

HB

525

file 2

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. HB 525

Revision Date: March 20, 1992
Title: Taxation of Income and Individual tax credits
Sponsor: Rep. Koponen
Requestor: _____

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

COMPONENT SERIAL NO. 1113

EXPENDITURES/REVENIES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	****	****	****	****	****	****
CAPITAL	****	****	****	****	****	****
REVENUE FUND SOURCE	****	****	****	****	****	****

FUNDING: (Thousands of Dollars)

GENERAL FUND	****	****	****	****	****	****
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	****	****	****	****	****	****

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS:

**** SEE ATTACHED

Prepared By: Rod Mourant *Rod Mourant* Phone: (907) 465-2300
Division: Income and Excise Audit Date: March 20, 1992

Approved by Commissioner: Darrel J. Rexwinkel *Darrel Rexwinkel*
Agency: Department of Revenue Date: 3/20/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Off., & Impacted Agency(ies).

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

P.O. BOX 3
JUNEAU, ALASKA 99811-0400
PHONE: (907) 465-2300
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March 18, 1992

The Honorable Niiilo Koponen
Alaska State Legislature
State Capitol Building, Rm. 503
Juneau, AK 99801

Dear Representative Koponen:

I received your memorandum of March 12, 1992, expressing your concerns with the status of fiscal notes on legislation which you have introduced and which affect the Department of Revenue.

In regard to HB 522 which deals with a Real Estate Conveyance Tax, this bill has not been scheduled for a hearing. HB 523, Business License Tax, has been scheduled for a hearing in Labor & Commerce Committee and we have begun work on a fiscal note. HB 524, Limited Entry Permit Transfer Tax, is not scheduled for a hearing.

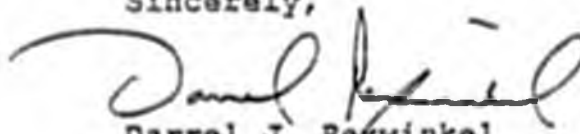
The Department of Revenue has reviewed your proposed legislation relating to the taxation of personal income, House Bill 525. As would be expected in legislation dealing with this complex area of law, the implications and meanings of the sections of this bill are complex and interrelated. The department has determined that preparation of a fiscal note taking into account all the provisions of the proposed legislation would require approximately 300 hours of effort to calculate revenues and cost. We are simply not in a position to devote staff effort of this magnitude in a short time period.

I have attached a fiscal note for legislation dealing with personal income tax which the legislature considered in 1987. When reviewing this material it should be remembered that the legislation as well as the current state demographics are significantly different as would be the resultant calculations. In 1987, when the last calculation was done, the cost estimate to operate the program by the Department of Revenue was \$1,345,000. Cost in today's dollars would be approximately \$1,715,000. Revenues to the state would total between \$250 and \$400 million. As your legislation moves through the process, the Department of Revenue will devote time to the effort of arriving at a fiscal note that reasonably accommodates all of the bill's provisions.

It is my understanding that the effort to develop a fiscal note in 1987 required approximately six months of Department of Revenue staff time to prepare the cost and revenue analysis. Based on our current staffing, the majority of this time would now result in reduced audit efforts and therefore reduced revenues. The effort in 1987 was reviewed by Legislative Finance Division and a copy of their April 21, 1987 analysis is attached.

I apologize for any misunderstanding of our efforts that may have occurred and encourage you to contact this office when concerns arise in the future.

Sincerely,



Darrel J. Rexwinkel
Commissioner

cc: Max Hodel, Chief-of-Staff, Office of the Governor
Paul Fuhs, Legislative Liaison, Office of the Governor
Larry E. Myers, Director Income & Excise Audit Division
Rod Mourant, Special Assistant to the Commissioner
Representative Davidson
Representative Finklestein
Representative Kubina
Representative Mackie
House Finance Committee
Senate Finance Committee

Enclosure

DJR:rm
92-065

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 154 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the taxation of income; relating
7 to individual tax credits; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 43.20.011 is amended by adding new subsections to read:

11 (g) There is imposed for each taxable year upon the taxable
12 income of every resident, nonresident, and part-year resident indi-
13 vidual and fiduciary of the state, except those subject to the rates
14 in (h), (i), and (j) of this section, a tax computed according to the
15 following table:

16 If the taxable income is:	Then the tax is:
17 Over \$31 but less than \$30,000	3.2 percent of taxable income
18 \$30,000 or more	\$960 plus 5.7 percent of the 19 excess over \$30,000.

20 (h) There is imposed for each taxable year upon the taxable
21 income of every resident, nonresident, and part-year resident married
22 individual who makes a single return jointly with a spouse, as provid-
23 ed in 26 U.S.C. 6013 (Internal Revenue Code), and upon every resident,
24 nonresident, and part-year resident surviving spouse, as defined in 26
25 U.S.C. 2(a) (Internal Revenue Code), a tax computed according to the
26 following table:

27 If the taxable income is:	Then the tax is:
28 Over \$31 but less than \$30,000	3.2 percent of taxable income
29 \$30,000 or more	\$1,600 plus 5.7 percent of the

1 excess over \$30,000.

2 (i) There is imposed for each taxable year upon the taxable
3 income of every resident, nonresident, and part-year resident head of
4 a household, as defined in 26 U.S.C. 2(b) (Internal Revenue Code), a
5 tax computed according to the following table:

6 If the taxable income is:	Then the tax is:
7 Over \$31 but less than \$40,000	3.2 percent of taxable income
8 \$40,000 or more	\$1,280 plus 5.7 percent of the 9 excess over \$40,000.

10 (j) There is imposed for each taxable year upon the taxable
11 income of every resident, nonresident, and part-year resident married
12 individual who does not make a single return jointly with a spouse a
13 tax computed according to the following table:

14 If the taxable income is:	Then the tax is:
15 Over \$31 but less than \$25,000	3.2 percent of taxable income
16 \$25,000 or more	\$800 plus 5.7 percent of the 17 excess over \$25,000.

18 (k) In (g), (h), (i), and (j) of this section, the tax on a
19 nonresident or part-year resident individual or fiduciary is the tax
20 computed on taxable income from all sources, multiplied by a fraction
21 the numerator of which is adjusted gross income from sources in the
22 state and the denominator of which is adjusted gross income from all
23 sources.

24 (l) An individual shall determine the tax under this section
25 using the same filing status as used on the individual's federal
26 return.

27 • Sec. 2. AS 43.20.030(a) is amended to read:

28 (a) Every individual, fiduciary, and [IF A PARTNERSHIP WHICH HAS
29 A CORPORATION AS A PARTNER OR A] corporation [IS] required to make a

1 return under the provisions of the Internal Revenue Code [, IT] shall
2 at the same time file with the department a return setting out

3 (1) the amount of tax due under this chapter, less allow-
4 able credits and payments claimed against the tax; and

5 (2) other information for the purpose of carrying out the
6 provisions of this chapter that [WHICH] the department requires.

7 * Sec. 3. AS 43.20.030(d) is amended to read:

8 (d) A taxpayer [, UPON REQUEST BY THE DEPARTMENT.] shall file
9 with the return [FURNISH TO THE DEPARTMENT] a [TRUE AND] correct copy
10 of the tax return [WHICH THE TAXPAYER HAS] filed with the United
11 States Internal Revenue Service. Every taxpayer shall file an amended
12 return with the department, and remit any additional tax and interest
13 due [NOTIFY THE DEPARTMENT IN WRITING OF ANY ALTERATION IN, OR MODI-
14 FICATION OF, THE TAXPAYER'S FEDERAL INCOME TAX RETURN AND OF A RECOM-
15 PUTATION OF TAX OR DETERMINATION OF DEFICIENCY (WHETHER WITH OR WITH-
16 OUT ASSESSMENT)]. A FULL STATEMENT OF THE FACTS SHALL ACCOMPANY THIS
17 NOTICE. THE NOTICE SHALL BE FILED] within 60 days after the final
18 determination of the taxpayer's federal tax liability [MODIFICATION,
19 RECOMPUTATION OR DEFICIENCY, AND THE TAXPAYER SHALL PAY THE ADDITIONAL
20 TAX OR PENALTY UNDER THIS CHAPTER]. For purposes of this section, a
21 final determination means [SHALL MEAN] the time that an amended feder-
22 al return is filed or the date a federal [A NOTICE OF DEFICIENCY OR
23 AN] assessment is made [MAILED TO THE TAXPAYER BY THE INTERNAL REVENUE
24 SERVICE, EXCEPT THAT IN NO EVENT WILL THERE BE A FINAL DETERMINATION
25 FOR PURPOSES OF THIS SECTION UNTIL THE TAXPAYER HAS EXHAUSTED RIGHTS
26 OF APPEAL UNDER FEDERAL LAW].

27 * Sec. 4. AS 43.20.031 is amended by adding new subsections to read:

28 (j) The gross income of an individual or a fiduciary is gross
29 income as defined in 26 U.S.C. 61 (Internal Revenue Code), and

1 includes those items specifically included in gross income under 26
2 U.S.C. 71 - 26 U.S.C. 89 (Subtitle A, Ch. 1B, Part II of the Internal
3 Revenue Code) and excludes those items specifically excluded from
4 gross income under 26 U.S.C. 101 - 26 U.S.C. 135 (Subtitle A, Ch. 1B,
5 Part III of the Internal Revenue Code), with the following modifica-
6 tions:

7 (1) a taxpayer who receives a cost-of-living allowance that
8 is exempt from federal income tax shall determine and include that
9 amount as part of the taxpayer's income as if the cost-of-living
10 allowance were not exempt;

11 (2) a taxpayer who receives interest upon obligations of a
12 state, or interest upon obligations of a political or municipal subdivi-
13 sion of a state, that is exempt from federal income tax shall deter-
14 mine and include that amount as part of the taxpayer's income as if
15 the interest were not exempt;

16 (3) gross income does not include longevity bonuses re-
17 ceived under AS 47.45.

18 (k) The following adjustments to the gross income of an indi-
19 vidual or fiduciary are allowed as deductions in arriving at adjusted
20 gross income under this section:

21 (1) the deductions allowable under 26 U.S.C. 62 (Internal
22 Revenue Code)

23 (A) attributable to a trade or business carried on by
24 a taxpayer;

25 (B) from the sale or exchange of property;

26 (C) attributable to property held for the production
27 of rents or royalties;

28 (D) for the premature withdrawal of money from time
29 savings accounts or deposits;

- 1 (E) for alimony;
- 2 (2) interest received on obligations of the United States;
- 3 (3) refunds of state income taxes included in gross income;
- 4 (4) permanent fund dividends paid under AS 43.23.055.

5 (1) The taxable income of a fiduciary is its adjusted gross
6 income. The taxable income of an individual taxpayer is the taxpay-
7 er's adjusted gross income less personal exemptions. An individual
8 taxpayer may deduct from adjusted gross income the number of personal
9 exemptions to which the taxpayer is entitled under 26 U.S.C. 151
10 (Internal Revenue Code). The exemption amount is \$3,000 and is not
11 adjusted for inflation.

12 (m) In this section, "individual" means a resident, nonresident,
13 or part-year resident individual, and "fiduciary" means a resident,
14 nonresident, or part-year resident fiduciary.

15 * Sec. 5. AS 43.20 is amended by adding a new section to read:

16 Sec. 43.20.032. TAX CALCULATION FOR NONRESIDENTS AND PART-YEAR
17 RESIDENTS AND FIDUCIARIES. (a) In computing the tax of a nonresident
18 or part-year resident individual or fiduciary under AS 43.20.011(k),
19 the part of the adjusted gross income attributable to sources in the
20 state is determined under AS 43.20.040.

21 (b) In computing adjusted gross income attributable to sources
22 in the state for a nonresident or part-year resident individual or
23 fiduciary, deductions and adjustments are allowed only to the extent
24 that they are connected with income that arises from sources in the
25 state or property having a situs for taxation in the state.

26 * Sec. 6. AS 43.20.040(b) is amended to read:

27 (b) In this section, income is from a source having a taxable or
28 business situs in the state if it is derived from

29 (1) owning or operating business facilities or property in

1 the state;

2 (2) conducting business, farming, or fishing operations in
3 the state;

4 (3) [REPEALED

5 (4)] a partnership that [WHICH] transacts business in the
6 state;

7 (4) [(5)] a corporation that [WHICH] transacts business in
8 the state and that [WHICH] has elected to file federal returns under
9 26 U.S.C. 1361 - 1379 (Subtitle A, Ch. 1, Subchapter S, Internal
10 Revenue Code) [SUBCHAPTER S OF THE INTERNAL REVENUE CODE];

11 (5) [(6) REPEALED

12 (7)] engaging in any other activity from which income is
13 received, realized, or derived in the state;

14 (6) working for salary or wages in the state;

15 (7) an estate or TRUST deriving income from sources in the
16 state.

17 • Sec. 7. AS 43.20.040 is amended by adding a new subsection to read:

18 (d) With regard to the tax under AS 43.20.011(g) - (j), if a
19 business, trade, or profession, other than the rendering of purely
20 personal services, is carried on partly inside and partly outside the
21 state, the income from sources in the state must be determined as
22 provided in AS 43.19.

23 • Sec. 8. AS 43.20 is amended by adding a new section to read:

24 Sec. 43.20.062. CREDITS AGAINST TAX. (a) A resident is al-
25 lowed, as a credit against the tax otherwise due under this chapter,
26 the amount of income tax imposed on the taxpayer for the taxable year
27 by another state or territory of the United States on income derived
28 from sources in the other state or territory that is also subject to
29 tax under this chapter.

1 (b) The credit allowed in (a) of this section is limited to that
2 proportion of the tax computed under this chapter that the taxable
3 income from the other state or territory bears to total taxable in-
4 come. The credit may not exceed the actual tax paid to the other
5 state or territory.

6 (c) The amounts deducted and withheld as taxes under this chap-
7 ter during a calendar year are allowed as credits to the taxpayer
8 against the tax imposed by this chapter.

9 (d) A taxpayer who qualifies for receipt of the Alaska permanent
10 fund dividend under AS 43.23 may, under regulations adopted by the
11 department, request the department to apply the dividend as a credit
12 against the tax imposed by this chapter.

13 • Sec. 9. AS 43.20.065 is amended to read:

14 Sec. 43.20.065. ALLOCATION AND APPORTIONMENT. A corporate
15 taxpayer who has income from business activity that [WHICH] is taxable
16 both inside and outside the state or income from other sources both
17 inside and outside the state shall allocate and apportion net income
18 as provided in the Multistate Tax Compact (AS 43.19), or as provided
19 by this chapter.

20 • Sec. 10. AS 43.20 is amended by adding a new section to read:

21 Sec. 43.20.171. COLLECTION OF INCOME AT SOURCE. (a) Every
22 employer making payment of wages or salaries shall deduct and withhold
23 an amount of tax computed in a manner to approximate the amount of tax
24 due on those wages under this chapter for that year. The employer
25 shall remit withheld taxes to the department, together with a return
26 or report prescribed by the department, at the time or times required
27 by the department by regulation. The department shall publish the
28 rate of withholding required by this section. Every employer making a
29 deduction and a withholding shall furnish to the employee no later

1 than January 31 of the succeeding year, or within 30 days after ter-
2 mination of employment, whichever is earlier, a written statement on a
3 form prescribed by the department showing

4 (1) the name and taxpayer identification number of the
5 employer;

6 (2) the name and social security number of the employee;

7 (3) the total amount of wages and other compensation; and

8 (4) the total amount deducted and withheld as tax.

9 (b) Every employer making payments of wages or salaries earned
10 in the state, regardless of the place where the payment is made,

11 (1) is liable for the payment of the tax required to be
12 deducted and withheld under this section and is not liable to an
13 individual for the amount of the payment; and

14 (2) shall make return of and pay to the department the
15 amount of tax levied that the employer is required to deduct and
16 withhold under this chapter.

17 (c) An employer who fails to comply with this section is subject
18 to the penalties set out in AS 43.05.220(d).

19 (d) If the employer is the United States or the state or a
20 political subdivision of the state, or an agency or instrumentality of
21 one or more of those entities, the return of the amount deducted and
22 withheld on wages or salaries may be made by an officer of the employ-
23 er having control of the payment of the wages or salaries or who is
24 appropriately designated for that purpose.

25 (e) In this section, "wages," "employee," and "employer" have
26 the meanings attributed to them under 26 U.S.C. 1 - 9602 (Internal
27 Revenue Code).

