Levels – 1985-1997 Married Couples, 2 Children



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# Appendix: Representative Taxpayer Model

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## Description of Model

The Office of Tax Policy Analysis developed a model that computes income tax liabilities for an individual taxpayer. To allow for useful comparisons of representative taxpayers, the model calculates tax not only based on New York State tax but also for neighboring states which impose an income tax. The model computes tax liabilities under the tax laws of [New York](#), its contiguous neighboring states ([Connecticut](#), [New Jersey](#), [Pennsylvania](#), [Massachusetts](#) and [Vermont](#)) and federal tax liability. The model incorporates all major provisions in each state's and federal laws.

In calculating tax liabilities, the representative taxpayer model is designed to simulate each state's income tax returns. Therefore, it operates by:

- summing items of income, including applicable exclusions;
- subtracting federal adjustments, such as contributions to IRAs;
- adding state additions (e.g., bond interest from other states) and subtracting state subtractions (e.g., federal bond interest, and in New York, certain retirement income);
- subtracting exemptions for taxpayers and dependents;
- subtracting standard or itemized deductions;
- computing tax using the tax rate schedule;
- subtracting credits and property tax rebates; and
- applying any other provisions that affect tax liability, such as Connecticut's recently enacted property tax credit, Pennsylvania's tax

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forgiveness, Massachusetts' and New Jersey's no-tax thresholds, and earned income credits in Massachusetts, New York and Vermont.

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## Assumptions Used in This Report

The model was used in this study to compute detailed tax liabilities for a selected set of representative taxpayers. Components of income and types and amounts of deductions were derived using the 1997 personal income tax study file. Average amounts for taxpayers at selected income levels were used to construct the representative taxpayers. The assumption used in this report is to assign average income sources, adjustments, deductions, and credits to representative taxpayers only when more than half of taxpayers at the given income level have these particular items.

This report examines representative taxpayers with gross incomes equal of \$15,000, \$25,000, \$50,000, \$75,000, \$100,000, and \$150,000. These levels were selected to provide a useful spectrum of taxpayers at different income levels. Listed below is a brief overview of the major assumptions used to compute tax for the taxpayers analyzed in this report.

### Income Base

All taxpayers have wage income. Taxpayers at \$75,000 and up are assumed to have interest income as well. Taxpayers at \$100,000 and \$150,000 also have dividend income.

### Adjustments

No taxpayers have any federal adjustments.

### State Additions and Subtractions

No taxpayer is assumed to have income modifications.

### Deductions

Based on 1994 and 1997 tax data, the report assumes that taxpayers with gross incomes of \$75,000 and higher have sufficient deductions to itemize their deductions. Taxpayers below this level do not, and therefore use the standard deduction. Itemizing taxpayers are assumed to have itemized deductions for property tax, mortgage interest and contributions. The amounts used are the averages at each income level based on 1997 New York income tax returns.

For New York, the model computes the federal and State limitations on upper-income taxpayers' itemized deductions, and for Vermont, the federal limitation.

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Rates	The model uses each state's tax rate schedule, including the supplemental tax in New York, and the two-rate schedule, on earned and unearned income, in Massachusetts.
Credits	The model computes generally available credits, including the earned income credit where applicable, in each state. It does not account for general property tax rebate or exemption programs that are administered through the income tax.

**Table 1: New York State Personal Income Tax**

1994 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ NY Additions	0	0	0	0	0	0
- NY Subtractions	0	0	0	0	0	0
NY Adj. Gross Income (NYAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- NY Deductions	6,000	6,000	6,000	15,922	18,403	15,479
- NY Dep. Exemptions	0	0	0	0	0	0
NY Taxable Income	9,000	19,000	44,000	59,078	81,597	134,522
Base Tax	405	1,138	3,106	4,294	6,067	10,235
+ Supplemental Tax	0	0	0	0	0	359
Tax Before Credits	405	1,138	3,106	4,294	6,067	10,594
- Household Credit	45	40	0	0	0	0
Tax Before EIC	360	1,098	3,106	4,294	6,067	10,594
- State EIC	0	0	0	0	0	0
Tax After State EIC	360	1,098	3,106	4,294	6,067	10,594
- Property Tax Credit	0	0	0	0	0	0
Final Tax	360	1,098	3,106	4,294	6,067	10,594
Effective Tax Rate	2.40%	4.39%	6.21%	5.72%	6.07%	7.06%

