

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.

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)

**State Income
Tax Deduction
Line 40**

State
Income
Tax Refund
Line 10

The next 2 slides show:

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

<u>State</u>	<u>Collections per Capita</u>	<u>Rank</u>
U.S.	\$975	
Ala.	\$662	37
Alaska (a) \$0	--	
Ariz.	\$515	41
Ark.	\$877	26
Calif.	\$1,753	4
Colo.	\$1,057	17
Conn.	\$2,162	2
Del.	\$1,112	14
Fla. (a) \$0	--	
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

<u>State</u>	<u>Collections per Capita</u>	<u>Rank</u>
Mont.	\$1,039	19
Nebr.	\$1,128	13
Nev. (a) \$0	--	
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
S.D. (a) \$0	--	
Tenn. (b)	\$37	43
Texas (a) \$0	--	
Utah	\$981	22
Vt.	\$1,077	15
Va.	\$1,306	8
Wash. (a) \$0	--	
W.Va.	\$958	23
Wis.	\$1,180	12
Wyo. (a) \$0	--	

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
Alaska	6.5%	50	\$1,986	\$1,242	\$3,229	\$49,780	10



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%
Total	422,516	\$16,475.9	87,888	20.8%	\$2,569.0	15.6%

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.

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
Calif.	8.84%	> \$0
Colo.	4.63%	> \$0
Conn. (b)	9.00%	> \$0
Del. (c)	8.70%	> \$0
Fla.	5.50%	> \$0
Ga.	6.00%	> \$0
Hawaii	4.40%	> \$0
	5.40%	> \$25,000
	6.40%	> \$100,000
Idaho	7.40%	> \$0
Ill. (d)	7.75%	> \$0
Ind. (e)	7.00%	> \$0
Iowa	6.00%	> \$0
	8.00%	> \$25,000
	10.00%	> \$100,000
	12.00%	> \$250,000
Kans.	4.00%	> \$0
	7.00%	> \$50,000
Ky.	4.00%	> \$0
	5.00%	> \$50,000
	6.00%	> \$100,000

State	Rates	Brackets
Nebr.	5.58%	> \$0
	7.81%	> \$100,000
Nev.	None	
N.H.	8.50%	> \$0
N.J. (f)	6.50%	> \$0
	7.50%	> \$50,000
	9.00%	> \$100,000
N.M. (g)	4.80%	> \$0
	6.40%	> \$500,000
	6.90%	> \$1,000,000
N.Y.	7.10%	> \$0
N.C.	5.00%	> \$0
N.D.	1.48%	> \$0
	3.73%	> \$25,000
	4.53%	> \$50,000
Ohio	(c)	
Okla.	6.00%	> \$0
Ore.	6.60%	> \$0
	7.60%	> \$1,000,000
Pa.	9.99%	> \$0
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

Calculation	Current 2015 PFD	CSHB 365 - PFD
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%	Total Alaska Income Tax	\$ -	\$ 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	Refund	\$ 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
Total Alaska Income Tax	\$ -	\$ -	\$ -	\$ 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
Refund	\$ 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
Total Alaska Income Tax	\$ 148	\$ 373	\$ 598	\$ 853	\$ 1,228	\$ 1,603	\$ 1,978	\$ 2,353	\$ 2,728
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
Refund	\$ 859	\$ 634	\$ 409	\$ 154	\$ -	\$ -	\$ -	\$ -	\$ -

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
Total Alaska Income Tax	\$ -	\$ -	\$ 18	\$ 243	\$ 468	\$ 693	\$ 1,078	\$ 1,528	\$ 1,978
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
Refund	\$ 1,007	\$ 1,007	\$ 989	\$ 764	\$ 539	\$ 314	\$ -	\$ -	\$ -

- 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