

# CSHB 365

# Back up Slides

House Finance Presentation  
4/7/2016

Presentation prepared by the Office of Rep. Paul Seaton

# CSHB365: Individual Income Tax

The next 2 slides show:

- examples from the Federal 1040 form
- how to determine the capital gains tax rate.

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2015** U.S. Individual Income Tax Return

OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 2015, or other tax year beginning 2015, ending 20, See separate instructions.

Your first name and initial Last name Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Home address (number and street), if you have a P.O. box, see instructions. Apt. no. Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name Foreign province/state/country Foreign postal code Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.

2  Married filing jointly (even if only one had income)

3  Married filing separately. Enter spouse's SSN above and full name here.

5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a.

b  Spouse

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input type="checkbox"/> If child under age 17 qualifying for child tax credit (see instructions)

d Total number of exemptions claimed

**Income**

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7

8a Taxable interest. Attach Schedule B if required 8a

b Tax-exempt interest. Do not include on line 8a 8b

9a Ordinary dividends. Attach Schedule B if required 9a

b Qualified dividends 9b

10 Taxable refunds, credits, or offsets of state and local income taxes 10

11 Alimony received 11

12 Business income or (loss). Attach Schedule C or C-EZ 12

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here  13

14 Other gains or (losses). Attach Form 4797 14

15a IRA distributions 15a b Taxable amount 15b

16a Pensions and annuities 16a b Taxable amount 16b

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

18 Farm income or (loss). Attach Schedule F 18

19 Unemployment compensation 19

20a Social security benefits 20a b Taxable amount 20b

21 Other income. List type and amount 21

22 Combine the amounts in the far right column for lines 7 through 21. This is your total income 22

**Adjusted Gross Income**

23 Educator expenses 23

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24

25 Health savings account deduction. Attach Form 8889 25

26 Moving expenses. Attach Form 9903 26

27 Deductible part of self-employment tax. Attach Schedule SE 27

28 Self-employed SEP, SIMPLE, and qualified plans 28

29 Self-employed health insurance deduction 29

30 Penalty on early withdrawal of savings 30

31a Alimony paid b Recipient's SSN 31a

32 IRA deduction 32

33 Student loan interest deduction 33

34 Tuition and fees. Attach Form 8917 34

35 Domestic production activities deduction. Attach Form 8903 35

36 Add lines 23 through 35 36

37 Subtract line 36 from line 22. This is your adjusted gross income 37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2015)

Form 1040 (2015) Page 2

**Tax and Credits**

38 Amount from line 37 (adjusted gross income) 38

39a Check  You were born before January 2, 1951,  Blind. Total boxes checked  39a

If your spouse itemizes on a separate return or you were a dual-status alien, check here  39b

b Standard Deduction for— 40

41 Subtract line 40 from line 38 41

42 Exemptions. If line 38 is \$154,950 or less, multiply \$4,000 by the number on line 6d. Otherwise, see instructions 42