28 * Sec. 11. AS 43.20.340 is amended by adding new paragraphs to read:

29 (12) "fiduciary" means an estate, a trust, a guardian,

1 trustee, executor, administrator, receiver, conservator, or a person
2 acting in a fiduciary capacity for another or for the estate of a
3 deceased person;

4 (13) "individual" means a natural person, married or un-
5 married, adult or minor, subject to payment of an income tax under 26
6 U.S.C. 1 - 9602 (Internal Revenue Code);

7 (14) "domicile" means the location of an individual's true,
8 fixed, permanent home and principal establishment, to which the indi-
9 vidual intends to return from a temporary or transitory absence;

10 (15) "nonresident" means an individual who is not a resident
11 or part-year resident;

12 (16) "residence" means actual physical presence in the state
13 and is determined without regard to a person's domicile;

14 (17) "resident" means an individual who, during the taxable
15 year, was domiciled in the state or resided in the state for the
16 entire taxable year; an individual does not lose resident status
17 simply by reason of attending an educational institution or by serving
18 in the armed forces.

19 * Sec. 12. AS 43.05.085, AS 43.20.012 and 43.20.013 are repealed.

20 * Sec. 13. Sections 1 - 12 of this Act apply to income received after
21 December 31, 1987.

22 * Sec. 14. This Act takes effect January 1, 1988.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version: SB 148/HB 154
Publish Date: _____

REQUEST _____

Revision Date: 3/13/87
Title: An act relating to the taxation of income derived by individuals
Sponsor: Governor
Requestor: _____

Agency Affected: Revenue
BRU: Audit, Enforcement, Pub. Svcs., Adm. Svcs., Commissioner, Treasury, Research
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	892.1	2265.3	2662.9	2673.7	2685.0
TRAVEL	-	46.4	73.5	84.2	84.5	84.9
CONTRACTUAL	-	645.8	1415.4	1538.9	1544.0	1547.9
SUPPLIES	-	11.7	37.5	39.9	40.4	40.9
EQUIPMENT	-	221.1	289.1	78.3	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1817.1	4080.8	4404.2	4394.6	4410.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	83,000	255,000	269,000	282,000	290,000

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1817.1	4080.8	4304.2	4294.6	4310.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	100.0	100.0	100.0
TOTAL	-	1817.1	4080.8	4404.2	4304.6	4410.7

POSITIONS:

FULL-TIME	-	33	64	67	67	67
PART-TIME	-	1	4	4	4	4
TEMPORARY	-	0	27	27	27	27

ANALYSIS: Attach a separate page if necessary

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: 465-2320
Division: Audit Date: 3/13/87
Approved by Commissioner: J. Malone *J. Malone* Date: 3/16/87
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: _____

Publish Date: _____

Revision Date: _____

Title: State Individual Income Tax

Agency Affected: Revenue

BRU: Audit

Sponsor: _____

Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	171.2	560.7	560.7	560.7	560.7
TRAVEL	-	6.5	14.0	14.0	14.0	14.0
CONTRACTUAL	-	54.0	113.6	113.6	113.6	113.6
SUPPLIES	-	4.5	11.0	11.0	11.0	11.0
EQUIPMENT	-	17.2	52.0	52.0	52.0	52.0
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	253.4	751.3	751.3	751.3	751.3
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	253.4	751.3	751.3	751.3	751.3
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	253.4	751.3	751.3	751.3	751.3

LOCATIONS:

FULL-TIME	-	7	10	10	10	10
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached

Steven E. Klett

Prepared By: _____

Division: Audit

Phone: 465-2370

Date: 2/13/87

Approved by Commissioner: _____

Agency: _____

Date: 3/10/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

INDIVIDUAL INCOME TAX
FISCAL NOTE ANALYSIS

Assumptions

The Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1989, a withholding tax system must be in place and operative by January 1, 1988. Additional staff must be hired and fully trained to accomplish the following:

1. Compliance. This function will be accomplished by utilizing both tax examiner and auditor staff. Tax examiners, more typically, will handle desk review and less complex issues. Auditors will complete field audits and deal with more sophisticated and complex tax issues.
2. Appeals Coordination. These positions will be staffed by both tax examiners and auditors depending on the complexity and issues involved.
3. Payroll Withholding. This function will be accomplished by staffing of tax examiners to reconcile employers quarterly withholding, returns, monthly deposits and annual statements. They will maintain and reconcile the employees W-2's to the employers returns.
4. Return Examination and Processing. This function will be completed by clerks and tax examiners. The filed returns will be checked for accuracy and completeness. Payments will be posted to the appropriate returns, and desk reviews will be completed to process the returns. Selected returns will be forwarded to an auditor for examination.
5. Public Education and Staff Training. This function will be performed by audit level staff members. Public education of the individual income tax laws and filing requirements will be accomplished through seminars conducted in various locations throughout the state and by training staff members dealing with the public. Staff training is necessary to maintain a competent level of employee and educate staff to the new and changing tax laws.

A schedule of estimated costs to operate the Audit Division programs are as follows. These costs are based on 1987 dollars and do not attempt to factor in inflation. These estimates are preliminary and presented solely to present to the reader a basic idea of the areas within this division which will be impacted by passage of this legislation.

	<u>FY 88</u>	<u>FY 89</u>
<u>Personal Services</u>		
1 Revenue Auditor IV	41.4	55.2
1 Tax Examiner III	27.3	36.4
1 Tax Examiner II	24.1	32.2
1 Tax Examiner I	21.3	28.4
1 Clerk IV	20.1	26.8
1 Clerk Typist III	19.1	25.4
1 Clerk Typist II	17.9	23.9
2 Revenue Auditor III		96.4
2 Tax Examiner II		64.1
2 Clerk Typist III		50.9
2 Revenue Auditor I		72.8
1 Appeals Officer III		48.2
	<u>\$171.2</u>	<u>\$560.7</u>
<u>Travel and Per Diem</u>		
	<u>\$ 4.2</u>	<u>\$ 14.0</u>
	<u>\$ 4.3*</u>	<u>\$ 14.0</u>
<u>Contractual</u>		
Training	4.0	14.5
Wang Terminals & Software	50.0	99.1
	<u>\$ 54.0</u>	<u>\$113.6</u>

*This figure reflects a one time travel cost for employer training to be conducted in various locations throughout the State in conjunction with the Public Services Division.

Individual Income Tax
Fiscal Impact

A. System Requirements

- | | |
|--|--|
| 1. Technical Analysis | No expenditures |
| 2. Generate Forms | No expenditures |
| 3. Educate and Assist Public | Expenditures covered by regular audit functions |
| 4. Receive Returns | No expenditures |
| 5. Process Cash for Deposit | No expenditures |
| 6. Microfilm Returns | No expenditures |
| 7. Establish Edit Selection Criteria | Expenditures covered by regular audit functions |
| 8. Perform Visual Edit | No expenditures |
| 9. Data Capture Return Information | No expenditures |
| 10. Perform Computer Edit | No expenditures |
| 11. Ensure Compliance with Filing Requirements | No expenditures |
| 12. Establish Refund/Credit to Next Program | No expenditures; Expenditures covered by regular audit functions |
| 13. Document Filing or Destruction | No expenditures |
| 14. Perform Office Audit | 7 positions |

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor IV	20	3,564	55,170
Tax Examiner III	14	2,353	36,426
Tax Examiner II	12	2,072	32,075
Tax Examiner I	10	1,835	28,405
Clerk IV	9	1,731	26,796
Clerk Typist III	8	1,631	25,448
Clerk Typist II	7	1,545	<u>23,917</u>

TOTAL PERSONAL SERVICE EXPENDITURES

229,221

b) Contractual: 6 terminals, IOP, Memory upgrade, Communications	\$ 50,000
c) Supplies: miscellaneous	4,500
d) Training	4,000
e) Equipment: microfilm r/p, printer, desks, chairs, etc.	<u>21,000</u>
TOTAL EXPENDITURES	<u>\$309,735</u>

15. Perform Field Audit

a) Personal Service Costs

JUNEAU - 3 POSITIONS

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor III	18	3,113	\$ 48,189
Tax Examiner II	12	2,072	32,075
Clerk Typist III	8	1,631	<u>25,448</u>
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$105,712</u>

b) Contractual: 3 terminals, Communications	\$ 18,000
c) Supplies: miscellaneous	2,000
d) Training	3,000
e) Equipment: desks, chairs, etc.	11,000
f) Travel	<u>5,000</u>
TOTAL EXPENDITURES	<u>\$140,012</u>

ANCHORAGE - 4 POSITIONS

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Revenue Auditor I	14	2,353	\$ 36,423
Revenue Auditor I	14	2,353	36,423
Revenue Auditor III	18	3,113	48,189
Clerk Typist III	8	1,631	<u>25,448</u>
TOTAL PERSONAL SERVICE EXPENDITURES			<u>\$146,483</u>

b) Contractual: 4 terminals, Communications	\$ 20,500
c) Supplies: miscellaneous	3,500
d) Training	5,000
e) Equipment: desks, chairs, etc.	13,000
f) Travel	<u>6,000</u>

TOTAL EXPENDITURES \$104,485

APPEALS - 2 POSITIONS

a) Personal Service Costs

<u>POSITIONS</u>	<u>RANGE</u>	<u>MONTHLY SALARY</u>	<u>ANNUAL SALARY WITH BENEFITS</u>
Appeals Officer III	18	3,113	\$ 48,189
Tax Examiner II	12	2,072	32,075

TOTAL PERSONAL SERVICE EXPENDITURES \$80,264

b) Contractual: 2 terminals, Communications	\$ 10,625
c) Supplies: miscellaneous	1,000
d) Training	2,500
e) Equipment: desks, chairs, etc.	5,000
f) Travel	<u>3,000</u>

TOTAL EXPENDITURES \$102,389

GRAND TOTAL EXPENDITURES \$751,321

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST

Bill Version: HB 154
Publish Date: _____

Revision Date: March 13, 1987
Title: An Act for the taxation of
income derived by individuals,
partnerships and fiduciaries
Sponsor: House Rules Committee
Requestor: _____

Agency Affected: Revenue
DRU: Enforcement
Components: Enforcement--Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	65.0	256.2	559.6	559.6	559.6
TRAVEL	-	11.9	28.0	52.3	52.3	52.3
CONTRACTUAL	-	6.4	19.5	137.0	137.0	137.0
SUPPLIES	-	.3	1.6	3.5	3.5	3.5
EQUIPMENT	-	28.9	47.7	26.3	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	112.5	353.0	778.7	752.4	752.4
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	112.5	353.0	678.7	652.4	652.4
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Program Receipts)	-	-	-	100.0	100.0	100.0
TOTAL	-	112.5	353.0	778.7	752.4	752.4

POSITIONS:

FULL-TIME	-	5	10	14	14	14
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Please see the attached analysis.

Prepared By: Thomas G. Williams
Division: Enforcement Division

Phone: 465-2366
Date: March 13, 1987

Approved by Commissioner: [Signature]
Agency: _____

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
March 13, 1987

ASSUMPTIONS

1. There are approximately 15,000 employers and 100,000 families which will be required to file under an income tax bill.
2. Withholding will begin January 1, 1988. A significant number of delinquencies on first quarter returns will not appear until June 1, 1988.
3. Individual returns will begin January 15, 1989. A significant number of delinquencies will not appear until July 1, 1989.
4. The Audit Division estimates they will generate 5,000 billings per year. Approximately 10% will be appealed; 30% will be paid; and the remaining 60% (or 3,000 billings) will become delinquent.
5. The average taxpayer case consists of 2.5 billings resulting in 1,200 additional taxpayer cases. Old case work levels will decrease by approximately 100 cases by July 1, 1989.

Current Number of Taxpayer Cases	785
Projected Inventory Decline	<u>(100)</u>
Subtotal	685
Additional Inventory	<u>1,200</u>
Expected Inventory at July 1, 1989	<u>1,885</u>

6. The maximum workable inventory for Tax Collection Specialist and Revenue Enforcement Officer II positions is 120 taxpayer cases. The maximum workable inventory for a Revenue Enforcement Officer III is 70 taxpayer cases. (Please see the attached workload analysis.)
7. The necessary travel by each field Revenue Enforcement Officer will be one week long trip per quarter. Accordingly, travel for each current Revenue Enforcement Officer will increase by one week long trip per quarter.
8. Workstations are currently available for the new position in Juneau and for two of the new positions in Anchorage.

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
March 13, 1987

COMPUTATIONS--FY '88

Personal Services

1	Revenue Enforcement Officer III (range 18, @ 49.0/year)	16.9
1	Revenue Enforcement Officer II (range 16, @ 42.8/year)	14.8
2	Tax Collection Specialist II (range 12, @ 33.6/year)	23.0
1	Accounting Clerk III (range 10, @ 30.0/year)	10.3

Total FY '88 Personal Services 65.0

Travel

2	Revenue Enforcement Officers to IRS Phase I training	
	Transportation (2 trips @ \$500)	1.0
	Per Diem (2 trips x 42 days @ \$80/day)	6.7
3	Revenue Enforcement Officers x 1 trip @ quarter	
	Transportation (5 trips @ \$1,000)	3.0
	Per Diem (3 trips x 5 days @ \$80/day)	1.2

Total FY '88 Travel 11.9

Contractual Services

Increased toll costs	(5 employees @ \$150/mo)	3.0
Printing for forms, letterhead, etc.		3.0
Increased postage costs	(estimated @ \$100/mo)	.4

Total FY '88 Contractual Services 6.4

Commodities

Paper, pens, etc.	(5 employees x 1/4 year @ \$250/year)	.3
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Total FY '88 Commodities .3

Equipment

2	Workstations for Support Personnel	@ \$5,273.73	10.6
2	Swivel-Tilt Chairs with arms	@ \$640.81	1.3
1	File cabinets (5 drawer legal w/lock)	@ \$341.35	.3
2	12 digit Desk Calculators (printing)	@ \$135.03	.3
3	Wang Computer Terminals	@ \$4,900.00	14.7
3	Okidata u82a Microline Printers	@ \$330.00	1.0
2	Telephones	@ \$343.00	.7

Total FY '88 Equipment Costs 28.9

Total FY '88 Costs 112.5

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
March 13, 1987

Computations--FY '89

Personal Services

1	Revenue Enforcement Officer IV (range 20, @ 58.8/year)	29.4
2	Tax Collection Specialist II (range 12, @ 34.4/year)	17.2
1	Accounting Clerk III (range 10, @ 30.8/year)	7.7
1	Clerk Typist III (range 8, @ 27.6/year)	6.9
	Positions hired during FY '88	<u>195.0</u>

Total FY '89 Personal Services 256.2

Travel

5	Revenue Enforcement Officers x 1 trip @ quarter Transportation (20 trips @ \$1,000)	20.0
	Per Diem (20 trips x 5 days @ \$80/day)	<u>8.0</u>

Total FY '89 Travel 28.0

Contractual Services

Increased toll costs	(10 employees @ \$150.00/month)	11.3
Printing for forms, letterhead, etc.		4.0
Increased postage costs	(estimated @ \$350.00/month)	<u>4.2</u>

Total FY '89 Contractual Services 19.5

Commodities Paper, pens, etc. (10 employees @ \$250/year) 1.6

Equipment

5	Workstations for Support Personnel	@ \$5,273.73	26.4
5	Swivel-Tilt Chairs with arms	@ \$640.81	3.2
2	File cabinets (5 drawer legal w/lock)	@ \$341.35	.7
5	12 digit Desk Calculators (printing)	@ \$135.03	.7
3	Wang Computer Terminals	@ \$4,900.00	14.7
1	Okidata u82 Microline Printers	@ \$330.00	.3
5	Telephones	@ \$343.00	<u>1.7</u>

Total FY '89 Equipment Costs 47.7

Total FY '89 Costs \$ 353.0

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
FISCAL NOTE ANALYSIS FOR HB 154
 March 13, 1987

Computations--FY '90

Personal Services

1	Revenue Enforcement Officer III (range 18, @ 50.4/year)	50.4
2	Revenue Enforcement Officer II (range 16, @ 42.8/year)	85.6
1	Tax Collection Specialist II (range 12, @ 33.6/year)	33.6
	Positions hired during FY '88 and FY '89	390.0

Total FY '90 Personal Services 559.6

Travel

3	Revenue Enforcement Officers to IRS Phase I training	
	Transportation (3 trips @ \$500)	1.5
	Per Diem (3 trips x 42 days @ \$80/day)	10.2
9	Revenue Enforcement Officers x 1 trip @ quarter	
	Transportation (29 trips @ \$1,000)	29.0
	Per Diem (29 trips x 5 days @ \$80/day)	11.6

Total FY '90 Travel 52.3

Contractual Services

Out-of-state collection agency contract	100.0
Increased toll costs (14 employees @ \$150.00/month)	25.2
Printing for forms, letterhead, etc.	7.0
Increased postage costs (estimated @ \$400.00/month)	4.8

Total FY '90 Contractual Services 137.0

Commodities

Paper, pens, etc.	(14 employees @ \$250/year)	3.5
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Total FY '90 Commodities 3.5