**Table 2: New York State Personal Income Tax**

1994 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ NY Additions	0	0	0	0	0	0
- NY Subtractions	0	0	0	0	0	0
NY Adj. Gross Income (NYAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- NY Deductions	9,500	9,500	9,500	16,431	20,776	23,040
- NY Dep. Exemptions	2,000	2,000	2,000	2,000	2,000	2,000
NY Taxable Income	3,500	13,500	38,500	56,569	77,224	124,960
Base Tax	140	565	2,314	3,737	5,364	9,123
+ Supplemental Tax	0	0	0	0	0	718
Tax Before Credits	140	565	2,314	3,737	5,364	9,841
- Household Credit	105	80	0	0	0	0
Tax Before EIC	35	485	2,314	3,737	5,364	9,841
- State EIC	137	4	0	0	0	0
Tax After State EIC	(102)	481	2,314	3,737	5,364	9,841
- Property Tax Credit	0	0	0	0	0	0
Final Tax	(102)	481	2,314	3,737	5,364	9,841
Effective Tax Rate	-0.68%	1.92%	4.63%	4.98%	5.36%	6.56%

**Table 3: New York State Personal Income Tax**

1997 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ NY Additions	0	0	0	0	0	0
- NY Subtractions	0	0	0	0	0	0
NY Adj. Gross Income (NYAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- NY Deductions	7,500	7,500	7,500	15,922	18,403	15,544
- NY Dep. Exemptions	0	0	0	0	0	0
NY Taxable Income	7,500	17,500	42,500	59,078	81,597	134,456
Base Tax	300	826	2,514	3,650	5,192	8,813
+ Supplemental Tax	0	0	0	0	0	397
Tax Before Credits	300	826	2,514	3,650	5,192	9,210
- Household Credit	45	40	0	0	0	0
Tax Before EIC	255	786	2,514	3,650	5,192	9,210
- State EIC	0	0	0	0	0	0
Tax After State EIC	255	786	2,514	3,650	5,192	9,210
- Property Tax Credit	0	0	0	0	0	0
Final Tax	255	786	2,514	3,650	5,192	9,210
Effective Tax Rate	1.70%	3.14%	5.03%	4.87%	5.19%	6.14%

**Table 4: New York State Personal Income Tax**

1997 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ NY Additions	0	0	0	0	0	0
- NY Subtractions	0	0	0	0	0	0
NY Adj. Gross Income (NYAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- NY Deductions	13,000	13,000	13,000	16,431	20,776	23,127
- NY Dep. Exemptions	2,000	2,000	2,000	2,000	2,000	2,000
NY Taxable Income	0	10,000	35,000	56,569	77,224	124,873
Base Tax	0	400	1,651	3,081	4,496	7,760
+ Supplemental Tax	0	0	0	0	0	794
Tax Before Credits	0	400	1,651	3,081	4,496	8,554
- Household Credit	105	80	0	0	0	0
Tax Before EIC	0	320	1,651	3,081	4,496	8,554
- State EIC	602	101	0	0	0	0
Tax After State EIC	(602)	219	1,651	3,081	4,496	8,554
- Property Tax Credit	0	0	0	0	0	0
Final Tax	(602)	219	1,651	3,081	4,496	8,554
Effective Tax Rate	-4.01%	0.88%	3.30%	4.11%	4.50%	5.70%