43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43

44 Tax (see instructions). Check if any from: a  Form(s) 8814 b  Form 4972 c  44

45 Alternative minimum tax (see instructions). Attach Form 6251 45

46 Excess advance premium tax credit repayment. Attach Form 8962 46

47 Add lines 44, 45, and 46 47

48 Foreign tax credit. Attach Form 1116 if required 48

49 Credit for child and dependent care expenses. Attach Form 2441 49

50 Education credits from Form 8863, line 19 50

51 Retirement savings contributions credit. Attach Form 8880 51

52 Child tax credit. Attach Schedule 8812, if required 52

53 Residential energy credits. Attach Form 5695 53

54 Other credits from Form: a  3800 b  8801 c  54

55 Add lines 48 through 54. These are your total credits 55

56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- 56

57 Self-employment tax. Attach Schedule SE 57

58 Unreported social security and Medicare tax from Form: a  4137 b  8919 58

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59

60a Household employment taxes from Schedule H 60a

b First-time homebuyer credit repayment. Attach Form 5405 if required 60b

61 Health care: individual responsibility (see instructions) Full-year coverage  61

62 Taxes from: a  Form 8959 b  Form 8960 c  Instructions; enter code(s) 62

63 Add lines 56 through 62. This is your total tax 63

**Payments**

64 Federal income tax withheld from Forms W-2 and 1099 64

65 2015 estimated tax payments and amount applied from 2014 return 65

66a Earned income credit (EIC) 66a

b Nontaxable combat pay election 66b

67 Additional child tax credit. Attach Schedule 8812 67

68 American opportunity credit from Form 8863, line 8 68

69 Net premium tax credit. Attach Form 8962 69

70 Amount paid with request for extension to file 70

71 Excess social security and tier 1 RRTA tax withheld 71

72 Credit for federal tax on fuels. Attach Form 4136 72

73 Credits from Form: a  2439 b  Reread c  8885 d  73

74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments 74

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid 75

76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here  76a

b Routing number  c Type:  Checking  Savings

d Account number

77 Amount of line 75 you want applied to your 2016 estimated tax 77

**Amount You Owe**

78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions 78

79 Estimated tax penalty (see instructions) 79

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No

Designee's name  Phone no.  Personal identification number (PIN)

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature  Date  Your occupation  Daytime phone number

Spouse's signature. If a joint return, both must sign.  Date  Spouse's occupation

If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

**Paid Preparer Use Only**

Print/Type preparer's name  Preparer's signature  Date  Check  if self-employed PTIN

Firm's name  Firm's EIN

Firm's address  Phone no.

www.irs.gov/form1040 Form 1040 (2015)

Capital Gains Line 13

Federal Tax Due Line 63

## 2016 federal income tax brackets

<u>Tax rate on ordinary income</u>	Single		<u>Tax rate on qualified dividends and long term capital gains</u>
	over	to	
10%	\$0	\$9,275	0% (10%-0%=10%)
15%	\$9,275	\$37,650	0% (15%-0%=15%)
25%	\$37,650	\$91,150	15% (25%-15%=10%)
28%	\$91,150	\$190,150	15% (28%-15%=13%)
33%	\$190,150	\$413,350	15% (33%-15%=18%)
35%	\$413,350	\$415,050	15% (35%-15%=20%)
39.60%	\$415,050		20% (39.6%-20%=19.6%)
	Married filing jointly / Qualifying widow or widower		
	over	to	
10%	\$0	\$18,550	0%
15%	\$18,550	\$75,300	0%
25%	\$75,300	\$151,900	15%
28%	\$151,900	\$231,450	15%
33%	\$231,450	\$413,350	15%
35%	\$413,350	\$466,950	15%
39.60%	\$466,950		20%

How to determine the capital gains tax “lesser of 10% or the difference between....”

Information from: Charles Schwab website  
<http://www.schwab.com/public/schwab/n/articles/Taxes-Whats-New>

## The next slide shows:

Taxpayers can elect to  
deduct their State Income Tax  
on their

Federal Itemized Deductions - Schedule A  
(1040 form – Line 40)

Form **1040** U.S. Individual Income Tax Return **2015**

Department of the Treasury—Internal Revenue Service (99)

OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2015, or other tax year beginning 2015, ending 20, See separate instructions.

Your first name and initial Last name Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Home address (number and street), if you have a P.O. box, see instructions. Apt. no. Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name Foreign province/state/country Foreign postal code Presidential Election Campaign

Filing Status: 1  Single, 2  Married filing jointly (even if only one had income), 3  Married filing separately. Enter spouse's SSN above and full name here, 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here, 5  Qualifying widow(er) with dependent child

Exemptions: 6a  Yourself. If someone can claim you as a dependent, do not check box 6a, 6b  Spouse, c Dependents: (1) First name, Last name, (2) Dependent's social security number, (3) Dependent's relationship to you, (4)  If child under age 17 qualifying for child tax credit (see instructions), Boxes checked on 6a and 6b, No. of children on 6c who:  Lived with you  Did not live with you due to divorce or separation (see instructions), Dependents on 6c not entered above, Add numbers on lines above

Income: 7 Wages, salaries, tips, etc. Attach Form(s) W-2, 8a Taxable interest. Attach Schedule B if required, 8b Tax-exempt interest. Do not include on line 8a, 9a Ordinary dividends. Attach Schedule B if required, 9b Qualified dividends, 10 Taxable refunds, credits, or offsets of state and local income taxes, 11 Alimony received, 12 Business income or (loss). Attach Schedule C or C-EZ, 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here, 14 Other gains or (losses). Attach Form 4797, 15a IRA distributions, 15b Taxable amount, 16a Pensions and annuities, 16b Taxable amount, 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E, 18 Farm income or (loss). Attach Schedule F, 19 Unemployment compensation, 20a Social security benefits, 20b Taxable amount, 21 Other income. List type and amount, 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income: 23 Educator expenses, 24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ, 25 Health savings account deduction. Attach Form 8889, 26 Moving expenses. Attach Form 3903, 27 Deductible part of self-employment tax. Attach Schedule SE, 28 Self-employed SEP, SIMPLE, and qualified plans, 29 Self-employed health insurance deduction, 30 Penalty on early withdrawal of savings, 31a Alimony paid, 31b Recipient's SSN, 32 IRA deduction, 33 Student loan interest deduction, 34 Tuition and fees. Attach Form 8917, 35 Domestic production activities deduction. Attach Form 8903, 36 Add lines 23 through 35, 37 Subtract line 36 from line 22. This is your adjusted gross income