Equipment

4	Workstations for Support Personnel	@ \$5,273.73	21.1
4	Swivel-Tilt Chairs with arms	@ \$640.81	2.6
2	File cabinets (5 drawer legal w/lock)	@ \$341.35	.7
4	12 digit Desk Calculators (printing)	@ \$135.03	.5
4	Telephones	@ \$343.00	1.4

Total FY '90 Equipment Costs 26.3

Total FY '90 \$ 778.7

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
WORKLOAD LEVELS UNDER HB 154
 As of March 13, 1987

	Staffing Levels								
	As of 07/01/87	+	FY 88 Addn	+	FY 89 Addn	+	FY 90 Addn	=	As of 07/01/89
<u>Collectors</u>									
Tax Collection Specialists	4		2		2		1		9
Revenue Enforcement Officer IIs	2		1		-0-		2		5
Revenue Enforcement Officer IIIs	1		1		-0-		1		3
<u>Total Collectors</u>	<u>7</u>		<u>4</u>		<u>2</u>		<u>4</u>		<u>17</u>
<u>Support Staff</u>									
Supervisors/Technical Advisors	2		-0-		1		-0-		3
Accounting Clerks	1		1		1		-0-		3
Clerk Typists	2		-0-		1		-0-		3
<u>Total Support Staff</u>	<u>5</u>		<u>1</u>		<u>3</u>		<u>-0-</u>		<u>9</u>
<u>Total Staffing</u>	<u>12</u>		<u>5</u>		<u>5</u>		<u>4</u>		<u>26</u>

Taxpayer Case Load Levels					
Tax Collection Specialists	480	240	240	120	1,080
Revenue Enforcement Officer IIs	240	120	-0-	240	600
Revenue Enforcement Officer IIIs	70	70	-0-	70	210
<u>Total Taxpayer Case Load</u>	<u>790</u>	<u>430</u>	<u>240</u>	<u>430</u>	<u>1,890</u>
<u>Taxpayer Cases as of 03/09/87</u>	<u>785</u>				

Billing Case Load Levels					
Tax Collection Specialists	1,200	600	600	300	2,700
Revenue Enforcement Officer IIs	600	300	-0-	600	1,500
Revenue Enforcement Officer IIIs	175	175	-0-	175	525
<u>Total Billing Case Load</u>	<u>1,975</u>	<u>1,075</u>	<u>600</u>	<u>1,075</u>	<u>4,725</u>
<u>Billings as of 03/09/87</u>	<u>1,961</u>				

ALASKA DEPARTMENT OF REVENUE
 ENFORCEMENT DIVISION
STATE INCOME TAX POSITION IMPLEMENTATION SCHEDULE
 As of March 13, 1987

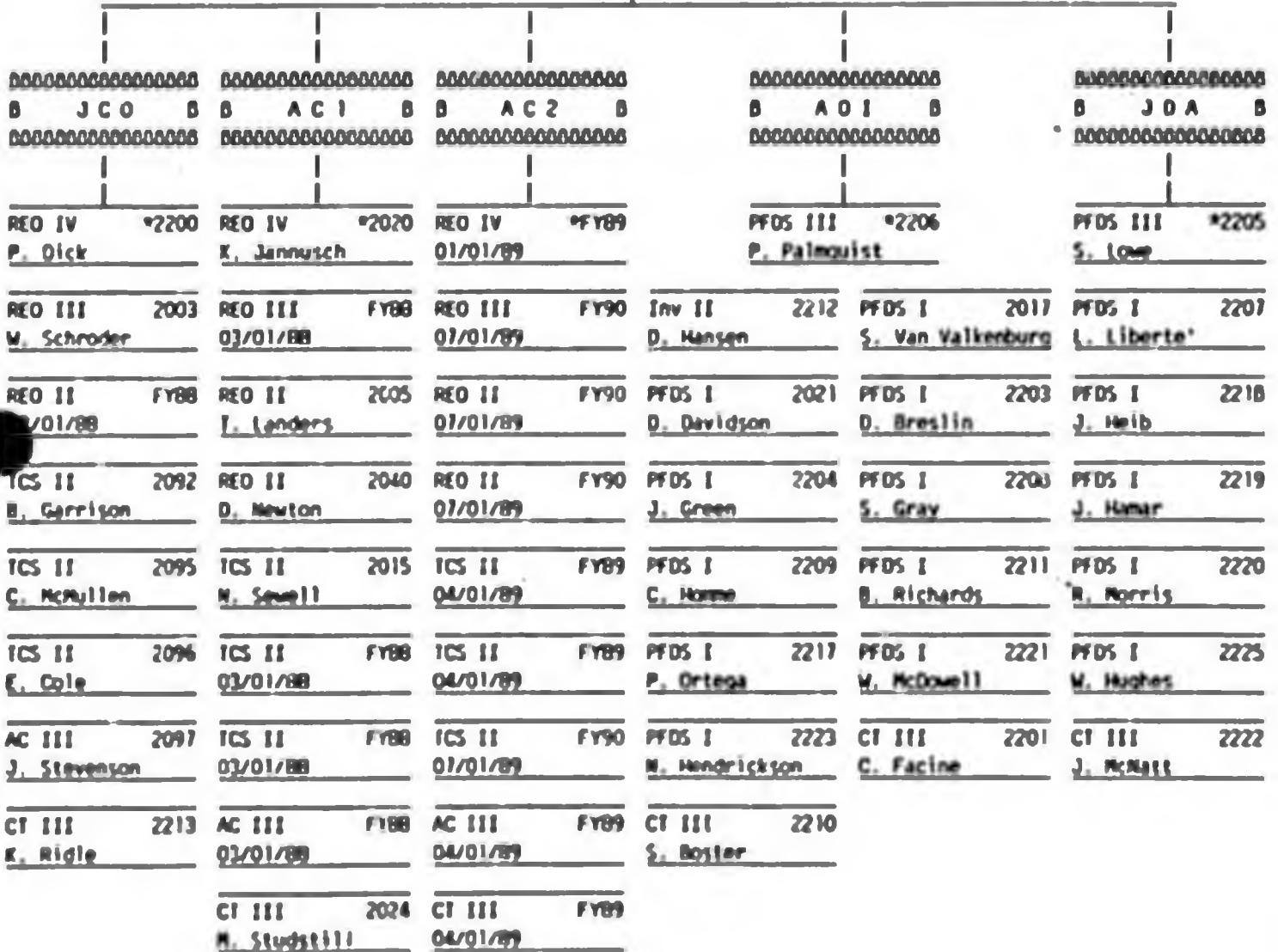
	<u>Total</u>	<u>JNU</u>	<u>ANC1</u>	<u>ANC2</u>
<u>Staffing as of July 1, 1987</u>	2 REO IV 1 REO III 2 REO II 4 TCS II 1 AC III 2 CT III	1 REO IV 1 REO III	1 REO IV 2 REO II 1 TCS II 1 CT III	-0-
<u>Total Positions 07/01/87</u>	<u>12</u>	<u>7</u>	<u>5</u>	<u>-0-</u>
<u>FY '88</u>				
Hire positions by 03/01/88 and have employees fully functional by 06/01/88	1 REO III 1 REO II 2 TCS II 1 AC III	1 REO II	1 REO III 2 TCS II 1 AC III	
<u>Positions Added in FY '88</u>	<u>5</u>	<u>1</u>	<u>4</u>	<u>-0-</u>
<u>FY '89</u>				
Hire positions by 01/01/89 and have employee fully functional by 04/01/89	1 REO IV			1 REO IV
Hire positions by 04/01/89 and have employees fully functional by 07/01/89	2 TCS II 1 AC III 1 CT III			2 TCS II 1 AC III 1 CT III
<u>Positions Added in FY '89</u>	<u>5</u>	<u>-0-</u>	<u>-0-</u>	<u>5</u>
<u>FY '90 (if workload warrants)</u>				
Hire position by 07/01/89 and have employee fully functional by 10/01/89	1 REO III 2 REO II 1 TCS II			1 REO III 2 REO II 1 TCS II
<u>Positions Added in FY '90</u>	<u>4</u>	<u>-0-</u>	<u>-0-</u>	<u>4</u>
<u>FY '91</u>				
Evaluate potential needs during the Fall of 1989 while preparing the FY '91 budget.				
<u>Total Positions Added</u>	<u>14</u>	<u>1</u>	<u>4</u>	<u>9</u>
<u>TOTAL POSITIONS REQUIRED</u>	<u>26</u>	<u>8</u>	<u>9</u>	<u>9</u>

ALASKA DEPARTMENT OF REVENUE
ENFORCEMENT DIVISION
FY 90 ORGANIZATION UNDER 19 154
With March 13, 1987 Incumbents

Director *2001
T. Williams

AA I 2002
D. Robinson

A/P IV 2026
J. Jefferson



Legend

- AC1: Anchorage Collections Office #1
- AC2: Anchorage Collections Office #2
- DI: Anchorage Dividend Investigations
- JCO: Juneau Collections Office
- JDA: Juneau Dividend Appeals

Positions Added

- FY 88 Additions: 4 in AC1, 1 in JCO
- FY 89 Additions: 5 in AC2
- FY 90 Additions: 4 in AC2

*: Supervisory Responsibilities

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 140/HD 154

Publish Date: _____

REQUEST

Revision Date: _____
Title: "Taxation of income derived by individuals, partnerships, & fiduciaries."
Sponsor: Rules Committee by the Governor
Requestor: _____

Agency Affected: Revenue
ORU: Public Services - Operating
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	19.5	250.3	270.6	281.4	292.7
TRAVEL	0	16.5	22.0	8.4	0.7	9.1
CONTRACTUAL	0	98.0	136.5	102.0	107.1	111.0
SUPPLIES	0	.5	6.0	6.5	7.0	7.5
EQUIPMENT	0	5.0	31.2	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS/CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	159.5	446.0	387.5	404.2	420.3

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	159.5	446.0	387.5	404.2	420.3
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	159.5	446.0	387.5	404.2	420.3

POSITIONS:

FULL-TIME	0	1	9	9	9	9
PART-TIME	0	0	3	3	3	3
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

See attached

Prepared by: Sally Smith *Sally Smith*
Division: Public Services

Phone: 465-2392
Date: February 26, 1987

Approved by: J. Malone
Commissioner: _____
Agency: Revenue

Date: 3/16/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management & Budget
- Impacted Agency(ies)
- Senate Secretary

Assumptions

1. Regulations will be promulgated requiring monthly or quarterly reporting of taxes withheld on wages.
2. Approximately 17,500 withholding reports and 275,000 annual individual income tax returns will need processing.
3. Public Services Division will provide individual income tax assistance to both businesses and individuals.
4. Public Services Division, in close association with the Audit Division, will develop employee training for the division and employer training for the public.

Public Services Operating ASU

Expenditures

<u>100 Personal Services</u>		<u>FY 88</u>	<u>FY 89</u>	
1-	Revenue Office Manager	3,293 @ 12 mos.	39.5	39.5
2-	Document Processing Clerk III	2,468 @ 10 mos.		49.4
3-	Document Processing Clerk II	2,221 @ 10 mos.		66.6
1-	Document Processing Clerk II	2,468 @ 10 mos.		24.7
2-	Clerk Typist II	2,118 @ 10 mos.		42.4
2-	Document Processor II	2,221 @ 4 mos.		17.8
1	Document Processor II	2,468 @ 4 mos.		<u>2.9</u>
Total Annual Wages and Benefits			39.5	250.3

The Revenue Office Manager's position will be activated in July of 1987 to develop employee training for the division and employer training for the public on the withholding requirements which will begin in the first quarter of 1988. The remaining positions will be activated in September 1988 to allow for training of individual income tax issues. Filing of individual income taxes will start January 1, 1989 and be required on April 15, 1989.

200 Travel

Employer Training

One Employee to Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak, Kenai Peninsula, Sitka, Ketchikan, Bethel, Petersburg, and Wrangell	6.5	-0-
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Administrative Travel

Anchorage and Fairbanks	18.0	12.0
<u>Employee Training</u>		<u>18.0</u>
Total Travel	18.5	22.0

Employees hired to assist the general public in the completion of their individual income tax returns will be required to participate in a training course. Funds are designated above to facilitate course presentation in Anchorage and Juneau.

<u>100 Contractual</u>	<u>FY88</u>	<u>FY89</u>
Advertising campaign		
Withholding requirements	45.0	
Income Tax filing		80.0
Postage	30.0	8.5
Printing	5.0	5.0
Telephone Charges	15.0	10.0
Messenger Service	2.0	5.0
Computer Terminal Maintenance (7)	.5	3.5
Publications	.5	2.0
Reconfiguration of Office Space	<u>-0-</u>	<u>2.5</u>
Total Contractual	98.0	136.5

Enactment of the individual income tax with the requirement for employer withholding from wages will be brought to the attention of the public. Funds are requested for production of a television and radio advertising campaign plus two mailouts to all businesses informing them of the requirement to withhold an employee's wages. Funds are also requested in FY 89 for a general newspaper, radio and television campaign to notify the general public to file, where to file, and where to get help in completing their returns.

400 Supplies

Office Supplies	.5	6.9
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Office supplies are estimated at \$3.5 per employee.

500 Equipment

Office Equipment	5.0	31.2
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Office equipment and furniture includes desks, chairs, calculators, file cabinets, and computer terminals.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB154

REQUEST _____

Publish Date: _____

Revision Date: 3/13/87

Agency Affected: Revenue

Title: State Individual Income Tax

BRU: Administrative Services

Sponsor: _____

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	529.0	1097.1	1171.0	1171.0	1171.0
TRAVEL	-	10.0	8.0	8.0	8.0	8.0
CONTRACTUAL	-	402.9	1028.1	1068.6	1068.6	1068.6
SUPPLIES	-	5.5	18.0	18.0	18.0	18.0
EQUIPMENT	-	163.2	158.2	-0-	-0-	-0-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	1110.6	2309.4	2265.6	2265.6	2265.6
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	1110.6	2309.4	2265.6	2265.6	2265.6
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	1110.6	2309.4	2265.6	2265.6	2265.6

POSITIONS:

FULL-TIME	-	19	28	27	27	27
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	27	27	27	27

ANALYSIS: Attach a separate page if necessary

(See attached)

Prepared By: Ervin E. Jones

Phone: 465-2313

Division: Administrative Services

Date: 3/13/87

Approved by Commissioner: J. Malone

Date: 3/16/87

Agency: Revenue

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Department of Revenue
Administrative Services Division
Fiscal Note Analysis
Individual Income Tax Bill
3/13/97

Assumptions:

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding System and the Alaska Individual Income Tax Return Processing System.
 - a) Design, purchase and distribute all necessary tax returns and related forms.
 - b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
 - c) Process all remittances of tax due which is received with tax returns.
 - d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding System and Alaska Individual Income Tax Return Processing System.
 - e) Process and account for all individual income tax refunds to individuals.
 - f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
 - g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.
2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes withheld on a monthly basis.
3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by the withholding system and returns processing system. The total chargeback is budgeted in Administrative Services.
4. The Permanent Fund Dividend program will stay intact through FY92, in its current form.
5. The processing of Withholding and Individual Income Tax returns will be automated as much as possible.
6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1988.
7. The Alaska Individual Income Tax Return Processing System must be in place before January 1, 1989.
8. The fiscal note includes the incremental cost of providing space for the employees and equipment required by the department.

9. After reviewing the fiscal analyses of all divisions, an estimate of the additional computer resources needed has been made. This cost assumes:
 - a) The withholding and income tax processing systems will reside on DOA's mainframe computer and will be programmed in command-level CICS.
 - b) To gain the tremendous advantages in programming development offered by the Wang VS, Revenue will purchase a software package which allows an analyst/programmer to write programs on the Wang VS and have them translated to command level CICS to run on the mainframe, which offers economical storage and processing for large files.
10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax return. However, for purposes of this fiscal analysis, it is assumed that the final version would not require filing by a person whose only source of income is the Alaska Permanent Fund Dividend. Thus, most of Alaska's children would not have to file. If this proves not to be the case, there will be an incremental cost of processing the additional 180,000 tax returns.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

- 1) Alaska Individual Income Tax Withholding System.
- 2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 275,000 Alaska Individual Income Tax returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY88 in order to design and establish the computerized processing systems envisioned, and to produce the forms required. In late FY88, staffing will come on board to process the Withholding reports and returns. In FY89, additional staff will be needed to support the Alaska Individual Income Tax Return Processing System. The analysis below shows the estimated expenditures for FY88 - FY92.

FY88

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
 @ \$4,856/Mo including salary and
 benefits for 12 months ' = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 6 months = 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights
- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding
- * history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo
including salary and benefits for
3 months = \$7,029

This position will augment the existing mailroom staff to perform the task of receiving, opening, sorting, and distributing an additional:

- * approximately 70,000 pieces of mail due to the Alaska Individual Income Tax Withholding System (17,500 employers times four quarterly returns.
- * handling, sorting and posting of additional outgoing/incoming mail as follows:
 - approximately 7,000 missing information letters, billing notices, and correspondence with employers.