**Table 5: Connecticut Personal Income Tax**

	1994 Law: Single Taxpayer					
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ CT Additions	0	0	0	0	0	0
- CT Subtractions	0	0	0	0	0	0
CT Adj. Gross Income (CTAGI)	15,000	25,000	50,000	75,000	100,000	150,000
- CT Exemptions	12,000	11,000	0	0	0	0
CT Taxable Income	3,000	14,000	50,000	75,000	100,000	150,000
x Tax Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
CT Tax Before Credits	135	630	2,250	3,375	4,500	6,750
- Personal Tax Credit	101	95	0	0	0	0
Final Tax	34	536	2,250	3,375	4,500	6,750
Effective Tax Rate	0.23%	2.14%	4.50%	4.50%	4.50%	4.50%

**Table 6: Connecticut Personal Income Tax**

1994 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ CT Additions	0	0	0	0	0	0
- CT Subtractions	0	0	0	0	0	0
CT Adj. Gross Income (CTAGI)	15,000	25,000	50,000	75,000	100,000	150,000
- CT Exemptions	24,000	24,000	22,000	0	0	0
CT Taxable Income	0	1,000	28,000	75,000	100,000	150,000
x Tax Rate	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
CT Tax Before Credits	0	45	1,260	3,375	4,500	6,750
- Personal Tax Credit	0	34	189	338	0	0
Final Tax	0	11	1,071	3,038	4,500	6,750
Effective Tax Rate	0.00%	0.05%	2.14%	4.05%	4.50%	4.50%

**Table 7: Connecticut Personal Income Tax**

	1997 Law: Single Taxpayer					
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ CT Additions	0	0	0	0	0	0
- CT Subtractions	0	0	0	0	0	0
CT Adj. Gross Income (CTAGI)	15,000	25,000	50,000	75,000	100,000	150,000
- CT Exemptions	12,000	11,000	0	0	0	0
CT Taxable Income	3,000	14,000	50,000	75,000	100,000	100,000
CT Tax Before Credits	90	536	2,156	3,281	4,406	6,656
- Personal Tax Credit	27	75	108	0	0	0
- Property Tax Credit	175	175	215	151	108	100
Final Tax	0	286	1,833	3,130	4,298	6,556
Effective Tax Rate	0.00%	1.14%	3.67%	4.17%	4.30%	4.37%

**Table 8: Connecticut Personal Income Tax**

1997 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
+ CT Additions	0	0	0	0	0	0
- CT Subtractions	0	0	0	0	0	0
CT Adj. Gross Income (CTAGI)	15,000	25,000	50,000	75,000	100,000	150,000
- CT Exemptions	15,000	24,000	22,000	0	0	0
CT Taxable Income	0	1,000	28,000	75,000	100,000	100,000
CT Tax Before Credits	0	30	1,073	3,188	4,313	6,563
- Personal Tax Credit	0	30	151	319	44	0
- Property Tax Credit	215	215	215	215	215	108
Final Tax	0	0	707	2,654	4,054	6,455
Effective Tax Rate	0.00%	0.00%	1.41%	3.54%	4.05%	4.30%