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2015)

State  
Income  
Tax Refund  
Line 10

Form 1040 (2015) Page 2

Tax and Credits: 38 Amount from line 37 (adjusted gross income), 39a Check  You were born before January 2, 1951,  Blind, Total boxes checked  39b  Spouse was born before January 2, 1951,  Blind, checked  39c  If your spouse itemizes on a separate return or you were a dual-status alien, check here

Standard Deduction for: 40 Itemized deductions from Schedule A or your standard deduction (see left margin), 41 Subtract line 40 from line 38, 42 Exemptions. If line 38 is \$154,950 or less, multiply \$4,000 by the number on line 6d. Otherwise, see instructions, 43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-, 44 Tax (see instructions). Check if any from: a  Form(s) 8814 b  Form 4972 c , 45 Alternative minimum tax (see instructions). Attach Form 6251, 46 Excess advance premium tax credit repayment. Attach Form 8962, 47 Add lines 44, 45, and 46, 48 Foreign tax credit. Attach Form 1116 if required, 49 Credit for child and dependent care expenses. Attach Form 2441, 50 Education credits from Form 8863, line 19, 51 Retirement savings contributions credit. Attach Form 8880, 52 Child tax credit. Attach Schedule 8812, if required, 53 Residential energy credits. Attach Form 5695, 54 Other credits from Form: a  3800 b  8801 c , 55 Add lines 48 through 54. These are your total credits, 56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-

Other Taxes: 57 Self-employment tax. Attach Schedule SE, 58 Unreported social security and Medicare tax from Form: a  4137 b  8919, 59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required, 60a Household employment taxes from Schedule H, 60b First-time homemaker credit repayment. Attach Form 5405 if required, 61 Health care: individual responsibility (see instructions) Full-year coverage , 62 Taxes from: a  Form 8959 b  Form 8960 c  Instructions; enter code(s), 63 Add lines 56 through 62. This is your total tax

Payments: 64 Federal income tax withheld from Forms W-2 and 1099, 65 2015 estimated tax payments and amount applied from 2014 return, 66a Earned income credit (EIC), 66b Nontaxable combat pay election, 67 Additional child tax credit. Attach Schedule 8812, 68 American opportunity credit from Form 8863, line 8, 69 Net premium tax credit. Attach Form 8962, 70 Amount paid with request for extension to file, 71 Excess social security and tier 1 RRTA tax withheld, 72 Credit for federal tax on fuels. Attach Form 4136, 73 Credits from Form: a  2439 b  Reread c  8885 d , 74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments

Refund: 75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid, 76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here, 76b Routing number, 76c Type:  Checking  Savings, 77 Account number, 77 Amount of line 75 you want applied to your 2016 estimated tax

Amount You Owe: 78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions, 79 Estimated tax penalty (see instructions)

Third Party Designee: Do you want to allow another person to discuss this return with the IRS (see instructions)?  Yes. Complete below.  No, Designee's name, Phone no., Personal identification number (PIN)

Sign Here: Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Your signature, Date, Your occupation, Daytime phone number, Spouse's signature. If a joint return, both must sign, Date, Spouse's occupation, If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only: Print/Type preparer's name, Preparer's signature, Date, Check  if self-employed, PTIN, Firm's name, Firm's address, Firm's EIN, Phone no.

www.irs.gov/form1040 Form 1040 (2015)

State Income  
Tax Deduction  
Line 40

## **The next 2 slides show:**

- Individual income tax collection per capita
- State-Local tax burden for residents