2. Manual Review

1 PFT Tax Examiner III, R14, @
\$3,124/Mo including salary and
benefits for 5 months = \$15,620

2 PFT Document Processor I, R7, @
\$2,118/Mo including salary and
benefits for 3 months = 12,708

These positions will manually review all Withholding Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters and billing notices

3. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 3 months = \$6,354

These positions will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding Tax returns filed.

4. Data Capture

2 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo including salary and
benefits for 3 months = \$13,332

These positions will augment the existing Data Entry staff to data capture and verify captured data of 100% of returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations, R23, @ \$5,558/Mo including salary and benefits for 12 months	=	\$66,696
1 PFT Personnel Assistant II, R14, @ \$3,115/Mo including salary and benefits for 12 months	=	37,380
1 PFT Clerk Typist III, R8, @ \$2,222/Mo including salary and benefits for 12 months	=	26,664
1 PFT Supply Officer II, R16 @ \$3,515/Mo including salary and benefits for 12 months	=	43,180
2 PFT Accounting Clerk III, R10, @ \$2,468/Mo including salary and benefits for 12 months	=	59,232
1 PFT Publications Specialist I, R13, @ \$2,915/Mo including salary and benefits for 12 months		34,980

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:

- classification of positions and respond to reclassification requests
- maintain payroll and leave records
- process registers, and arrange interviews
- handle grievances, information requests, typing tests, etc.

* Fiscal:

- increase in travel requests
- general distributions
- handling increase in cancelled warrants

* Supply and purchasing:

- increase in supply orders for paper intensive organization
- Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
- Property Control (terminals, furniture, calculators, etc. will increase

* Forms management:

- preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
- preparation of employment withholding forms
- miscellaneous support forms:
 - * missing information letter
 - * denial forms
 - * check stock (refunds)

* General:

- general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES

\$529.0

2. Other Expenditures:

a) Travel:

un-site review of selected tax return processing systems in other states \$4.0

training for analyst/programmers in command level CICS and Wang VS Cobol. \$6.0

TOTAL TRAVEL

\$10.0

b) Contractual:

Terminals

1. 3 Wang 4250 workstations	\$18,216
2. 3 Wang emulator boards	2,415
3. 2 Wang 4230 key-punch terminals, 2 months	1,800
4. Microfilmer, with maintenance, 3 months	3,792
5. 4 phones, centrex costs, local and long distance	5,390
6. printing: Withholding Returns, Deposit Coupons, envelopes, calendars, W-4's, etc.	42,000
7. postage	22,000
8. chargeback for computer time from DOA	91,600
9. Wang/IBM development package (NETRON-CAP) with maintenance	123,500
10. Wang/IBM remote access software with maintenance	5,240
11. Wang Disk Pack cleaning	700
12. IBM Control Unit maintenance	600

13. Wang VS-100 I.O.P. maintenance	360
14. Wang VS-100 Memory maintenance	720
15. Wang VS-100 Disk Drive maintenance	2,256
16. DOR's additional office space requirements	<u>102,354</u>

TOTAL CONTRACTUAL \$402.9

c) Supplies:

Computer, microfilming, duplicating, general consumption \$5.5

d) Equipment:

1) Kodak film cabinet	\$1,025
2) Kodak film carousel	225
3) Wang VS-100 IOP (2)	7,200
4) Wang VS-100 Memory (6 MB)	32,400
5) Wang VS-100 disk drive (628 MB)	27,000
6) Wang Disk Packs (8)	4,800
7) IBM Control Unit	8,000
8) Additional systems furniture	72,827
9) Operational seating	4,750
10) File cabinets, calculators, etc.	<u>5,000</u>

TOTAL Equipment \$163.2

TOTAL EXPENDITURES \$1,110.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY89

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
@ \$4,856/Mo including salary and
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

2 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 12 months = 89,520

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights

- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo
including salary and benefits for
12 months = \$28,116

1 PFT Clerk II, R7, @ \$2,118/Mo
including salary and benefits
for 6 months = 12,708

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

- * approximately 275,000 Individual Income tax returns filed per year.
- * approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
- * posting, handling and sorting of additional outgoing mail as follows:
 - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I,
R8, @ \$2,222/Mo including
salary and benefits for 6 months = \$13,332

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

- * separate checks and returns
- * validate checks and returns
- * forward checks to Treasury
- * forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @
\$3,124/Mo including salary and
benefits for 12 months = \$37,488

2 PFT Document Processor I, R7, @
\$2,118/Mo each including salary and
benefits for 12 months = 50,832

4 PFT Document Processor I, R7, @
\$2,118/Mo each including salary
and benefits for 6 months = 50,832

20 TEMP Document Processor I, R7, @
\$1,569/Mo each including salary and
benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters
- * identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 6 months = \$12,708

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11
@ \$2,613/Mo including salary and
benefits for 6 months = \$15,678

2 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo each including salary
and benefits for 12 months = 53,328

1 PFT Data Processing Clerk I, R8
@ \$2,222/Mo including salary and
benefits for 6 months = 13,332

7 TEMP Data Processing Clerk I,
R8 @ \$1,657/Mo each including
salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,
R23, @ \$5,558/Mo including salary
and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,
@ \$3,115/Mo including salary and
benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12,
@ \$2,773/Mo including salary and
benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10,
@ \$2,468/Mo each including salary
and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @
\$2,222/Mo including salary and
benefits for 12 months = 26,664

1 PFT Publications Specialist I,
R13, @ \$2,915/Mo including salary
and benefits for 12 months = 34,980

1 PFT Supply Officer II, R16,
@ \$3,515/Mo including salary and
benefits for 12 months = 42,180

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:

- classification of positions and respond to reclassification requests
- maintain payroll and leave records
- process registers, and arrange interviews
- handle grievances, information requests, typing tests, etc.

* Fiscal:

- increase in travel requests
- general distributions
- handling increase in cancelled warrants

* Supply and purchasing:

- increase in supply orders for paper intensive organization
- Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
- Property Control (terminals, furniture, calculators, etc. will increase.

* Forms management:

- preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)

- preparation of employment withholding forms
- miscellaneous support forms:
 - * missing information letter
 - * denial forms
 - * check stock (refunds)

* General:

- general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES

\$1,097.1

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination

\$8.0

b) Contractual:

1. 11 Wang 4250 workstations	\$66,792
2. 11 Wang emulator boards	8,855
3. 9 Wang 4230 workstations	48,600
4. 1 Wang DWS 55 printer	3,636
5. Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	202,000
6. Postage - booklets, letters, W/H forms, etc.	95,475
7. 2 Kodak Microfilmers with maintenance	30,336
8. 2 Kodak Reader/Printers	13,704
9. IBM Copier with maintenance	10,308
10. 20 phones, centrex costs, local and long distance	26,960
11. Risk management	600
12. Pitney Bowes 6500 System with maintenance	7,284
13. Chargeback for computer time from DOA	286,000
14. Wang Disk Pack cleaning	700
15. IBM Control Unit maintenance	600
16. Wang VS-100 I.O.P maintenance	360
17. Wang VS-100 Memory maintenance	720
18. Wang VS-100 Disk Drive maintenance	2,256
19. Wang/IBM remote access maintenance	240
20. Wang/IBM development package (NCTRON-CAP) with maintenance	15,000

21. 2 Borroughs EP 301 with maintenance	3,000	
22. DOR's additional office space requirements	<u>204,708</u>	

TOTAL CONTRACTUAL		\$1,028.1
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c) Supplies:

Computer, microfilm, duplicating, general consumption		\$18.0
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d) Equipment:

1. Kodak film carrousel	\$ 225	
2. Additional systems furniture	137,988	
3. Operational seating	9,000	
4. File cabinets, calculators, etc.	<u>11,000</u>	

TOTAL Equipment		\$158.2
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TOTAL EXPENDITURES		<u>\$2,309.4</u>
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3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

FY90 - FY92

1. Positions:

A. Data Processing:

1 PFT Analyst/Programmer V, R21,
@ \$4,856/Mo including salary and
benefits for 12 months = \$58,272

2 PFT Analyst/Programmer IV, R19,
@ \$4,281/Mo each including salary
and benefits for 12 months = 102,744

1 PFT Analyst/Programmer III, R17,
@ \$3,730/Mo each including salary
and benefits for 12 months = 44,760

The above analyst programmer team will design, program, and maintain the two major systems mentioned above, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System.

These systems will provide for a minimum of the following:

Alaska Individual Income Tax Withholding System

- * Online system comparable to the federal system with monthly deposits, quarterly returns, and an annual reconciliation.
- * Direct deposit system at a "lock-box" bank by employers.
- * Automatic generation of:
 - quarterly packets of:
 - * monthly deposit coupons
 - * quarterly tax returns
 - notices of tax deficiencies, penalty and interest
 - standard correspondence.
 - management reporting data.
- * Interface with accounts receivable system and Alaska Individual Income Tax Return Processing System.

Alaska Individual Income Tax Return Processing System

- * document locator number system
- * return data capture
- * online systems
 - access/inquiry
 - address changes
 - status change system
 - generation of out cards
 - use of microfilm vs hard copy for review
 - automated calculation checks
 - generation of reduced refund notices with appeal rights
 - generation of automated billings for deficiencies, penalty and interest with appeal rights

- * interface with accounts receivable system (A/R)
- * interface with AIITWHS to verify claimed withholding history file
- * possibility of multi-year file for easy access to information on prior year activity, etc.
- * check writing for refunds
- * management reporting data

B. Document Processing:

1. Mailroom

1 PFT Clerk IV, R9, @ \$2,343/Mo including salary and benefits for 12 months = \$28,116

1 PFT Clerk II, R7, @ \$2,118/Mo including salary and benefits for 12 months = 25,416

These positions will augment the existing mailroom staff to perform the task of handling, opening, sorting, and distributing an additional:

- * approximately 275,000 Individual Income tax returns filed per year.
- * approximately 70,000 pieces of mail due to the Individual Income Tax Withholding System.
- * posting, handling and sorting of additional outgoing mail as follows:
 - approximately 7,000 missing information letters, billing notices, etc.

2. Validation

1 PFT Data Processing Clerk I, @ \$2,222/Mo including salary and benefits for 12 months = \$26,664

This position will manually validate all the Alaska Withholding and Individual Income Tax Returns accompanied with a payment.

- * separate checks and returns
- * validate checks and returns
- * forward checks to Treasury
- * forward returns to microfilming

3. Manual Review

1 PFT Tax Examiner III, R14, @ \$3,124/Mo including salary and benefits for 12 months = \$37,488

6 PFT Document Processor I, R7, @
\$2,118/Mo each including salary and
benefits for 12 months = 152,496

20 TEMP Document Processor I, R7, @
\$1,569/Mo each including salary and
benefits for 6 months = 188,280

These positions will manually review all Withholding and Individual Income Tax returns filed based on a predetermined criterion.

- * identify incomplete returns
- * send out automatically generated missing information letters
- * identify returns for desk examination

4. Microfilming

1 PFT Document Processor I, R7 @
\$2,118/Mo including salary and
benefits for 12 months = \$25,416

This position will augment the existing microfilm staff to microfilm, assign document locator numbers, and date stamp 100% of Withholding and Individual Income Tax returns filed.

5. Data Capture

1 PFT Data Processing Clerk III, R11
@ \$2,613/Mo including salary and
benefits for 12 months = \$31,356

3 PFT Data Processing Clerk I, R8,
@ \$2,222/Mo each including salary
and benefits for 12 months = 79,992

7 TEMP Data Processing Clerk I,
R8 @ \$1,657/Mo each including
salary and benefits for 6 months = 69,594

These positions will augment the existing Data Capturing staff to data capture and verify captured data of 100% of Withholding and Individual Income Tax returns filed.

C. General Departmental Support Services

1 PFT Chief, Income Tax Operations,
R23, @ \$5,558/Mo including salary
and benefits for 12 months = \$66,696

1 PFT Personnel Assistant II, R14,
@ \$3,115/Mo including salary and
benefits for 12 months = 37,380

1 PFT Personnel Assistant I, R12,
@ \$2,773/Mo including salary and
benefits for 12 months = 33,270

2 PFT Accounting Clerk III, R10,
@ \$2,468/Mo each including salary
and benefits for 12 months = 59,232

1 PFT Clerk Typist III, R8, @
\$2,222/Mo including salary and
benefits for 12 months = 26,664

1 PFT Publications Specialist I,
R13, @ \$2,915/Mo including salary
and benefits for 12 months = 34,980

1 PFT Supply Officer II, R16,
@ \$3,515/Mo including salary and
benefits for 12 months = 42,180

These positions will augment the existing general administration support staff for the additional programs and related 100+ new employees.

* Personnel:

- classification of positions and respond to reclassification requests
- maintain payroll and leave records
- process registers, and arrange interviews
- handle grievances, information requests, typing tests, etc.

* Fiscal:

- increase in travel requests
- general distributions
- handling increase in cancelled warrants

* Supply and purchasing:

- increase in supply orders for paper intensive organization
- Purchases increase:
 - * general equipment
 - * computer terminals, printers
 - * maintenance contracts
 - * general office supplies
- Property Control (terminals, furniture, calculators, etc. will increase.

* Forms management:

- preparation of Individual Income Tax booklet each year (considerably more complex than PFD booklet)
- preparation of employment withholding forms
- miscellaneous support forms:
 - * missing information letters
 - * denial forms
 - * check stock (refunds)

* General:

- general supervision and management of major additional line program in division, in addition to:
 - * permanent fund dividend program
 - * shared taxes
 - * administrative services to the department

TOTAL PERSONAL SERVICES \$1,171.0

2. Other Expenditures:

a) Travel:

training, increased EEO travel, data processing coordination \$8.0

b) Contractual:

1. 11 Wang 4250 workstations	\$66,792
2. 11 Wang emulator boards	8,855
3. 9 Wang 4230 workstations	48,600
4. 1 Wang DWS 55 printer	3,636
5. Printing - tax booklets, "L" letters, W/H forms, check stock, envelopes, etc.	186,000
6. Postage - booklets, letters, W/H forms, etc.	80,475
7. 2 Kodak Microfilmers with maintenance	30,336
8. 2 Kodak Reader/Printers	13,704
9. IBM Copier with maintenance	10,308
10. 20 phones, centrex costs, local and long distance	26,960
11. Risk management	600
12. Pitney Bowes 6500 system with maintenance	7,284
13. Chargeback for computer time from DOA	357,500
14. Wang Disk Pack cleaning	700
15. IBM Control Unit maintenance	600
16. Wang VS-100 I.O.P maintenance	360
17. Wang VS-100 Memory maintenance	720
18. Wang VS-100 Disk Drive maintenance	2,256
19. Wang/IBM development package (NETRON-CAP) with maintenance	15,000
20. Wang/IBM remote access maintenance	240
21. 2 Borroughs EP 301 with maintenance	3,000
22. DOR's additional office space requirements	<u>204,708</u>

TOTAL CONTRACTUAL \$1,068.6

c) Supplies:

Computer, microfilm, duplicating,
general consumption

\$18.0

d) Equipment: None.

TOTAL EXPENDITURES

\$2,265.6

3. Funding - General funds

4. Section Cost Analysis - N/A

Computations - N/A

Economic Impact - N/A

Impact on Local Government - N/A

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____

Bill Version: _____
Publish Date: _____

Revision Date: _____
Title: Individual Income Tax

Agency Affected: Revenue
ERU: Commissioner's Office (Research)

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	54.6	54.6	54.6	54.6	54.6
TRAVEL	-	1.5	1.5	1.5	1.5	1.5
CONTRACTUAL	-	39.9	28.6	28.6	26.6	28.6
SUPPLIES	-	.9	.9	.9	.9	.9
EQUIPMENT	-	6.8	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	103.7	85.6	85.6	85.6	85.6
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	103.7	85.6	85.6	85.6	85.6
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See Attached.

Prepared By: David Tonkovich
Division: Revenue/Research

Phone: 465-2173
Date: 2/20/87

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: 7/26/87
3/16/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Continuation of Fiscal Note/Bill Analysis

Individual Income Tax

Assumptions:

1. The Research Section will be responsible for economic and statistical reports on the Individual Income Tax.
2. The Research Section will forecast tax revenues and respond to requests from the Governor's Office, the Legislature and the Public for current and historical statistical information.
3. The Research Section will prepare fiscal notes on revenue impacts of any proposed changes to income tax law.
4. Assumes that duties begin at the start of FY88. Items with a asterisk (*) are costs for the first year only.