**Table 9: Massachusetts Personal Income Tax**

Tax Computation Items	1994 Law: Single Taxpayer					
	Income Levels					
	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Total Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
<b>A. 5.95% Income Tax</b>						
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Pension/Annuity	0	0	0	0	0	0
Taxable Mass. Bank Interest	0	0	0	1,015	1,738	3,484
Other Income	0	0	0	0	0	0
Total 5.95% Income	15,000	25,000	50,000	73,784	95,046	140,126
- FICA Tax Deduction (a)	1,148	1,913	2,000	2,000	2,000	2,000
- Rent Deduction (b)	2,500	2,500	0	0	0	0
- Personal Exemption	2,200	2,200	2,200	2,200	2,200	2,200
- Dependent Exemption	0	0	0	0	0	0
- Children Under 12 Exemption	0	0	0	0	0	0
Taxable 5.95% Income	9,153	18,388	45,800	69,584	90,846	135,926
x Tax Rate	5.95%	5.95%	5.95%	5.95%	5.95%	5.95%
Final 5.95% Tax	545	1,094	2,725	4,140	5,405	8,088
<b>B. 12.00% Income Tax</b>						
Interest (Excl. Mass. Banks)	0	0	0	1,116	1,838	3,585
Dividends	0	0	0	0	3,016	6,189
Taxable Capital Gains	0	0	0	0	0	0
Taxable 12.00% Income	0	0	0	1,116	4,854	9,774
x Tax Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Final 12.00% Tax	0	0	0	134	582	1,173
<b>C. Combined 5.95% &amp; 12.00% Tax</b>						
5.95% Tax	545	1,094	2,725	4,140	5,405	8,088
12.00% Tax	0	0	0	134	582	1,173
Total Tax	545	1,094	2,725	4,274	5,988	9,260
Mass. Adj. Gross Income	15,000	25,000	50,000	74,900	99,900	149,900
No Tax Threshold (c)	8,000	8,000	8,000	8,000	8,000	8,000
Final Tax Pre-Credit	545	1,094	2,725	4,274	5,988	9,260
- Limited Income Credit	0	0	0	0	0	0
Combined Final Tax	545	1,094	2,725	4,274	5,988	9,260
Effective Tax Rate	3.63%	4.38%	5.45%	5.70%	5.99%	6.17%

(a) FICA tax assumed at prevailing rates.

(b) Taxpayers with total gross income below \$50,000 are assumed to be renters with \$6,000 annual rent.

(c) If Massachusetts adjusted gross income does not exceed specified thresholds, no tax liability exists.

**Table 10: Massachusetts Personal Income Tax**

1994 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Total Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
<b>A. 5.95% Income Tax</b>						
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Pension/Annuity	0	0	0	0	0	0
Taxable Mass. Bank Interest	0	0	0	915	1,638	3,384
Other Income	0	0	0	0	0	0
Total 5.95% Income	15,000	25,000	50,000	73,684	94,946	140,026
- FICA Tax Deduction (a)	1,148	1,913	3,825	4,000	4,000	4,000
- Rent Deduction (b)	2,500	2,500	0	0	0	0
- Personal Exemption	4,400	4,400	4,400	4,400	4,400	4,400
- Dependent Exemption	2,000	2,000	2,000	2,000	2,000	2,000
- Children Under 12 Exemption (c)	600	600	600	600	600	600
Taxable 5.95% Income	4,353	13,588	39,175	62,684	83,946	129,026
x Tax Rate	5.95%	5.95%	5.95%	5.95%	5.95%	5.95%
Final 5.95% Tax	259	808	2,331	3,730	4,995	7,677
<b>B. 12.00% Income Tax</b>						
Interest (Excl. Mass. Banks)	0	0	0	1,116	1,838	3,585
Dividends	0	0	0	0	3,016	6,189
Taxable Capital Gains	0	0	0	0	0	0
Taxable 12.00% Income	0	0	0	1,116	4,854	9,774
x Tax Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Final 12.00% Tax	0	0	0	134	582	1,173
<b>C. Combined 5.95% &amp; 12.00% Tax</b>						
5.95% Tax	259	808	2,331	3,730	4,995	7,677
12.00% Tax	0	0	0	134	582	1,173
Total Tax	259	808	2,331	3,864	5,577	8,850
Mass. Adj. Gross Income	15,000	25,000	50,000	74,800	99,800	149,800
No Tax Threshold (d)	12,000	12,000	12,000	12,000	12,000	12,000
Final Tax Pre-Credit	259	808	2,331	3,864	5,577	8,850
- Limited Income Credit	0	0	0	0	0	0
Combined Final Tax	259	808	2,331	3,864	5,577	9
Effective Tax Rate	1.73%	3.23%	4.66%	5.15%	5.58%	5.90%

(a) FICA tax assumed at prevailing rates.