State	Collections per Capita	Rank
U.S.	\$975	
Ala.	\$662	37
<b>Alaska (a)</b>	<b>\$0</b>	--
Ariz.	\$515	41
Ark.	\$877	26
Calif.	\$1,753	4
Colo.	\$1,057	17
Conn.	\$2,162	2
Del.	\$1,112	14
<b>Fla. (a)</b>	<b>\$0</b>	--
Ga.	\$888	24
Hawaii	\$1,229	11
Idaho	\$818	30
Ill.	\$1,247	10
Ind.	\$742	33
Iowa	\$1,028	21
Kans.	\$865	27
Ky.	\$850	28
La.	\$592	39
Maine	\$1,063	16
Md.	\$1,301	9
Mass.	\$1,961	3
Mich.	\$794	31
Minn.	\$1,746	5
Miss.	\$557	40
Mo.	\$884	25



State	Collections per Capita	Rank
Mont.	\$1,039	19
Nebr.	\$1,128	13
<b>Nev. (a)</b>	<b>\$0</b>	--
N.H. (b)	\$70	42
N.J.	\$1,340	7
N.M.	\$622	38
N.Y.	\$2,176	1
N.C.	\$1,045	18
N.D.	\$674	36
Ohio	\$726	34
Okla.	\$764	32
Ore.	\$1,674	6
Pa.	\$845	29
R.I.	\$1,032	20
S.C.	\$709	35
<b>S.D. (a)</b>	<b>\$0</b>	--
Tenn. (b)	\$37	43
<b>Texas (a)</b>	<b>\$0</b>	--
Utah	\$981	22
Vt.	\$1,077	15
Va.	\$1,306	8
<b>Wash. (a)</b>	<b>\$0</b>	--
W.Va.	\$958	23
Wis.	\$1,180	12
<b>Wyo. (a)</b>	<b>\$0</b>	--

## State Individual Income Tax Collections per Capita Fiscal Year 2014

- (a) State has no individual income tax.
- (b) State does not tax wage income but does tax interest and dividend income.





**Table 1. State-Local Tax Burden by Rank Fiscal Year 2012 by Alaska Residents**

	State-Local Tax Burden as Percent of State Income	Rank	Taxes Paid to Home State	Taxes Paid to Other States	Total State-Local Tax Burden	Income	Income Rank
<b>Alaska</b>	6.5%	50	\$1,986	\$1,242	\$3,229	\$49,780	10



Chart from Tax Foundation website:

<http://taxfoundation.org/article/state-local-tax-burden-rankings-fy-2012>

# Why an Individual Income Tax?

## The next 3 slides show:

- Tax nonresidents
- Tax S-corps and LLCs
- Tax all people who claim residency in the state

# 5 Workers and Wages, Major and Selected Industry Categories

## Alaska, 2014

Industry	Total		Nonresident			
	Workers	Wages (mil)	Workers	Percent	Wages (mil)	Percent
Agriculture, Forestry, Fishing and Hunting	2,424	\$55.8	1,257	51.9%	\$27.8	49.9%
Mining	22,316	\$2,361.9	7,690	34.5%	\$752.4	31.9%
Oil and Gas	4,666	\$893.8	1,248	26.7%	\$237.2	26.5%
Oilfield Services*	13,790	\$1,155.4	5,216	37.8%	\$421.3	36.5%
Utilities	2,580	\$188.5	142	5.5%	\$6.3	3.3%
Construction	27,763	\$1,343.0	6,172	22.2%	\$237.0	17.6%
Manufacturing	29,156	\$612.7	18,642	63.9%	\$277.3	45.3%
Seafood Processing	23,957	\$398.2	17,792	74.3%	\$257.8	64.7%
Wholesale Trade	7,318	\$346.7	688	9.4%	\$21.1	6.1%
Retail Trade	49,196	\$1,126.9	7,629	15.5%	\$90.1	8.0%
Transportation and Warehousing	25,147	\$1,194.6	6,488	25.8%	\$286.7	24.0%
Air Transportation	7,349	\$317.9	1,772	24.1%	\$57.2	18.0%
Information	7,551	\$401.8	710	9.4%	\$25.4	6.3%
Finance and Insurance	8,049	\$430.6	637	7.9%	\$16.6	3.9%
Real Estate and Rental and Leasing	7,025	\$216.3	712	10.1%	\$15.6	7.2%
Professional, Scientific, and Technical Services	18,378	\$1,027.0	4,359	23.7%	\$224.6	21.9%
Management of Companies and Enterprises	2,757	\$185.2	566	20.5%	\$25.9	14.0%
Administrative Support/Waste Management and Remediation	17,905	\$545.3	3,923	21.9%	\$90.6	16.6%
Educational Services	2,873	\$67.2	669	23.3%	\$7.3	10.8%
Health Care and Social Assistance	50,708	\$2,108.6	5,101	10.1%	\$158.0	7.5%
Arts, Entertainment, and Recreation	7,153	\$93.2	2,208	30.9%	\$20.5	22.0%
Accommodation and Food Services	42,235	\$625.1	12,823	30.4%	\$130.0	20.8%
Accommodation	12,523	\$200.7	5,704	45.5%	\$61.8	30.8%
Food Services and Drinking Places	29,497	\$422.9	7,022	23.8%	\$67.6	16.0%
Other Services	13,090	\$372.7	1,979	15.1%	\$36.1	9.7%
Other/Unknown	428	\$7.0	156	36.4%	\$2.1	30.0%
Local Government	49,949	\$1,808.1	3,388	6.8%	\$69.8	3.9%
State Government	28,515	\$1,357.7	1,949	6.8%	\$47.9	3.5%
<b>Total</b>	<b>422,516</b>	<b>\$16,475.9</b>	<b>87,888</b>	<b>20.8%</b>	<b>\$2,569.0</b>	<b>15.6%</b>