1. Positions

Research

1 PFT Economist II, R 20 at \$4,550/mo.
including salary and benefits for
12 months

Total Personal Services \$54.6

The above position will do all analysis, program development and coordination of research on the individual income tax. These duties include forecasting economic conditions and tax revenues. Other duties will include development and maintenance of data bases to support the research and forecasting efforts, the preparation of fiscal notes, policy analyses, and coordination of research needs with those of tax administrators.

This work will provide the following information:

1. Income and tax information by income class.
2. The ability to estimate revenue impacts of any significant change in tax structure - rates, income classes, exemptions and deductions.
3. If zip code information is available it should be possible to present such data on a geographic basis.

2. Other Expenditures

- a. Travel
Assume 3 trips in-state per year for
coordination, public information, testimony \$1.5
- b. Contractual
 - 1. Economic Consulting during model development
15 days at \$750/day 11.3*
 - 2. Phone, centrex, local and long
distance charges .6
 - 3. Chargeback for computer time from DOA 28.0
- c. Supplies
 - Duplication, general consumption, mailing .7
 - Books, technical journals .2
- d. Equipment
 - 1. Wang APC, VS Communication Board and
30mb Hard Disk 6.5*
 - 2. Desk Calculator .3*

Total Expenditure First Year \$103.7

Total Expenditure Subsequent Years \$85.6

3. Funding - General Funds

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: _____
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: State Income Tax

Agency Affected: Department of Revenue
BRU: Treasury

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	32.8	46.4	46.4	46.4	46.4
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	44.6	89.1	89.1	89.1	89.1
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	77.4	135.5	135.5	135.5	135.5
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	77.4	135.5	135.5	135.5	135.5
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	77.4	135.5	135.5	135.5	135.5

POSITIONS:

FULL-TIME	-	1	1	1	1	1
PART-TIME	-	1	1	1	1	1
TEMPORARY	-	-	-	-	-	-

ANALYSIS: see attached analysis.

Prepared By: Milt Barker *MB*
Division: Treasury

Phone: 465-2350
Date: February 25, 1987

Approved by Commissioner: *Hugh Malone* *For*
Agency: Department of Revenue

Date: 2/26/87
3/16/87

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

DEPARTMENT OF REVENUE
TREASURY DIVISION

FISCAL NOTE ANALYSIS

ASSUMPTIONS:

1. Cash Management Section will develop the RFP and the contract to lockbox the monthly employers' withholding tax deposits. 17,500 payments per month.
2. Cash Management Section will perform the depository functions of the remittances attached to individual tax returns. 100,000 per year.
3. Cash Management Section will process all returned items (NSF checks, etc.). 1,500 per year.
4. Processing and deposit of penalty and interest payments.
5. Cash Management Section will provide the accounting to AKSAS and reconciliation between the bank, AKSAS, and the Department of Revenue's system for the tax payments on a consolidated basis.

COSTS:

<u>Personal Services</u>	<u>FY 1988</u>	<u>FY 1989</u>
Accounting Technician I \$2,718 X 12 mo	19.0*	32.6
Accounting Clerk II \$2,310 X 6 mo	13.8	13.8
Lockbox contract	<u>44.6</u>	<u>89.1</u>
TOTAL	<u>\$77.4</u>	<u>\$135.5</u>

* 7 months in FY 1988

DEVELOPMENT TIME:

		<u>Completion Date</u>
Technical Analysis of the required system	4 months	10/87
Lockbox Contract	3 months	12/87
In-house training of depository procedures	2 weeks	12/87
In-house training of accounting procedures	2 weeks	12/87

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 485-3795

MEMORANDUM

DATE: April 21, 1987

TO: Rep. Al Adams, Chairman
Louann Cutler, Professional Assistant
House Finance Committee

FROM: Cameron Kashani, Revenue Analyst ^{CK}
Legislative Finance Division

SUBJ: Fiscal Note for HB 154

At your request, I have reviewed and evaluated the fiscal note on Individual Income Tax which was prepared by the Department of Revenue (DOR). The following represents my recommendations on the proposed fiscal note dated March 23, 1987.

At the present time it seems more appropriate to address FY88 implementation costs of the Individual Income Tax, since any future expectation would reflect speculation rather than having any logical foundation. Therefore, I have prepared a fiscal note for the House Finance Committee which only includes FY88 implementation cost figures.

In the review of the Department's fiscal note, I took the liberty of speaking with various authorities of the Department of Revenue, the National Conference of State Legislatures, The National Association of Tax Administrators, the Department of Administration, and the Data Processing Coordinator of the State of North Dakota.

According to the National Association of Tax Administrators, the States of Vermont and North Dakota could be used as examples because of their comparability to the State of Alaska with respect to population size and the number of expected returns,

From the historical standpoint, in FY82, Legislative Audit Division had conducted a special audit on the Department of Revenue in order to determine the positions associated with the repealed individual income tax. Findings of this study revealed the following individual income tax positions:

	Audit	Admin. Services	Enforcement
PFT	27	17	12
OTHER	7	10	0

It should be noted that the Governor's Proposed Individual Income Tax calls for a flat rate which is closely akin to the Federal Tax Law. Therefore, the need for extensive auditing and, to some extent, enforcement would be considerably reduced.

The attached fiscal note prepared by the Legislative Finance Division differs from the Department's fiscal note dated 3/13/87. The following changes are noteworthy:

Audit

- a) Reclassify 1 PFT Revenue Auditor IV to Revenue Auditor III
- b) Reclassify 1 PFT Clerk IV to Clerk III
- c) Delete 1 PFT Clerk Typist II
- d) Reduce funding for contractual and equipment

Enforcement

The main difference between DOR's fiscal note and the one prepared by Legislative Finance Division is the forwarding of the hiring time which would eliminate the need for any enforcement activities till FY89. Assuming a filing deadline of April 15, 1988 with 60 days appeal period, any enforcement and collection effort during FY88 would seem unnecessary and could be postponed to the following year. Moreover, the existing manpower within the Division of Enforcement deems to suffice any temporary need.

Administrative Services

- a) Delete 1 PFT Chief Income Tax Operations
- b) Delete 1 PFT Publication Specialist I
- c) Delete 1 PFT Accounting Clerk III
- d) Reclassify 1 PFT Personnel Assistant II from PFT to PPT
- e) Reclassify 1 PFT Supply Officer II from PFT to PPT
- f) Reduce funding for contractual, supplies, and equipment to reflect the cost associated with the deleted positions.

I had asked Jan Daniel of the Department of Administration's Data Processing Section to speak with the authorities in the States of North Dakota and Vermont in order to obtain a more realistic scenario with respect to design, development and implementation of a computer system for the State Individual Income Tax. Enclosed is a copy of his memorandum regarding this subject.

There may be some problems with respect to finding qualified programmers who can accomplish the aforementioned tasks in a timely fashion. The Legislature may want to give the Department the authority and the freedom to hire qualified programmers who can meet the qualification criteria set forth by the Department. However, after the initial setup, the need for maintenance of the system would be less than what's indicated in the Department's fiscal note.

On the technical side of the issue, the Department is proposing to use Wang computer systems. This could be interpreted as user preference and would seem more appropriate if other systems are also taken into consideration. No doubt, further research is required prior to implementation which could alter the existing scenario.

Commissioner's Office

- a) Delete the Economist II position and its corresponding expenditure in all other line items.

It seems that the existing resource within the Research Section on the Commissioner's Office and the Governor's Office would provide adequate support with respect to tax issues.

Public Services

- a) Reduce the funding for 1 PFT Revenue Office Manager from 12 months to six months.

In brief, it would be more feasible if all the functions were consolidated into one single component called Individual Income Tax Division. One should bear in mind the problems that the Legislature has had with the PFD functions especially when determining PFD positions and their corresponding expenditures. Further, close monitoring of the implementation process by the State Legislature would be recommended.

(enclosure)

MEMORANDUM


State of Alaska

TO: Cameron Kashani
Revenue Analyst
Legislative Finance

DATE: April 17, 1987

FILE NO:

TELEPHONE NO: 465-2220

From: Jan Daniels, Director 
Data Network Services
Department of Administration

SUBJECT: Income tax
processing

I have investigated the fiscal note filed by the Department of Revenue dealing with the processing requirements of a state personal income tax. In order to understand the requirements of an income tax system I contacted two states which are currently processing this type of work. The information is as follows:

1. State of Vermont.

- a. Contact: Robert Barnet 802-828-2300.
- b. # of returns: 340,000
- c. Current year only- no amended.
- d. System developed in 1971.
- e. Cost of development in 1971: \$125,000.
- f. Time of development: 18 months.
- g. # of programmers during development: 5.
- h. # of maintenance programmers: 3.
- i. # of data entry personnel: 5 permanent + 7 temporary.
- j. DP cost for running system: \$80,000 year appx.
- k. Type of system: Batch.

1. State of North Dakota.

- a. Contact: Don Johnson 701-224-2048.
- b. # of returns: 300,000.
- c. Prior year processing - amended.
- d. System developed in 1986.
- e. Cost of development: Not known.
- f. Time of development: 7 months.
- g. # of programmers during development: 7.
- h. # of maintenance programmers: 3.
- i. # of data entry personnel: 6 permanent + 12 temporary.
- j. Employer information matching provided.
- k. DP cost for running system: \$120,000.
- l. Type of system. Online, Adabas, Natural.

The DP portion of the fiscal note appears to be well within the bounds of what other states have found to be true operational costs for income tax systems. The use of the Wang for data entry appears to make a great deal of sense in that the data entry system is available during the times Revenue needs to schedule it for peaks and they have demonstrated the effectiveness of this process in the Permanent Fund dividend system.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: HB 154
Publish Date: _____

Revision Date: _____

Title: Relating to the taxation of
income derived by individuals

Agency Affected: Revenue

BRU: Audit, Admin. Services, Public
Services, Treasury

Sponsor: _____

Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		550.8				
TRAVEL		33.0				
CONTRACTUAL		571.2				
SUPPLIES		9.4				
EQUIPMENT		171.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		1345.0				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		1345.0				
FEDERAL FUNDS						
OTHER						
TOTAL		1345.0				

POSITIONS:

FULL-TIME		21				
PART-TIME		4				
TEMPORARY		0				

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____ Bill Version: HB154
 Revision Date: _____ Publish Date: _____
 Title: State Individual Income Tax Agency Affected: Revenue
 BRU: Audit
 Sponsor: _____ Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		150.4				
TRAVEL		6.5				
CONTRACTUAL		34.5				
SUPPLIES		4.5				
EQUIPMENT		15.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		210.9				

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		210.9				
FEDERAL FUNDS						
OTHER						
TOTAL		210.9				

POSITIONS:

FULL-TIME		6				
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
 Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
 Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

-1-
Division of Audit
Fiscal Note Analysis

Assumptions:

The Audit Division will administer the individual income tax laws to insure compliance with Alaska Statutes. Although calendar year tax returns will not be due until 1989, a withholding tax system must be in place and operative by January 1, 1988. Additional staff must be hired and fully trained to accomplish the following:

1. Compliance. This function will be accomplished by utilizing both tax examiner and auditor staff. Tax examiners, more typically, will handle desk review and less complex issues. Auditors will complete field audits and deal with more sophisticated and complex tax issues.
2. Appeals Coordination. These positions will be staffed by both tax examiners and auditors depending on the complexity and issues involved.
3. Payroll Withholding. This function will be accomplished by staffing of tax examiners to reconcile employers quarterly withholding, returns, monthly deposits and annual statements. They will maintain and reconcile the employees W-2's to the employers returns.
4. Return Examination and Processing. This function will be completed by clerks and tax examiners. The field returns will be checked for accuracy and completeness. Payments will be posted to the appropriate returns, and desk reviews will be completed to process the returns. Selected returns will be forwarded to an auditor for examination.
5. Public Education and Staff Training. This function will be performed by audit level staff members. Public education of the individual income tax laws and filing requirements will be accomplished through seminars conducted in various locations throughout the state and by training staff members dealing with the public. Staff training is necessary to maintain a competent level of employee and educate staff to the new and changing tax laws.

A schedual of estimated costs to operate the Audit Division programs are as follows:

Personal Services - FY 88

1 PFT Revenue Auditor III, R18, @ \$4,016/Mo including salary and benefits for 9 months	36.1
1 PFT Tax Examiner III, R14, @ \$3,115/Mo including salary and benefits for 9 months	28.0
1 PFT Tax Examiner II, R12, @ \$2,673/Mo including salary and benefits for 9 months	24.1
1 PFT Tax Examiner I, R10, @ \$2,468/Mo including salary and benefits for 9 months	22.2
1 PFT Clerk III, R8, @ \$2,222/Mo including salary and benefits for 9 months	20.0
1 PFT Clerk Typist III, R8, @ 2,222/Mo including salary and benefits for 9 months	20.0
	<u>150.4</u>

Travel - FY 88

6.5

This figure reflects a one time travel cost for employer training to be conducted in various locations throughout the State in conjunction with Public Services Division.

Contractual - FY 88

Wang terminals & software	<u>34.5</u>
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<u>Supplies - FY 88</u>	<u>4.5</u>
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Equipment - FY 88

Microfilm, printer, desks, chairs, etc.	<u>15.0</u>
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Total Expenditures	<u>210.9</u>
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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Revision Date: _____

Tide: State Individual Income Tax

Sponsor: _____

Requestor: _____

Bill Version: HB154
Publish Date: _____

Agency Affected: Revenue
BRU: Administrative Services

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		350.9				
TRAVEL		10.0				
CONTRACTUAL		394.1				
SUPPLIES		4.4				
EQUIPMENT		151.6				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		907.1				

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		907.0				
FEDERAL FUNDS						
OTHER						
TOTAL		907.0				

POSITIONS:

FULL-TIME		14				
PART-TIME		2				
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)
 Senate Secretary

Administrative Services
Fiscal Note Analysis

1. The Administrative Services Division will be responsible for the following functions relative to the Alaska Individual Income Tax Withholding system and the Alaska Individual Income Tax Return Processing system.

- a) Design, purchase and distribute all necessary tax returns and related forms.
- b) Process all tax returns, including mail handling, microfilming, document review, data capture and filing.
- c) Process all remittance of tax due which is received with tax returns.
- d) Design, program, test, document, and maintain the automated Alaska Individual Income Tax Withholding system and Alaska Individual Income Tax Processing system.
- e) Process and account for all individual income tax refunds to individuals.
- f) Establish an automated billing subsystem for routine tax deficiencies, penalty and interest.
- g) Acquire and maintain computer capacity to accommodate the two systems and the access required by the department's users.

2. The Department of Revenue will contract with a bank to provide a "lock-box" function, with employees depositing all individual income taxes on a monthly basis.

3. The Department of Administration's data processing chargeback system will require that the Department of Revenue budget for the cost of data processing resources used by withholding system and returns processing system. The total chargeback is budgeted in Administrative services.

4. The Permanent Fund Dividend program will stay intact in its current form.

5. The processing of Withholding and Individual Income Tax will be automated as much as possible.

6. The Alaska Individual Income Tax Withholding System must be in place before January 1, 1988.

7. The Alaska Individual Tax Return Processing System must be in place before January 1, 1989.

8. The fiscal note includes the incremental cost of providing space for the employees and equipment required by the department.

9. After reviewing the fiscal analyses of all divisions, an estimate of the additional computer resources needed has been made. This cost assumes:

a) The withholding and income tax processing systems will reside on DOA's mainframe computer and will be programmed in command-level CICS.

b) To gain the tremendous advantages in programming development offered by the Wang VS, Revenue will purchase a software package which allows an analyst/programmer to write programs on the Wang VS and have them translated to command level CICS to run on the mainframe, which offers economical storage and processing for large files.

10. Given the existing federal tax law, this bill requires all persons receiving a permanent fund dividend to file an Alaska Individual Income Tax Return. However, for purposes of this fiscal analysis, it is assumed that the final version would not require filing by a person whose only source of income is the Alaska Permanent Fund Dividend. Thus, most of Alaska's children would not have to file. If this proves not to be the case, there will be an incremental cost of processing the additional 180,000 tax returns.

Program Summary:

The Alaska Individual Income Tax will require the creation of two major processing systems:

- 1) Alaska Individual Income Tax Withholding System.
- 2) Alaska Individual Income Tax Return Processing System.

In addition to designing, programming and maintaining the two above mentioned automated systems, the Administrative Services Division will process, review, microfilm, and data capture approximately 70,000 withholding forms and 275,000 Alaska Individual Income Tax Returns annually. Refund warrants will be issued on approximately 213,750 of the returns filed. In addition, approximately 25,000 individual letters will be prepared, mailed, and controlled in response to persons who file incomplete tax returns or whose tax returns result in a mathematical adjustment.