(b) Taxpayers with total gross income below \$50,000 are assumed to be renters with \$6,000 annual rent.

(c) All dependents are assumed to be children under 12.

(d) If Massachusetts adjusted gross income does not exceed specified thresholds, no tax liability exists.

**Table 11: Massachusetts Personal Income Tax**

1997 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Total Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
<b>A. 5.95% Income Tax</b>						
Wages & Salaries	14,900	24,900	49,900	72,770	93,310	136,640
Pension/Annuity	0	0	0	0	0	0
Taxable Mass. Bank Interest	100	100	100	1,015	1,740	3,480
Other Income	0	0	0	0	0	0
Total 5.95% Income	14,900	24,900	49,900	73,785	95,050	140,120
- FICA Tax Deduction (a)	1,140	1,905	2,000	2,000	2,000	2,000
- Rent Deduction (b)	2,500	2,500	0	0	0	0
- Personal Exemption	2,630	2,630	2,630	2,630	2,630	2,630
- Dependent Exemption	0	0	0	0	0	0
- Children Under 12 Exemption	0	0	0	0	0	0
Taxable 5.95% Income	8,630	17,865	45,270	69,155	90,420	135,490
Final 5.95% Tax	513	1,063	2,694	4,115	5,380	8,062
<b>B. 12.00% Income Tax</b>						
Interest (Excl. Mass. Banks)	0	0	0	1,115	1,840	3,580
Dividends	0	0	0	0	3,010	6,190
Taxable Capital Gains	0	0	0	0	0	0
Taxable 12.00% Income	0	0	0	1,115	4,850	9,770
Final 12.00% Tax	0	0	0	134	582	1,173
<b>C. Combined 5.95% &amp; 12.00% Tax</b>						
5.95% Tax	513	1,063	2,694	4,115	5,380	8,062
12.00% Tax	0	0	0	134	582	1,173
Total Tax	513	1,063	2,694	4,249	5,962	9,235
Mass. Adj. Gross Income	15,000	25,000	50,000	74,900	99,900	149,900
No Tax Threshold (c)	8,000	8,000	8,000	8,000	8,000	8,000
Pre-Credit Tax	513	1,063	2,694	4,249	5,962	9,235
- Limited Income Credit	0	0	0	0	0	0
- Earned Income Credit	0	0	0	0	0	0
Combined Final Tax	513	1,063	2,694	4,249	5,962	9,235
Effective Tax Rate	3.42%	4.25%	5.39%	5.66%	5.96%	6.16%

(a) FICA tax assumed at prevailing rates.

(b) Taxpayers with total gross income below \$50,000 are assumed to be renters with \$6,000 annual rent.

(c) If Massachusetts adjusted gross income does not exceed specified thresholds, no tax liability exists.