Note: Data exclude the self-employed, fishermen, and other agricultural workers, and private household workers. For estimates of fish harvesting employment, go to [labor.alaska.gov/research/seafood/seafood.htm](http://labor.alaska.gov/research/seafood/seafood.htm).

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, 2014 Nonresidents Working in Alaska report.

# Corporate Income Tax avoided by Sub S Corps and Limited Liability Corps in Alaska.

**Table 15.**  
State Corporate Income Tax Rates  
As of January 1, 2015

Tax Foundation: Facts & Figures 2015

State	Rates	Brackets
Ala.	6.50%	> \$0
Alaska	0.00%	> \$0
	2.00%	> \$25,000
	3.00%	> \$49,000
	4.00%	> \$74,000
	5.00%	> \$99,000
	6.00%	> \$124,000
	7.00%	> \$148,000
	8.00%	> \$173,000
	9.00%	> \$198,000
	9.40%	> \$222,000
Ariz.	6.00%	> \$0
Ark. (a)	1.00%	> \$0
	2.00%	> \$3,000
	3.00%	> \$6,000
	5.00%	> \$11,000
	6.00%	> \$25,000
	6.50%	> \$100,000

State	Rates	Brackets
La.	4.00%	> \$0
	5.00%	> \$25,000
	6.00%	> \$50,000
	7.00%	> \$100,000
	8.00%	> \$200,000
Maine	3.50%	> \$0
	7.93%	> \$25,000
	8.33%	> \$75,000
	8.93%	> \$250,000
Md.	8.25%	> \$0
Mass.	8.00%	> \$0
Mich.	6.00%	> \$0
Minn.	9.80%	> \$0
Miss.	3.00%	> \$0
	4.00%	> \$5,000
	5.00%	> \$10,000
Mo.	6.25%	> \$0
Mont.	6.75%	> \$0

State	Rates	Brackets	State	Rates	Brackets
Calif.	8.84%	> \$0	Nebr.	5.58%	> \$0
Colo.	4.63%	> \$0		7.81%	> \$100,000
Conn. (b)	9.00%	> \$0	Nev.	None	
Del. (c)	8.70%	> \$0	N.H.	8.50%	> \$0
Fla.	5.50%	> \$0	N.J. (f)	6.50%	> \$0
Ga.	6.00%	> \$0		7.50%	> \$50,000
Hawaii	4.40%	> \$0		9.00%	> \$100,000
	5.40%	> \$25,000	N.M. (g)	4.80%	> \$0
	6.40%	> \$100,000		6.40%	> \$500,000
Idaho	7.40%	> \$0		6.90%	> \$1,000,000
Ill. (d)	7.75%	> \$0	N.Y.	7.10%	> \$0
Ind. (e)	7.00%	> \$0	N.C.	5.00%	> \$0
Iowa	6.00%	> \$0	N.D.	1.48%	> \$0
	8.00%	> \$25,000		3.73%	> \$25,000
	10.00%	> \$100,000		4.53%	> \$50,000
	12.00%	> \$250,000	Ohio	(c)	
Kans.	4.00%	> \$0	Okla.	6.00%	> \$0
	7.00%	> \$50,000	Ore.	6.60%	> \$0
Ky.	4.00%	> \$0		7.60%	> \$1,000,000
	5.00%	> \$50,000	Pa.	9.99%	> \$0
	6.00%	> \$100,000	R.I.	7.00%	> \$0

## Resident is defined as an individual who:

- lives in the state for the entire calendar year;
- claims to be a resident of Alaska on their federal tax forms;
- receives an Alaska permanent fund dividend;
- is registered to vote in Alaska; or
- has an Alaska resident fishing, hunting, or trapping license during the calendar year.