Finally, the addition of such a major program to the Department of Revenue will definitely impact the ability of the Administrative Services Division to provide general administrative support services with the existing staff.

The Administrative Services Division will require staffing as early as FY 88 in order to design and establish the computerized processing systems envisioned, and to produce the forms required.

Personal Services - FY 88

1 PFT Analyst/Programmer V, R21, @ \$4,856/Mo including salary and benefit for 12 months	58.3
2 PFT Analyst/Programmer IV, R19, @ \$4,281/Mo including salary and benefits for 12 months	102.7
2 PFT Analyst/Programmer III, R17, @ \$3,730/Mo including salary and benefits for 6 months	44.8
1 PFT Clerk IV, R9, @ \$2,343/Mo including salary and benefits for 3 months	7.0
1 PFT Tax Examiner III, R14, @ \$3,115/Mo including salary and benefits for 5 months	15.6
3 PFT Document Processor I, R7, @ \$2,118/Mo including salary and benefits for 3 months	19.1
2 PFT Data Processing Clerk I, R8, @ \$2,222/Mo including salary and benefits for 3 months	13.3
1 PPT Personnel Assistant II, R14, @ \$1,557/Mo including salary and benefits for 12 months	18.7
1 PPT Supply Officer II, R16, @ \$1,757/Mo including salary and benefits for 12 months	21.1
1 PFT Clerk Typist III, R8, @ \$2,222/Mo including salary and benefits for 12 months	26.7
1 PFT Accounting Clerk III, R10, @ \$2,468/Mo including salary and benefits for 12 months	29.6
Total expenditures	<u>356.9</u>

The analyst programmer team will design, program, and maintain the two major systems mentioned earlier, including all subsystems and interfaces with the existing Revenue systems and the Alaska State Accounting System. All other positions will provide support in the following areas:

- a) Mailroom
- b) Microfilming
- c) Manual review of the tax returns
- d) Data capture
- e) Personnel, fiscal, supply and purchasing

Travel - FY 88

10.0

On-site review of selected tax return processing systems in other states and training for analyst/programmer in command level CICS and Wang VS Cobol.

Contractual - FY 88

1.	2 Wang 4250 workstations	12.2
2.	2 Wang emulator boards	1.6
3.	2 Wang 4230 key-punch terminals for 2 months	1.8
4.	Micfilmer, with maintenance, 3 months	3.8
5.	4 phones, centrex costs, local and long distance	5.4
6.	Printing: Withholding Returns, Deposit Coupons, /w-4's, etc.	42.0
7.	Postage	22.0
8.	Chargeback for computer time from DOA	91.6
9.	Wang/IBM development package (NETRON-CAP) with maintenance	123.5
10.	Wang/IBM remote access software with maintenance	5.2
11.	Wang Disk Pack cleaning	.7
12.	IBM Control Unit Maintenance	.6
13.	Wang VS-100 I.O.P., Memory, Disk	
14.	Drive maintenanc	3.3
15.	DOR's additional office space requirement	80.8

Total Contractual

394.1

Supplies - FY 88

4.4

Equipment - FY 88

1.	Kodak film cabinet and carresoul	1.2
2.	Wang VS-100 IOP (2)	7.2
3.	Wang VS-100 Memory (6 MB)	32.4
4.	Wang VS-100 Disk Drive (628 MB)	27.0
5.	Wang Disk Packs and IBM Control Unit	12.8
6.	Additional systems furniture	61.3
7.	Operational seating	4.7
8.	File cabinets, calculators, etc.	5.0
	Total Equipment	151.6

151.6

Total Expenditures

907.0

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Revision Date: _____

Title: State Individual Income Tax

Sponsor: _____

Requestor: _____

Bill Version: HB154
Publish Date: _____

Agency Affected: Revenue
BRU: Public Services

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		10.7				
TRAVEL		10.3				
CONTRACTUAL		98.0				
SUPPLIES		.5				
EQUIPMENT		5.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		139.7				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	139.7				
FEDERAL FUNDS					
OTHER					
TOTAL	139.7				

POSITIONS:

FULL-TIME					
PART-TIME	1				
TEMPORARY					

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
 Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
 Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

-1-
Public Services
Fiscal Note Analysis

Assumptions:

1. Regulations will be promulgated requiring monthly or quarterly reporting of taxes withheld on wages.
2. Approximately 17,500 withholding reports and 275,000 annual individual income tax returns will need processing.
3. Public Services Division will provide individual income tax assistance to both businesses and individuals.
4. Public Services Division, in close association with the Audit Division, will develop employee training for the division and employer training for the public.

Personal Services - FY 88

1 PPT Revenue Office Manager, R15, @ 1646/Mo including salary and benefits for 12 months	19.7
--	------

Travel - FY 88

Employee training in conjunction with Audit Division and administrative travel	16.5
--	------

Contractual - FY 88

1. Advertising campaign, withholding requirements, income tax filing	45.0
2. Postage	30.0
3. Printing	5.0
4. Telephone charges	15.0
5. Messenger Services	2.0
6. Computer terminal maintenance	.5
7. Publications	.5
 Total Contractual	 98.0

<u>Supplies - FY 88</u>	<u>.5</u>
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<u>Equipment - FY 88</u>	<u>5.0</u>
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Total Expenditures	139.7
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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: HB154
Publish Date: _____

Revision Date: _____
Title: Individual Income Tax

Agency Affected: Revenue
BRU: Treasury

Sponsor: _____
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		32.8				
TRAVEL						
CONTRACTUAL		44.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		77.4				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		77.4				
FEDERAL FUNDS						
OTHER						
TOTAL		77.4				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Cameron Kashani, Revenue Analyst Phone: 465-3795
Division: Legislative Finance Division Date: 4/20/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Division of Treasury
Fiscal Note Analysis

Assumptions:

1. Cash Management Section will develop the RFP and the contract to lockbox the monthly employers' withholding tax deposits, 17,500 payments per month.
2. Cash Management Section will perform the depository functions of the remittances attached to individual tax returns. 100,000 per year.
3. Cash Management Section will process all returned items (NSF checks, etc.). 1,500 per year.
4. Processing and deposit of penalty and interest payments.
5. Cash Management Section will provide the accounting to AKSAS and reconciliation between the bank, AKSAS, and the Department of Revenue's system for the tax payments on a consolidated basis.

Personal Services - FY 88

1 PFT Accounting Tech I, RL2, @ \$2718/Mo including salary and benefits for 7 months	19.0
1 PPT Accounting Clerk II, R9, @ \$2310/Mo including salary and benefits for 6 months	13.8
Total Personal Services	<u>32.8</u>

Contractual - FY 88

Lockbox contract	<u>44.6</u>
Total Expenditures	<u>77.4</u>

INCOME TAX PROJECT REPORT
FEBRUARY 4, 1987

I. OVERVIEW

A taxing system can be devised to achieve whatever revenue goals one may specify. Reasoned answers by the policy makers to the main issues addressed in this report which take into consideration those goals and policy which forms the foundation for each of the answers will result in the identification of the appropriate tax system for the state.

A broad based tax system is the foundation underscoring all alternatives in the reimposition of the Alaska individual income tax. A discussion of a number of the issues and observations is presented in this report. For comparison purposes, four alternatives are discussed. Alternative One is the Alaska structure in effect prior to repeal effective in 1979 which includes the 86 tax law changes. Alternative Two mirrors Alternative One with the exception of a two rate tax bracket. Alternative Three is a flat tax. Alternative Four is termed a working draft which incorporates certain aspects of the other three alternatives. Each is more thoroughly described in Section III. Each alternative has been designed to generate approximately \$250 million in revenue.

II. INTRODUCTION

Designing the various tax structures to raise the same amount of revenue highlights the crucial issues. Each of the elements of a tax structure can be tailored to affect different taxpayers differently (or to try and affect them identically). The alternative tax structures we present will each be analyzed briefly on a number of general issues including how they affect taxpayer groups and how politically palatable they might be.

In general, the conceptual issues which should be considered with respect to measures designed to increase revenues are as follows.

A. Economic Efficiency

Individuals and businesses are making adjustments in light of the new federal tax and it is difficult to determine what additional adjustments would occur in response to a state income tax. One could possibly argue that this would be a good time to impose a state tax. Individuals and businesses are in the process of adjusting to new federal rules and could more readily modify their decisions than would be the case if the state waits several years to reimpose a tax.

Proponents argue that because a flat tax such as alternative 3 lowers marginal rates, this reduces the incentive to alter decisions based on tax considerations. Personal, business and investment decisions would be primarily based on economic as opposed to tax considerations. In addition,

the lower rates reduce the payoffs to time spent trying to avoid or in some cases evade taxes.

B. Income Elasticity

The income elasticity of individual income tax revenues, given progressive rates as in alternative 1, is greater than one which is to say a given percentage change in income will produce a larger percentage change in tax revenues. Thus, during periods of income growth, individual income tax revenues will increase more than in proportion to the growth and, during periods of income decline, they will fall more than in proportion to the decline. This makes the individual income tax relatively unstable in terms of yield.

The limited number of brackets of alternative 2 would probably cause this type of tax to be less revenue elastic than the first case. Under a system with narrower brackets and more numerous rates real or inflation driven increases in income can easily push returns into higher brackets with larger marginal rates. Conversely, with rates that apply to broader income ranges, bracket creep, while still present, would be less of a phenomenon.

Michigan, one state with a flat rate, no deduction tax such as alternative 3, has found that tax revenues have tended to grow more than in proportion to the growth of income because of the fixed dollar value of exemptions in that state. This responsiveness was found to decrease over time as income rose relative to the value of exemptions. Because the exemption is indexed in this presentation, this source of elasticity is probably not a factor.

C. Equity¹

In terms of equity the individual income tax is generally considered the "fairest" tax. The burden or incidence of the tax falls primarily on the individual taxpayer and there is less opportunity for shift of incidence compared with the corporate income or business type taxes.

1. Progressivity of the Tax Base- Distribution of Income Inclusions, Exclusions and Deductions

The individual income tax is based on source of income. As such, the distribution of income among households is very important in determining the vertical distribution of the tax incidence. Inclusion of various types of income in the tax base is important.

Special treatment or exclusions applied to some sources of income are going to affect households at different points on the income distribution differently. For example, capital gains, until recent tax reform, had special treatment. A portion of net capital gains could be excluded from income for tax purposes. Capital gains and investment income (such as corporate dividends and interest) are not major sources of income for lower income households. The complete inclusion in the tax base of these income sources

¹ see exhibit A

affects higher income households to a much greater degree than lower income households. Another issue discussed later is whether or not to make the PFD taxable.

The distribution of income exclusions and deductions differs among households also. Special exclusions and deductions will alter the distribution of the tax burden depending on which income sources or expenditure items are given favorable tax treatment. In some cases, special deductions have been given because they affect ability to pay taxes, eg. large medical expenses.

Changes in tax laws have implications for horizontal equity in that individuals make commitments based on existing tax laws which are difficult or impossible to reverse. When the law changes this can reduce welfare. An example is the reduced deduction for personal interest expenses under the new federal law. Persons who entered installment purchase agreements prior to the change are going to be adversely affected.

2. Progressivity of the Tax Rates¹

Given the progressive rate schedule of alternative 1, the tax burden is based on the "ability to pay" principle of taxation and the nominal incidence is progressive. That is, as income level of the taxpayer increases, the nominal tax rate also increases. It should be noted though that state income taxes are deductible when computing taxable income for federal income tax purposes if the individual itemizes deductions. This has the effect of reducing the burden on individuals with higher incomes who are subject to higher marginal rates at the federal level and are also more likely to be in a position to itemize. The effect is to reduce the progressivity of the tax burden at the state level. This effect will be reduced, however, in light of recent scheduled income tax rate reductions enacted at the federal level.

One possible disadvantage of a limited bracket structure such as alternative 2 is that those at the lower end of each bracket are taxed at the same nominal rate as those at the upper end. The tax is still progressive in nature across brackets. It is progressive to a lesser extent within brackets given that the personal exemption excludes a larger proportion of the lower income from the tax.

The key to vertical equity or adherence to ability to pay principles in alternative 3, the flat rate tax, is the size of the personal exemption. The exemption combined with the flat rate determine the progressivity of the system.

In general this type of tax takes the view that income from all sources is equivalent in defining the tax base. Problems of equity arise when certain income flows are excluded from the tax base or are taxed at preferential rates. In Michigan, for instance, there is no subtraction of itemized or standardized deductions. There is however some allowance for tax credits which represents a deviation from this ideal.

¹ see exhibit A

The main concerns with a flat rate tax involve its incidence. It may distribute burdens from upper to middle income taxpayers.

D. Intergovernmental Effects

All state income taxes are deductible from Federal income. This causes a leakage of tax from the federal government to the State. Alternatives 1 - 3 show that for every dollar of Alaska tax paid, the taxpayer effectively pays only 78¢ - 80¢ while the Federal government leaks 22¢ - 20¢ of it back to the State.

On the other hand, the deductibility of property taxes in alternatives 1 and 2 (generally levied at the local government level), erodes the tax base of the State. The estimated leakage of tax from the State to local government estimated under these alternatives is \$6 to \$7.5 million.

Since there are no deductions from alternative 3, the flat rate tax, leakage of tax from the State to local government under this alternative is zero. It has been argued that it undermines the ability of local government to levy taxes when they are not deductible from the taxes of higher level governments.

E. Inflation Effects

Inflation adjustments are present in the exemption, deduction and income limit amounts of all these tax alternative; however, the lack of inflation adjustment to the tax brackets in the rate structure will necessarily lead to bracket creep. What this means in practical terms, is that taxpayers may be no better off in any real sense (their income, after adjustment for inflation, is no greater) but may have to pay greater portions in tax. This can be mitigated with inflation indexed tax brackets.

The wider brackets of alternative 2 make bracket creep less likely, but without indexing of any amounts expressed in dollar terms, inflation remains a concern.

Inflation adjustment is present in the exemption amount of alternative 3. Because the exemption is indexed, this alternative is less distorted by inflation than the previous cases.

III. TAX MODEL ALTERNATIVES

A. ALTERNATIVE ONE: ADJUSTED 1978 ALASKA RATE STRUCTURE/ FEDERAL TA-
BASE

This alternative attempts to reinstate, largely, the tax structure effective in Alaska before it was repealed. That structure had its own set of progressive tax rates grouped by filing status, and was piggybacked to the federal law for most of its tax base elements.

1. Tax Base - New Federal Law adopted

2. Income Inclusions and Exclusions

Included as total income are wages, salaries, tips, interest income, dividends, income tax refunds, alimony received, business income, capital gains, pensions, IRA and annuity distributions, rents, royalties, partnership, estates, trusts, farm income, unemployment insurance (which we are unable to include in our model), social security benefits and other income. The new Federal law eliminates the \$100 - \$200 exclusion of dividend income and treats the full amount of capital gain as ordinary income. The Alaska Permanent Fund Dividend is included as income.

New restrictions are now included in the Federal law which define passive and active participation in ventures and set limits for higher income taxpayers on offsetting losses of any kind. Passive losses cannot be used to offset other income except for \$25,000 in participatory rental losses.

3. Income Adjustments

Under the new Federal law, only the Keogh plan contributions, savings withdrawal penalties and alimony paid adjustments from income remain. Eliminated is the Two Earner adjustment; while the IRA adjustment is phased out at higher income levels or eliminated if the employer covers the employee with a retirement plan. The moving expense and employee business expense adjustments are now deductions.

4. Treatment of the Alaska Permanent Fund Dividend

All of the alternatives exclude the PFD from state taxable income.

5. Nonresident Apportionment

As was done in the 1978 Alaska individual income tax law, nonresident workers apportion their income by source state in this proposal. The apportionment ratio is obtained by dividing Alaska adjusted gross income (income earned in this state or attributable to investments in this state) by total adjusted gross income. The ratio obtained is used to adjust exemptions and standard deduction. Itemized deductions are apportioned to Alaska based on the expenditure location, property site or source of income to pay the expenditure.

6. Standard Deduction

The following standard deductions are assumed to be adopted from the Federal Code and are indexed yearly for inflation.

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<u>Filing Status</u>	<u>Standard Deduction</u>	<u>Add'nl for Blindness/ Age Exemption</u>
Single	\$3,000	\$750 per Exemption
Married Filing Joint	\$5,000	\$600 per Exemption
Married Filing Sep	\$2,000	\$600 per Exemption
Head of Household	\$4,400	\$750 per Exemption

7. Itemized Deductions

Those with greater than the standard deduction can itemize deductions on state returns as done on the Federal return. Alaska income taxes cannot be deducted for Alaska tax although they can for Federal income tax. Medical expenses in excess of 7.5 percent of adjusted gross income are deductible. Sales taxes are not deductible but property taxes are. Home mortgage interest (for primary and secondary residences) is still deductible, but consumer interest is phased out and other mortgage interest is no longer deductible. Union and professional dues, tax return preparation fees, employee business expenses are also deductible, but must total more than two percent of adjusted gross income. Moving expenses are deductible.