**Table 12: Massachusetts Personal Income Tax**

1997 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Total Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
<b>A. 5.95% Income Tax</b>						
Wages & Salaries	14,900	24,900	49,900	72,770	93,310	136,640
Pension/Annuity	0	0	100	0	0	0
Taxable Mass. Bank Interest	100	100	0	915	1,640	3,380
Other Income	0	0	0	0	0	0
Total 5.95% Income	14,900	24,900	49,900	73,685	94,950	140,020
- FICA Tax Deduction (a)	1,140	1,905	3,817	4,000	4,000	4,000
- Rent Deduction (b)	2,500	2,500	0	0	0	0
- Personal Exemption	5,260	5,260	5,260	5,260	5,260	5,260
- Dependent Exemption	2,000	2,000	2,000	2,000	2,000	2,000
- Child Under 12 Exemption (c)	1,200	1,200	1,200	1,200	1,200	1,200
Taxable 5.95% Income	2,800	12,035	37,623	61,225	82,490	127,560
Final 5.95% Tax	167	716	2,239	3,643	4,908	7,590
<b>B. 12.00% Income Tax</b>						
Interest (Excl. Mass. Banks)	0	0	0	1,115	1,840	3,580
Dividends	0	0	0	0	3,010	6,190
Taxable Capital Gains	0	0	0	0	0	0
Taxable 12.00% Income	0	0	0	1,115	4,850	9,770
Final 12.00% Tax	0	0	0	134	582	1,173
<b>C. Combined 5.95% &amp; 12.00% Tax</b>						
5.95% Tax	167	716	2,239	3,643	4,908	7,590
12.00% Tax	0	0	0	134	582	1,173
Total Tax	167	716	2,239	3,777	5,490	8,763
Mass. Adj. Gross Income	15,000	25,000	50,000	74,800	99,800	149,800
No Tax Threshold (d)	13,665	13,665	13,665	13,665	13,665	13,665
Pre-Credit Tax	167	716	2,239	3,777	5,490	8,763
- Limited Income Credit	33	0	0	0	0	0
- Earned Income Credit	301	90	0	0	0	0
Combined Final Tax	(167)	626	2,239	3,777	5,490	8,763
Effective Tax Rate	-1.12%	2.50%	4.48%	5.04%	5.49%	5.84%

(a) FICA tax assumed at prevailing rates.

(b) Taxpayers with total gross income below \$50,000 are assumed to be renters with \$6,000 annual rent.

(c) All dependents are assumed to be children under 12.

(d) If Massachusetts adjusted gross income does not exceed specified thresholds, no tax liability exists.



**Table 13: New Jersey Personal Income Tax**

1994 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Taxable Pension/Annuity	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
New Jersey Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Personal Exemption	1,000	1,000	1,000	1,000	1,000	1,000
- Dependent Exemption	0	0	0	0	0	0
New Jersey Taxable Income	14,000	24,000	49,000	74,000	99,000	149,000
New Jersey Base Tax	266	475	1,530	3,073	4,731	8,056
- Homestead Credit (a)	30	30	0	0	0	0
Final Tax	236	445	1,530	3,073	4,731	8,056
Effective Tax Rate	1.57%	1.78%	3.06%	4.10%	4.73%	5.37%

(a) Taxpayers with total gross income below \$50,000 are assumed to be renters.

**Table 14: New Jersey Personal Income Tax**

1994 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Taxable Pension/Annuity	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
New Jersey Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Personal Exemption	2,000	2,000	2,000	2,000	2,000	2,000
- Dependent Exemption	3,000	3,000	3,000	3,000	3,000	3,000
New Jersey Taxable Income	10,000	20,000	45,000	70,000	95,000	145,000
New Jersey Base Tax	190	380	974	1,758	3,158	6,246
- Homestead Credit (a)	30	30	0	0	0	0
Final Tax	160	350	974	1,758	3,158	6,246
Effective Tax Rate	1.07%	1.40%	1.95%	2.34%	3.16%	4.16%

(a) Taxpayers with total gross income below \$50,000 are assumed to be renters.

**Table 15: New Jersey Personal Income Tax**

1997 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Taxable Pension/Annuity	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
New Jersey Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Exemptions	1,000	1,000	1,000	1,000	1,000	1,000
- Property Tax Deduction (a)	506	844	2,813	4,219	5,625	5,625
New Jersey Taxable Income	13,494	23,156	46,187	69,781	93,375	143,375
New Jersey Final Tax	189	335	1,059	2,363	3,822	7,007
Effective Tax Rate	1.26%	1.34%	2.12%	3.15%	3.82%	4.67%

(a) Taxpayers with total gross income below \$50,000 are assumed to be renters.