# CSHB365: Refundable Tax Credit

## The next two slides:

- Chart: Changes to Distributable Income AS 37.13.14(b) for PFD calculation
- Charts: Examples of AK Income Tax & PFD Refundable Tax Credit for filing groups

**CSHB 365 – Changes to Distributable Income AS 37.13.145(b) (Section 1, ver.P)**

example calculation of PFD based on 2015 PFD

<b>Calculation</b>	<b>Current 2015 PFD</b>	<b>CSHB 365 - PFD</b>
Statutory Net Income (Earnings) from Permanent Fund for previous 5 years (2011-2015)	\$ 13,077,000,000	\$ 13,077,000,000
Multiply by statutory % of 5 yr earnings	21%	21%
Total	\$ 2,746,170,000	\$ 2,746,170,000
Multiply by statutory % to determine earnings income available for distribution for dividend (or tax credit)	50%	25%
total	\$ 1,373,085,000	\$ 686,542,500
Add FY2013 PFD Fund beginning balance (money no longer needed to pay dividends from prior years)	\$ 11,600,000	\$ 11,600,000
total	\$ 1,384,685,000	\$ 698,142,500
Subtract prior year obligations, expenses and cost of operating the PFD division	\$ 48,300,000	\$ 48,300,000
total	\$ 1,336,385,000	\$ 649,842,500
Subtract reserves for payment of prior year dividends (dividends for people who received application extensions, etc.)	\$ 900,000	\$ 900,000
total	\$ 1,335,485,000	\$ 648,942,500

Divide by the est. number of eligible dividend applicants	644,511	644,511
Individual PFD (could be used for Tax Credit)	\$ 2,072	\$ 1,007
Total amount paid out for PFDs / Tax Credits	\$ 1,335,485,000	\$ 648,942,500

# CSHB 365: Income Tax & PFD Refundable Tax Credit

## Estimated Federal and State Income Tax for Year 2016

### Married with No Children

A	Gross Income	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000	\$ 80,000	\$ 90,000	\$ 100,000
B	Less Standard Deduction	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600
C	Less Personal Exemptions	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100
D=A-B-C	Taxable Income	\$ (700)	\$ 9,300	\$ 19,300	\$ 29,300	\$ 39,300	\$ 49,300	\$ 59,300	\$ 69,300	\$ 79,300
E	Tax Before Credits	\$ -	\$ 930	\$ 1,968	\$ 3,468	\$ 4,968	\$ 6,468	\$ 7,968	\$ 9,468	\$ 11,368
F	Less Child Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G=E-F	Total Federal Tax	\$ -	\$ 930	\$ 1,968	\$ 3,468	\$ 4,968	\$ 6,468	\$ 7,968	\$ 9,468	\$ 11,368
H=G x 15%	<b>Total Alaska Income Tax</b>	\$ -	\$ 140	\$ 295	\$ 520	\$ 745	\$ 970	\$ 1,195	\$ 1,420	\$ 1,705
I	PFD - Refundable Tax Credit x 2 Adults*	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014
J=H-I	<b>Refund</b>	\$ 2,014	\$ 1,875	\$ 1,719	\$ 1,494	\$ 1,269	\$ 1,044	\$ 819	\$ 594	\$ 309

Row I assumes a person is applying all of their PFD as a Refundable Tax Credit.