8. Personal Exemptions

Exemptions are available for the taxpayer, spouse, dependents and for certain debilitating conditions. They are worth \$1,950 each in 1988, \$2,000 in 1989 and are indexed for inflation thereafter. For higher income taxpayers, the value of these exemptions is reduced by five percent of taxable income if taxable income is greater than the threshold amount (which is indexed yearly for inflation).

<u>Filing Status</u>	<u>Income Threshold</u>
Single	\$ 89,560
Married Filing Joint	\$149,200
Married Filing Separately	\$113,300
Head of Household	\$123,790

9. Tax Credits

We have not included any tax credits in these alternatives.

10. Tax Rates

Tax rates effective for the 1978 and 1979 Alaska individual income tax are assumed to be re-adopted for this proposal.

B. ALTERNATIVE TWO: LIMITED BRACKETS/ FEDERAL TAX BASE

This alternative is piggybacked to the federal law for most of its tax base elements. The difference between this and Alternative #1 is a two bracket tax rate. This could be accomplished by following these three steps.

- Adopt new federal rules to derive the taxable income base;
- Divide taxable income into a small number (2 or 3) of brackets according to some objective criteria or adopt the Federal brackets.
- Specify state tax rates for each of the chosen brackets with income in the higher bracket(s) being taxed at a higher rate.

1. Tax Base - same as alternative #1
2. Income Inclusions and Exclusions - same as alternative #1
3. Income Adjustments - same as alternative #1
4. Treatment of the Alaska Permanent Fund Dividend - same as alternative #1
5. Nonresident Apportionment - same as alternative #1
6. Standard Deduction - same as alternative #1
7. Itemized Deductions - same as alternative #1
8. Personal Exemptions - same as alternative #1
9. Tax Credits - same as alternative #1

We have not included any tax credits in these alternative proposals.

10. Tax Rates

The rates and rate groups assumed to be in place for this proposal are presented below. These rates are a set that make the alternative revenue neutral compared to the first alternative and the last alternative, for the first year (1988) only. That is, all four proposals are constructed to raise approximately the same revenue.

TAXABLE INCOME LEVEL	
\$0 - \$25,000	3.7%
\$25,000 & more	7.7%

- C. ALTERNATIVE THREE: FLAT RATES/ FEDERAL TAX BASE, NO EXCLUSIONS OR DEDUCTIONS, HIGH PERSONAL EXEMPTION

A true flat tax has two attributes: (1) it applies the same rate of tax to everyone and to each component of the tax base; and (2) to arrive at the tax base there are no deductions from total income except personal exemptions and strictly defined business expenses.

To raise a certain amount of tax revenue it is necessary to make a trade-off between the size of the personal exemption and the marginal tax rate

"A high exemption may be desirable to secure relief for those at the bottom of the income schedule and to increase progressiveness (with respect to average tax rates). But a higher exemption means that a higher marginal tax rate must be applied to maintain revenues."

1. Tax Base

As with the previous alternatives, this tax system is tied to the Federal tax law. In this case, however, it is piggybacked to the federal law only for its income inclusion elements. It is not tied to the federal law for exemptions, deductions or income exclusions. The advantage in being tied to the federal system is largely administrative, as discussed previously. The disadvantage is that federal changes can automatically effect state law and revenues dramatically.

The federal law has changed since the Alaska individual income tax was in effect. This proposal assumes that the changes adopted by the federal government will be referenced in Alaska Statute much as they were in 1978-1979, but only for income inclusions. This will result in the expansion of the adjusted gross income; and therefore, the tax base. The provisions of the new law that we assume would be effective for this proposal are summarized below.

2. Income Inclusions and Exclusions

Included as total income are wages, salaries, tips, interest income, dividends, income tax refunds, alimony received, business income, capital gains, pensions, IRA and annuity distributions, rents, royalties, partnership, estates, trusts, farm income, unemployment insurance (which we were unable to include in our model), social security benefits and other income. The new Federal law eliminates the \$100 - \$200 exclusion of dividend income and treats the full amount of capital gain as ordinary income.

New restrictions are now included in the Federal law which define passive and active participation in ventures and set limits for higher income taxpayers on offsetting losses of any kind. Passive losses cannot be used to offset other income except for \$25,000 in participatory rental losses. (Passive losses occur particularly in some partnership and rental activities.)

3. Income Adjustments

Under the new Federal law, only the Keogh plan contributions, savings withdrawal penalties and alimony paid adjustments from income remain. Eliminated is the Two Earner adjustment; while the IRA adjustment is phased

out at higher income levels or eliminated if the employer covers the employee with a retirement plan. The moving expense and employee business expense adjustment are now deductions.

4. Treatment of the Alaska Permanent Fund Dividend

All of the alternatives presented exclude the Alaska Permanent Fund Dividend from taxable income.

5. Nonresident Apportionment

Nonresident workers apportion their income by source state in this proposal. The apportionment ratio is obtained by dividing the Alaska adjusted gross income (income earned in this state or attributable to investments in this state) by total adjusted gross income. The ratio obtained from Alaska to total income is used to adjust exemptions also.

6. Personal Exemption

The personal exemption in this alternative is set high both as a proxy for a subsistence amount and to respond to family size. The high personal exemption helps to make the effective rates of this proposal more progressive. The exemption value for taxpayer, spouse and dependents is \$3,000 each.

7. Tax Credits

We have not included any tax credits in these alternatives.

8. Tax Rates

The tax rate in this alternative was designed to provide a revenue neutral tax compared to alternative one. That is, total revenues are approximately the same as the previous two cases, \$250,000,000. A 3.9 percent tax rate was used for all income. Progressive rates could also be applied to this tax base but it would be difficult to develop a revenue neutral (compared to the other alternatives) case with these rates.

D. ALTERNATIVE FOUR: DISCUSSION/THE WORKING DRAFT

1. Filing Status

A decision will have to be made concerning the filing status of married persons. Under federal law, marrieds may file jointly or separately. It would be preferable to require that the same status be used for state purposes as utilized for federal purposes. Otherwise, income will have to be attributed to the spouse who earned the income and this would be important only at the state level. This would then present an audit question exclusively at the state level which would increase the state administrative requirements.

2. Exemptions

The next question concerns the setting of exemptions. For instance, extra exemptions may be desirable for those 65 and over and for the blind in addition to the normal exemptions for the spouses and dependents. Other exemptions could be cranked in as well to achieve other policy goals.

The amount of the exemption can also be set to achieve a certain desired result. For instance, if the exemption is set at \$3000 per person a family of four would pay no tax on the first \$12,000 of income AFTER certain limited deductions. The proposal merely uses a \$3000 exemption as a starting point. The fixing of this amount is a political decision which will take into consideration the minimum threshold level of taxation of lower income taxpayers, however changing this amount will be reflected in the rates.

3. Tax Base

a. Federal Total Income

The modified flat or graduated tax structure uses federal total income, with certain adjustments, as the tax base starting point. Federal total income is income from all sources, including all capital gains and permanent fund dividends, and corresponds to line 23 of the 1986 Form 1040. The adoption of the Internal Revenue Code provisions defining items of income may be preferable as these concepts are generally well settled through years of administrative rulings and court decisions. The administration of the tax will be facilitated by the adoption of the code provisions defining income. The processing and compliance efforts will also be enhanced since the federal return can be utilized for verification. Further, IRS audits will result in corresponding adjustments to the Alaska returns to the extent an income item is involved.

b. Additions To The Tax Base

Additions to the tax base would include interest on obligations from states other than Alaska. This tax free interest at the federal level is not included in income otherwise. Since lower income taxpayers do not generally receive tax free income, the impact will be absorbed by middle and upper income taxpayers. However, it may be desirable to maintain tax exempt status for interest on Alaska obligations, such as on AHFC bonds, to increase demand for those securities as well as to promote investment in Alaska rather than in other states. The inclusion of non-Alaska tax-exempt income in the tax base will require that the corporation income tax statutes be amended to achieve the same result at the corporate level.

The cost of living allowance that federal employees receive in the state must be added to the tax base to place these residents on a par with other state residents. Federal COLA is not subject to federal income tax and thus is not included in federal income.

c. Subtractions From The Tax Base

Deductions from the tax base might take a number of forms. One deduction, really an elimination, removes Alaska income tax refunds from the base. Income tax refunds, to the extent deducted on the federal return in a prior year, are income for federal purposes in the year of receipt. Since the state income tax is not a deduction for Alaska tax purposes, it should not form a part of the Alaska tax base and must therefore be subtracted.

Other subtractions from the tax base might include the penalty for early withdrawals from savings and alimony paid. These deductions are appropriate because interest income in full is included in total federal income without regard to the amount actually received or available. The deduction treats as total income only the amount actually received or available to a taxpayer. A deduction for alimony paid is necessary since alimony received is included in the tax base. The deduction is necessary to prevent the same amount from possibly being subject to tax twice.

The above mentioned additions and subtractions to the tax base would be made to arrive at an Alaska adjusted gross income figure. Adjusted gross income could instead be called taxable income and the tax computed on the amount so determined. However, there are other deductions that have merit in the tax system that may promote desirable public policy. Charitable contributions and home mortgage interest are just two examples. The experience we have with the federal tax reform efforts leading to the passage of the Tax Reform Act of 1986 illustrates that there are demands for certain deductions.

Thus, medical expenses in excess of 7% of Alaska adjusted gross income are allowed. So are contributions to Alaska charities and mortgage interest and property taxes on a principal Alaska residence. Only such expenditures (except for medical expenses) within Alaska are deductible in order to promote to the fullest the state economy and investment within the state. This treatment should prevent leakage of state tax dollars on out of state expenditures and correspondingly promote Alaska residency.

Interest on United States obligations must not be taxed by a state pursuant to federal law. Thus, a deduction is allowed. If the itemized deductions were not allowable under this alternative, the interest on U.S. obligations would be deducted in arriving at Alaska adjusted gross income. It is placed after AGI only because of the floor on medical expenses.

A standard deduction in lieu of itemized deductions is not provided. Standard deductions create leakage to the extent expenditures in the policy areas do not exceed the standard deduction. Requiring a full proof of those expenses should promote the public policy contemplated. Further, a heavy impact will fall on non-Alaska residents who may have little or no such expenses and will not be able to utilize the standard deduction. Renters may also be impacted although the current economic climate may make it preferable to encourage home ownership and commitment to Alaska and a particular Alaska community. That would be accomplished by allowing interest and taxes on principal residences. A failure to allow the deduction for home

Interest and taxes could have the reverse effect of promoting rental over home ownership in the state. (It is common knowledge that the delinquency rate on AHFC mortgage loans is becoming increasingly alarming. The situation should only worsen under the current ABE program which assumes yearly increases in the income of the debtor. State residents will fare well in the current economy if income remains constant. The ABE increases will impact state residents in the next year or two. Unfortunately, the ABE program is based on an assumption that is no longer valid. This exacerbates the already serious problem).

Taxable income would be derived from subtracting the deductions specified and the appropriate exemption amount from adjusted gross income. A tax would then be computed on the amount of the taxable income.

d. Credits

Credits against tax might be limited to that for child and dependent care in Alaska and for taxes paid by residents to other states. The credit for taxes paid by residents to other states is designed to prevent double taxation and promote Alaska residence. Those residents generate income from other states which they bring back into Alaska.

The tax liability for the tax year would be determined by subtracting the credits from the tax. Withholding and estimated tax payments would be required during the tax year. A withholding worksheet for state purposes would be required and penalties would be imposed for underpayments as computed in accordance with current federal law.

e. Non-Residents

A non-resident would compute his tax on only the income derived from sources within the state. A statute would be required to specify that income which is derived from sources within the state. The statute could be modeled after the law in effect prior to repeal with consideration given to further inclusion or clarification within constitutional limitations. Most non-residents would pay a higher effective tax rate than residents since non-residents would have few if any deductions from which to offset the Alaska source income. It may be possible to withhold the benefit of the lower rates to non-residents under a graduated rate system. Non-residents would pay tax at the higher rates determined in accordance with their income from all sources.

IV. ANALYSIS

The above scenario obviously represents a number of policy decisions that may or may not be politically feasible or acceptable by either the Administration or the Legislature. Each of the attributes of a tax involves a policy question and each must be resolved by the appropriate authorities during the discussion stage. The format of the example used herein is a judgment call of some of the members of the working group and does not

necessarily reflect the opinion of all members. It is intended to illustrate how one model can be built based on available alternatives.

Certain issues permeate the formulation of the tax system. First, will the system be capable of effective and efficient administration and achieve taxpayer compliance? Second, should the tax system promote state policy and economic goals, such as promoting residency and Alaska investment, or should state goals be primarily dealt with outside the tax system? Third, how should non-residents be treated in the system? Fourth, what is the desired distribution of the tax among the population? These issues are central to each of the alternatives.

A. Administrative Issues

Research alternatives One and Two differ only in that Research One uses the old Alaska tax rate schedules while Research Two uses new schedules patterned after those scheduled to go into effect for federal purposes in 1988. Both alternatives adopt federal provisions to arrive at taxable income figures, i.e. Income less adjustments to income less itemized deductions or standard deduction less exemptions equals taxable income.

Research alternative Three differs from Research One and Two in that it does not adopt federal provisions except for purposes of defining income items and then applies a flat percentage tax rate to that income, with some minor adjustments. Tax rate tables are not necessary with a flat tax.

The modified flat or graduated tax Working Draft alternative is similar in design to Research Three in that federal law is adopted for purposes of characterizing income items. It would also be similar to the extent the flat tax concept was used to establish tax liability as a fixed percentage of income. It differs from both Research One and Two in that it envisions a very limited number of adjustments and deductions from income and would either adopt selected federal provisions or specifically enact provisions into Alaska statutes. The utilization of a graduated tax rate system under this method would not effect the difference between it and the other alternatives.

The wholesale adoption of the federal code provisions in Research One and Two would mean that the state system will mirror the federal system. The caveat to remember is that the Internal Revenue Code has traditionally been aimed at federal, rather than state, policy concerns. What is good or appropriate behavior to encourage at the federal level is not necessarily important or cost-effective at the state level. The Alaska tax system should be made to reflect the concerns of the state rather than the federal government.

The adoption of federal law is problematic from the perspective that the income tax law changes on a yearly basis. The state system will also change due to the adoption of the federal code. This is more pronounced with deductions from income since those are the areas that change with the greatest frequency. The characterization of income items changes less frequently and the impact at the state level can be seen more readily. Thus, Research Three and the Working Draft present a advantage in this context over the other two

alternatives. The enactment into Alaska law of specific provisions addressing the subtractions from income would create a certainty of tax result and would remove the state tax law from the problems caused by changing federal law. This is feasible with the Working Draft and Research Three but not with Research One and Two because of the number of provisions involved. Of course, federal law will remain in effect for determining the profit or loss of sole proprietors, partnerships, estates, and trusts, as well as for rental property and royalty income. These business activities are separately accounted for and a net figure is reported as an income item.

Another problem to be considered is the discretionary nature of many of the deductions that arise in the code. There is virtually always going to be some difference of opinion as to what constitutes the proper amount of a deduction. The majority of disputes we have experienced in prior years concerned deductions rather than income items. The IRS generally relies on information returns to audit income items and focuses audit efforts on deductions and credits where the most abuse lies. There may be much to be said for a tax system that eliminates or sharply curtails the extent of deductions from income and the resultant abuse. A less cumbersome system should result in a fairer system for those taxpayers similarly situated. However, a system with no deductions may not reflect a taxpayer's true ability to pay and therefore be unfair. A compromise between the two could be the most logical solution.

Administratively, all the alternatives contemplate the drafting of statutes to accomplish the intended result. Further, the Department of Revenue will have to promulgate regulations and issue rulings covering many of the areas in the income tax law. A true flat tax without deductions from income, such as in Research Three, would be the simplest from a drafting perspective. However, any regulations and rulings pertaining to non-resident income will have the same level of complexity under any of the alternatives.

Withholding of tax at the source by employers will be required under all of the alternatives. Here, the least involved withholding system would be under Research Two because the state withholding could be set at a percentage of the federal withholding. The other alternatives differ from the federal and thus state withholding schedules will be required in order to determine the extent of withholding.

A withholding system means quarterly reports and year end reconciliation returns. It is estimated that there will be about 17,500 reporting entities which will generate 70,000 yearly withholding reports and 17,500 year end reconciliations. Taxes due are generally paid with the reports or returns although monthly payments are required for taxes withheld by an employer that exceeds \$500 in any month. Estimated tax payments and forms will also be required under all the alternatives to cover income not subject to withholding.