**Table 16: New Jersey Personal Income Tax**

1997 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Taxable Pension/Annuity	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
New Jersey Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Exemptions	5,000	5,000	5,000	5,000	5,000	5,000
- Property Tax Deduction (a)	506	844	2,813	4,219	5,625	5,625
New Jersey Taxable Income	9,494	19,156	42,187	65,781	89,375	139,375
New Jersey Final Tax	133	268	668	1,192	2,163	4,925
Effective Tax Rate	0.89%	1.07%	1.34%	1.59%	2.16%	3.28%

(a) Taxpayers with total gross income below \$50,000 are assumed to be renters.

**Table 17: Pennsylvania Personal Income Tax**

1994 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
PA Adj. Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
x Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
PA Base Tax	420	700	1,400	2,100	2,800	4,200
- PA Tax Forgiveness	0	0	0	0	0	0
Final Tax	420	700	1,400	2,100	2,800	4,200
Effective Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%

**Table 18: Pennsylvania Personal Income Tax**

1994 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
PA Adj. Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
x Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
PA Base Tax	420	700	1,400	2,100	2,800	4,200
- PA Tax Forgiveness	0	0	0	0	0	0
Final Tax	420	700	1,400	2,100	2,800	4,200
Effective Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%

**Table 19: Pennsylvania Personal Income Tax**

1997 Law: Single Taxpayer						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
PA Adj. Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
x Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
PA Base Tax	420	700	1,400	2,100	2,800	4,200
- PA Tax Forgiveness	0	0	0	0	0	0
Final Tax	420	700	1,400	2,100	2,800	4,200
Effective Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%

**Table 20: Pennsylvania Personal Income Tax**

1997 Law: Married Taxpayer, 2 Dependents						
	Income Levels					
Tax Computation Items	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
PA Adj. Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
x Tax Rate	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
PA Base Tax	420	700	1,400	2,100	2,800	4,200
- PA Tax Forgiveness	420	0	0	0	0	0
Final Tax	0	700	1,400	2,100	2,800	4,200
Effective Tax Rate	0.00%	2.80%	2.80%	2.80%	2.80%	2.80%

**Table 21: Vermont Personal Income Tax**

1994 Law: Single Taxpayer						
Tax Computation Items	Income Levels					
	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>A. Federal Tax Portion</b>						
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- Federal Deductions	3,800	3,800	3,800	18,936	23,026	28,804
- Federal Personal Exemptions	2,450	2,450	2,450	2,450	2,450	1,686
Federal Taxable Income	8,750	18,750	43,750	53,614	74,524	119,510
Base Tax	1,313	2,813	9,215	12,055	18,492	32,663
- Child Care Credit	0	0	0	0	0	0
Tax Before EIC	1,313	2,813	9,215	12,055	18,492	32,663
- Federal EIC	0	0	0	0	0	0
Final Tax	1,313	2,813	9,215	12,055	18,492	32,663
Effective Federal Tax Rate	8.75%	11.25%	18.43%	16.07%	18.49%	21.78%
<b>B. Vermont Tax Portion</b>						
Vermont Base Tax	328	703	2,304	3,014	4,623	8,166
- Vermont EIC	0	0	0	0	0	0
Vermont Final Tax	328	703	2,304	3,014	4,623	8,166
Vermont Effective Tax Rate	2.19%	2.81%	4.61%	4.02%	4.62%	5.44%

**Table 22: Vermont Personal Income Tax**

1994 Law: Married Taxpayer, 2 Dependents						
Tax Computation Items	Income Levels					
	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>A. Federal Tax Portion</b>						
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- Federal Deductions	6,350	6,350	6,350	18,467	24,164	29,681
- Federal Personal Exemptions	9,800	9,800	9,800	9,800	9,800	9,800
Federal Taxable Income	(1,150)	8,850	33,850	46,733	66,036	110,519
Base Tax	0	1,328	5,078	8,145	13,550	26,565
- Child Care Credit	0	0	0	0	0	0
Tax Before EIC	0	1,328	5,078	8,145	13,550	26,565
- Federal EIC	1,821	53	0	0	0	0
Final Tax	(1,821)	1,275	5,078	8,145	13,550	26,565
Effective Federal Tax Rate	-12.14%	5.10%	10.16%	10.86%	13.55%	17.71%
<b>B. Vermont Tax Portion</b>						
Vermont Base Tax	0	332	1,269	2,036	3,388	6,641
- Vermont EIC	455	13	0	0	0	0
Vermont Final Tax	(455)	319	1,269	2,036	3,388	6,641
Vermont Effective Tax Rate	-3.03%	1.27%	2.54%	2.72%	3.39%	4.43%