### Married Couple with 2 Children

Gross Income	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000	\$ 80,000	\$ 90,000	\$ 100,000
Less Standard Deduction	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600	\$ 12,600
Less Personal Exemptions	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200	\$ 16,200
Taxable Income	\$ (8,800)	\$ 1,200	\$ 11,200	\$ 21,200	\$ 31,200	\$ 41,200	\$ 51,200	\$ 61,200	\$ 71,200
Tax Before Credits	\$ -	\$ 120	\$ 1,120	\$ 2,253	\$ 3,753	\$ 5,253	\$ 6,753	\$ 8,253	\$ 9,753
Less Child Tax Credit	\$ -	\$ 120	\$ 1,120	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Total Federal Tax	\$ -	\$ -	\$ -	\$ 253	\$ 1,753	\$ 3,253	\$ 4,753	\$ 6,253	\$ 7,753
<b>Total Alaska Income Tax</b>	\$ -	\$ -	\$ -	\$ 38	\$ 263	\$ 488	\$ 713	\$ 938	\$ 1,163
PFD - Refundable Tax Credit x 2 Adults*	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014	\$ 2,014
<b>Refund</b>	\$ 2,014	\$ 2,014	\$ 2,014	\$ 1,976	\$ 1,751	\$ 1,526	\$ 1,301	\$ 1,076	\$ 851



## Single with No Children

Gross Income	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000	\$ 80,000	\$ 90,000	\$ 100,000
Less Standard Deduction	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300	\$ 6,300
Less Personal Exemptions	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050
Taxable Income	\$ 9,650	\$ 19,650	\$ 29,650	\$ 39,650	\$ 49,650	\$ 59,650	\$ 69,650	\$ 79,650	\$ 89,650
Tax Before Credits	\$ 984	\$ 2,484	\$ 3,984	\$ 5,684	\$ 8,184	\$ 10,684	\$ 13,184	\$ 15,684	\$ 18,184
Less Child Tax Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Federal Tax	\$ 984	\$ 2,484	\$ 3,984	\$ 5,684	\$ 8,184	\$ 10,684	\$ 13,184	\$ 15,684	\$ 18,184
<b>Total Alaska Income Tax</b>	<b>\$ 148</b>	<b>\$ 373</b>	<b>\$ 598</b>	<b>\$ 853</b>	<b>\$ 1,228</b>	<b>\$ 1,603</b>	<b>\$ 1,978</b>	<b>\$ 2,353</b>	<b>\$ 2,728</b>
PFD - Refundable Tax Credit x 1 Adult*	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007
<b>Refund</b>	<b>\$ 859</b>	<b>\$ 634</b>	<b>\$ 409</b>	<b>\$ 154</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Single with 2 Children

Gross Income	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000	\$ 80,000	\$ 90,000	\$ 100,000
Less Standard Deduction	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
Less Personal Exemptions	\$ 12,150	\$ 12,150	\$ 12,150	\$ 12,150	\$ 12,150	\$ 12,150	\$ 12,150	\$ 12,150	\$ 12,150
Taxable Income	\$ (1,450)	\$ 8,550	\$ 18,550	\$ 28,550	\$ 38,550	\$ 48,550	\$ 58,550	\$ 68,550	\$ 78,550
Tax Before Credits	\$ -	\$ 855	\$ 2,120	\$ 3,620	\$ 5,120	\$ 6,620	\$ 8,935	\$ 11,435	\$ 13,935
Less Child Tax Credit	\$ -	\$ 855	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 1,750	\$ 1,250	\$ 750
Total Federal Tax	\$ -	\$ -	\$ 120	\$ 1,620	\$ 3,120	\$ 4,620	\$ 7,185	\$ 10,185	\$ 13,185
<b>Total Alaska Income Tax</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18</b>	<b>\$ 243</b>	<b>\$ 468</b>	<b>\$ 693</b>	<b>\$ 1,078</b>	<b>\$ 1,528</b>	<b>\$ 1,978</b>
PFD - Refundable Tax Credit x 1 Adult*	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007	\$ 1,007
<b>Refund</b>	<b>\$ 1,007</b>	<b>\$ 1,007</b>	<b>\$ 989</b>	<b>\$ 764</b>	<b>\$ 539</b>	<b>\$ 314</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

- PFD - Refundable Tax Credit based on 2015 permanent fund amounts = \$1007 per person (slide 15).
- Row I : Assuming a child's PFD - Refundable Tax Credit would not be used towards payment of their parent's taxes and so not included in Row I.
- Rows A-G based on Dept. of Revenue chart created for SB 134 - Income Tax bill presentation to Senate Labor & Commerce committee 2/23/16.
- Assumptions: Single parent qualifies as "Head of Household". Married couple files "Jointly". Children are under 16 yrs of age and are the only dependents.
- Gross income is from wages. Standard deduction is greater than Itemized Deductions. The only credit the filers qualify for is the Child Tax Credit