**Table 23: Vermont Personal Income Tax**

1997 Law: Single Taxpayer						
Tax Computation Items	Income Levels					
	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>A. Federal Tax Portion</b>						
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- Federal Deductions	4,150	4,150	4,150	18,865	22,922	28,899
- Federal Personal Exemptions	2,650	2,650	2,650	2,650	2,650	2,027
Federal Taxable Income	8,200	18,200	43,200	53,485	74,428	119,074
Base Tax	1,230	2,730	8,892	11,771	18,076	31,916
- Child Care Credit	0	0	0	0	0	0
Tax Before EIC	1,230	2,730	8,892	11,771	18,076	31,916
- Federal EIC	0	0	0	0	0	0
Final Tax	1,230	2,730	8,892	11,771	18,076	31,916
Effective Federal Tax Rate	8.20%	10.92%	17.78%	15.70%	18.08%	21.28%
<b>B. Vermont Tax Portion</b>						
Vermont Base Tax	308	683	2,223	2,943	4,519	7,979
- Vermont EIC	0	0	0	0	0	0
Vermont Final Tax	308	683	2,223	2,943	4,519	7,979
Vermont Effective Tax Rate	2.05%	2.73%	4.45%	3.92%	4.52%	5.32%

**Table 24: Vermont Personal Income Tax**

1997 Law: Married Taxpayer, 2 Dependents						
Tax Computation Items	Income Levels					
	\$15,000	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>A. Federal Tax Portion</b>						
Wages & Salaries	15,000	25,000	50,000	72,769	93,308	136,642
Interest Income	0	0	0	2,231	3,676	7,169
Dividends	0	0	0	0	3,016	6,189
Capital Gains	0	0	0	0	0	0
Pension/Annuity	0	0	0	0	0	0
Taxable SSI	0	0	0	0	0	0
Other Income	0	0	0	0	0	0
Federal Gross Income	15,000	25,000	50,000	75,000	100,000	150,000
- Adj. to Income	0	0	0	0	0	0
Federal Adj. Gross Income (FAGI)	15,000	25,000	50,000	75,000	100,000	150,000
Standard or Itemized Deds.	Standard	Standard	Standard	Itemized	Itemized	Itemized
- Federal Deductions	6,900	6,900	6,900	18,318	24,014	29,735
- Federal Personal Exemptions	10,600	10,600	10,600	10,600	10,600	10,600
Federal Taxable Income	0	7,500	32,500	46,082	65,386	109,665
Base Tax	0	1,125	4,875	7,547	12,952	25,652
- Child Care Credit	0	0	0	0	0	0
Tax Before EIC	0	1,125	4,875	7,547	12,952	25,652
- Federal EIC	(3,009)	903	0	0	0	0
Final Tax	(3,009)	222	4,875	7,547	12,952	25,652
Effective Federal Tax Rate	-20.06%	0.89%	9.75%	10.06%	14.09%	17.10%
<b>B. Vermont Tax Portion</b>						
Vermont Base Tax	0	281	1,219	1,887	3,238	6,413
- Vermont EIC	752	226	0	0	0	0
Vermont Final Tax	(752)	55	1,219	1,887	3,238	6,413
Vermont Effective Tax Rate	-5.02%	0.22%	2.44%	2.52%	3.24%	4.28%