In addition to the withholding reports and returns, it is estimated that 275,000 returns will be filed each year. Other administrative concerns with all the withholding and tax filings would be virtually the same under all the alternatives. These administrative responsibilities would include, in part, the following.

1. Developing withholding and tax return form packages.
2. Taxpayer and employer education and assistance.
3. The receipt and processing of reports and returns.
4. Processing cash flow, including refunds.
5. Data capture of report and return information and cash flow.
6. Microfilming returns.
7. Filing (storage) of tax reports and returns.
8. Maintaining document retention schedules and periodically destroying documents.
9. Computer programming and increased computer capacity.
10. Computer editing of information.
11. Training of Department personnel in processing and review functions.
12. Office audit of each report and return and generation of billings.
13. Field audit activities, especially non-resident income area.
14. Collection activities.
15. Criminal investigations.
16. Appeal procedures for disputed taxes.
17. Coordination and processing of informational returns from banks reporting interest and taxes.
18. Coordination and usage of IRS-Alaska exchanges of information.
19. Yearly reporting to IRS of state tax refunds issued.

B. Policy and Economic Issues

The broadening of the tax base and reducing the tax rate lead to simplicity and fairness in a tax system. Base broadening strives to achieve the goal of treating similarly situated taxpayers in an equal manner. Thus, an all inclusive tax base, no subtractions from the base, and a flat tax rate have received support as being the less complex of the tax systems. However, a simple tax system may not be necessarily fair nor may it achieve state policy goals designed to encourage and promote the state economy.

An income tax system that is fair should be designed to include all, or virtually all, income received by an individual in the tax base and allow certain adjustments or deductions that clearly reduce the ability of one to pay the tax. Ability to pay is a threshold question in a tax system and the decision must be made early on whether the law should take this factor into consideration. If the answer is yes, then the decision maker must evaluate certain deductions and decide whether such are appropriate given the social and economic considerations currently existing at the time or reasonably foreseeable in the future. Certain deductions are justifiable since some expenditures reduce the ability to pay without increasing personal consumption and/or encourage socially desirable behavior.

A listing of some deductions will illustrate that selectivity will be required in deciding the extent to which deductions will be allowed.

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Moving expenses
Employee business expenses
IRA deduction
Keogh and SEP retirement plan deductions
Alimony paid
Deduction for a married couple when both work
Capital gain deduction
Penalty on early time deposit withdrawals
Casualty and theft losses
Contributions
Mortgage and consumer interest
Medical and dental expenses
State and local income, sales, real and personal property taxes
Adoption expenses
Business entertainment expenses
Business gifts
Dues to professional societies
Educational expenses
Employment agency fees
Home office expenses
Production of Income expenses
Small tools and supplies expense
Special work clothes
Subscriptions to professional associations
Tax advice and preparation
Union dues and expenses

The Working Draft alternative allows as discretionary deductions only the penalty on early withdrawal of savings, alimony paid, medical expenses exceeding stated amounts, contributions to Alaska charities, real property taxes and mortgage interest on a principal Alaska residence, as well as a credit for Alaska child and dependent care. (Note: A credit is used in our alternative to provide a greater tax benefit since it applies equally to all taxpayers regardless of income levels and marginal tax brackets. A deduction might be just as appropriate and eliminate the need for a separate credit calculation). Discussion earlier in this report focused on the rationale supporting the suggestion that these items be deductible. The penalty on early withdrawal of savings, alimony paid and medical expenses do not involve consumption. The savings penalty is actually a recapture of interest that is included in income and the deduction backs that recapture amount out. A deduction for alimony is appropriate to prevent it from being taxed where the payor does not have the use of the money and, to the extent alimony is paid to another Alaska resident, from the same item being taxed twice. Medical expenses are subject to a floor based on income and may promote good health care but predominantly allow for catastrophic medical expenses which reduce one's ability to pay.

The other deductions in the Working Draft have been suggested since they not only meet all of our criteria, i.e. such do not increase personal consumption and they do encourage socially desirable behavior and they also reduce the ability of an individual to pay, but each also promotes Alaska residency and investment in the state and a concomitant commitment to

communities. What, if any, deductions that are to be ultimately allowed in the income tax system should be determined in relation to whether the state desires to promote policy and economic goals through the tax system. To some extent, any such deduction will be reflected in higher tax rates.

C. Non-Resident Issue

Under the prior tax system non-residents paid taxes at effective tax rates less than Alaska residents. This was due to the fact that Alaska residents had to include all income in the tax base while non-residents included only Alaska source income. While non-residents were allowed only a percentage of personal exemptions, standard deductions or itemized deductions in the ratio that Alaska income bore to total income which offset some of the advantage, nevertheless the failure to take all income into some account in the computation of the tax resulted in non-residents having their income taxed in the lowest rate brackets compared to residents in similar circumstances.

The decision makers must thus decide the extent to which non-residents deriving income from Alaska will contribute to the costs of providing state services. These state services benefit resident and non-resident alike. Thus, the Working Draft alternative would place non-residents on a par with state residents by taking total income into consideration in determining the appropriate tax brackets under which non-residents must compute their tax liability. All of the alternatives, except to the extent a flat tax might be imposed in which case it would make no difference, can be designed to attain this objective. The actual tax, however, is computed only on the income derived from Alaska sources. Constitutional limitations prohibit a state from levying its tax on income from other sources earned by non-residents.

The Working Draft differs from Research One and Two also in the treatment of deductions. Research One and Two incorporate federal provisions relating to deductions from income that are generic. That is, it makes no difference the state in which the expenditure is made. The Working Draft focuses upon only investment in Alaska as giving rise to allowable deductions. The effect of this will be, for example, to allow a resident to deduct mortgage interest on his Alaska residence while denying a deduction to a non-resident for interest paid on his out of state residence.

Income sourcing rules will be required to determine the extent of income derived in Alaska by non-residents. Prior law and the characterizations by other states can be drawn upon for guidance. There is a great deal of leeway in this area for abuse since it is not always a clear cut case of determining the income sourced within the state. For example, the customary structure in many Washington fishing businesses is to conduct fishing activities in corporate form through joint ventures with other corporations. Substantial sums are paid in the form of officers compensation for work alleged to be performed solely in the state of Washington. The corporation is allowed to deduct the compensation from its income and the individual who receives such asserts the compensation is not from an Alaska source. The compensation varies each year depending on the success of the business. It therefore becomes relatively easy to shift income to a non-taxable source. An audit is

required to make any adjustment and the audits are complex and very detailed. An audit presence will be necessary to achieve any real degree of compliance. A possible counter-measure, in part, would be to statutorily deny a corporation any deduction for officers compensation.

It is also particularly difficult to determine the Alaska source income for crew share, boat share, and captain share members on fishing vessels. In many cases the majority of time is spent just outside the state's territorial waters but the fish product is transferred or sold within the state and the taxpayers are largely dependent upon the state for providing benefits and services to the operations which make the activities profitable. If the Alaska source income is determined by reference to time spent in Alaska waters, very little tax will be generated. The same problem exists to some degree with all transportation carriers, i.e. air, marine and land. All these areas will need to be considered in determining the participation of non-residents in sharing the tax burden. Broad authority to the Department in promulgating statutory regulations could be a solution. Audit visibility will be a must if any serious effort is contemplated in ensuring that non-residents pay a fair share of the tax burden.

D. Distribution Of The Tax Burden

The distribution of the tax burden involves the question of what income groups will pay what part of the total tax required to be generated by the tax system. The income composition of the population must therefore be analyzed.

A pure flat tax system is less sensitive to income levels since all income is nominally taxed at the same rate. In contrast, a graduated tax rate system is sensitive to income levels since the more one earns the more tax one pays. If the design and intent of the tax system is to base it on the ability of the populace to pay the tax, then a graduated tax system like Research One and Two and the Working Draft graduated model must be preferred over Research Three.

Even in a graduated tax system, low income families are not necessarily removed from the tax roles. The setting of the minimum threshold levels of tax are thus important in achieving the overall distribution of the tax burden among the desired income levels. This is accomplished by the income level at which a tax liability arises as well as through the establishment of exemptions.

The distribution of the tax will also involve the determination of the number of tax brackets and rates that need to be employed in the system. This would likely be based on the ability of various income levels to pay progressively higher rates of tax.

In order to effectively measure and analyze the income levels, consideration must be given to the items defined in the tax system as income. The Research alternatives, and the Working Draft with certain additions, use federal law to define income. There are many advantages in doing so although there are persuasive reasons to reach beyond the federal characterizations.

For instance, all unemployment compensation benefits under federal law will be included in full in income in 1987. However, only half of social security benefits are included for those with other income of \$32,000 if married and \$25,000 if single. Interest on state or local obligations is excluded from federal income as is federal cost of living allowances. It might be fundamentally said that equal treatment of those with the same disposable incomes requires that all these items be treated as income, especially under a graduated tax system that provides for those with lower incomes through lower rates. The Working Draft attempts to strike a balance by including in income non-Alaska tax exempt interest and the federal cost of living payments while adopting federal law excluding social security payments and including unemployment compensation. The Research alternatives would continue to follow federal law in all pertinent respects.

Lastly, a decision will need to be made on the treatment of the Alaska Permanent Fund Dividend. The PFD is taxable under federal law. However, in contrast with the premise of levying a tax based on ability to pay, the alternatives exclude the PFD from the Alaska tax base. Inclusion of the PFD would raise \$8-12 million or otherwise allow lower tax rates.

It is possible, however, to incorporate the PFD payment into the income tax program in some fashion. That could be in the nature of a qualification filing with the income tax return or even as an offset against the tax. An offset could require a prior approval to a taxpayer of proper qualification. The tax return could also contain the names of dependents, i.e. children, who should receive direct payments where income tax returns are not required.

We also are aware of a proposal from the Division of Policy in the Governors Office that would apply the PFD to tax liability for most taxpayers and refund the PFD to other taxpayers whose liability was less than the amount of the PFD. The purpose is to cast the refundable PFD in the form of a "welfare" payment and remove it from federal income tax. Currently, there is substantial loss of the PFD revenue from the state to the federal level because of the tax.

We see problems in that approach because all taxpayers receive a credit or refund of a sum certain. The IRS will certainly attempt to apply constructive receipt or discharge of indebtedness rules to reach the income. A different approach might be to structure the PFD into a program like the earned income provision at the federal level.

The earned income credit at the federal level in 1988 applies to certain taxpayers with AGI of less than \$17,000 who receive earned income and have children. The credit is applied against tax liability or is refundable if no tax is owed. As an example, a head of household with AGI of \$12,000 would generate a credit of \$500 (14% of first \$5714 of earned income, or \$800, reduced by 10% of the amount exceeding \$9,000, or \$300). The concept might be applied at the state level in lieu of the PFD to distribute funds to those residents most in need of the payments. The remainder of the revenue that otherwise would have been paid to other residents could, for example, then be distributed to the municipalities based on population. The payments and distributions should not result in any tax liability to residents and there

INDIVIDUAL INCOME TAX REPORT

PAGE 20

would not be any leakage of state revenue as is the present situation under the PFD program. A major problem in any program of this nature would be in its application to non-residents.

The Working Draft and the Research alternatives do not attempt to address in detail these proposals because the ideas need more policy direction and the PFD could create an emotional response overshadowing the need to develop a viable tax system. The PFD question is probably best left to the Administration and the Legislature.

DRAFT BILL
TAX ALTERNATIVE TWO
FEBRUARY 13, 1987

A BILL

For an Act entitled: " An Act for the taxation of income derived by individuals, partnerships, and fiduciaries; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. AS 43.20.011 is amended by adding new subsections (g), (h), (i), (j) and (k) to read:

- (g) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part year resident individual and fiduciary of the state, except for those subject to the rates in (h), (i) or (j) of this section, a tax computed according to the following table.

If the taxable income is:	Then the tax is:
Over \$31 but less than \$30,000	3.2% of taxable income
\$30,000 or more	\$960 plus 5.7% of the excess over \$30,000

- (h) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident married individual who makes a single return jointly with his spouse (as provided in section 6013 of the Internal Revenue Code) and upon every resident, nonresident and part-year resident surviving spouse (as defined in section 2(a) of the Internal Revenue Code) a tax computed according to the following table.

If the taxable income is:	Then the tax is:
Over \$31 but less than \$50,000	3.2% of taxable income
\$50,000 or more	\$1600 plus 5.7% of the excess over \$50,000

- (i) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident head of a household (as defined in section 2(b) of the Internal Revenue Code) a tax computed according to the following table.

If the taxable income is:	Then the tax is:
Over \$31 but less than \$40,000	3.2% of taxable income
\$40,000 or more	\$1280 plus 5.7 of the excess over \$40,000

- (j) There is imposed for each taxable year upon the taxable income of every resident, nonresident and part-year resident married individual who does not make a single return jointly with his spouse a tax computed according to the following table.

If the taxable income is:	Then the tax is:
Over \$31 but less than \$25,000	3.2% of taxable income
\$25,000 or more	\$800 plus 5.7% of the excess over \$25,000

- (k) For purposes of (g), (h), (i) and (j) of this section, the tax on fiduciaries, nonresidents and part-year residents shall be the tax computed on taxable income from all sources multiplied by a fraction the numerator of which is adjusted gross income from sources within the state and the denominator of which is adjusted gross income from all sources. (DIFFERENCE BETWEEN THE TAX COMPUTED ON TOTAL TAXABLE INCOME FROM ALL SOURCES AND THE TAX COMPUTED ON TAXABLE INCOME ATTRIBUTABLE TO SOURCES OUTSIDE THE STATE.)
- (l) An individual shall determine the tax for purposes of this section by using the same filing status as reported on the federal return.

*Section 2. AS 43.20.030(a) and (d) are amended to read as follows:

- (a) Every individual, fiduciary, partnership and corporation required to make a return under the provisions of the Internal Revenue Code shall at the same time file with the Department a return setting out (1) the amount of tax due under this chapter, less allowable credits and payments claimed against the tax; and, (2) other information which the Department requires for the purpose of carrying out the provisions of this title.
- (d) A taxpayer shall file with the return a true copy of the tax return filed with the United States Internal Revenue Service. Every taxpayer shall file an amended return with the Department, and remit any additional tax and interest due, within 60 days of any final determination in the taxpayer's federal tax liability. For purposes of this section, a final determination means the time an amended federal return is filed or the date a federal assessment is made.

*Section 3. AS 43.20.031 is amended by adding new subdivisions (j), (k) and (l) to read:

- (j) The income of an individual and fiduciary is gross income as defined in Section 61 of the Internal Revenue Code, and includes those items specifically included in and specifically excluded from gross income under Subtitle A, Ch. 1B, Parts II and III, with the following modifications:
 - (1) a taxpayer who receives a cost of living allowance which is exempt from federal income tax shall determine and include that amount as part of his income as if the cost-of-living allowance were not exempt;
 - (2) a taxpayer who receives interest upon obligations of any state, or interest upon obligations of any political or municipal subdivision of any state, which is exempt from federal income tax, shall determine and include that amount as part of his income as if the interest were not exempt.

- (k) The following adjustments to the gross income of an individual and fiduciary are allowed as deductions in arriving at adjusted gross income under this section:
 - (1) The deductions allowable under Section 62(a)(1) of the Internal Revenue Code attributable to a trade or business carried on by a taxpayer.
 - (2) The deductions allowable under Section 62(a)(3) of the Internal Revenue Code from the sale or exchange of property.
 - (3) The deductions allowable under Section 62(a)(4) of the Internal Revenue Code which are attributable to property held for the production of rents or royalties.
 - (4) The deductions allowable under Section 62(a)(9) of the Internal Revenue Code for the premature withdrawal of funds from time savings accounts or deposits.
 - (5) The deductions allowable under Section 62(a)(10) of the Internal Revenue Code for alimony.
 - (6) Interest received on obligations of the United States.
 - (7) Refunds of state income taxes included in gross income.

- (l) In the case of an individual, the personal exemptions provided by Section 151 of the Internal Revenue Code shall be allowed as deductions from adjusted gross income in computing taxable income except the exemption amount shall be \$3,000.00 without regard to the inflation adjustment of Section 151(d)(3). (THE ALLOWABLE DEDUCTIONS FOR PERSONAL EXEMPTIONS IN THE CASE OF NONRESIDENT AND PART-YEAR RESIDENTS IS LIMITED TO AN AMOUNT IN THE RATIO THAT ADJUSTED GROSS INCOME FROM SOURCES IN THE STATE BEARS TO ADJUSTED GROSS INCOME FROM ALL SOURCES.)

*Section 4. A new AS 43.20.032 is added to read as follows:

The adjusted gross (TAXABLE) income of nonresidents, part-year residents, and fiduciaries is the adjusted gross (TAXABLE) income as determined under AS 43.20.031 of which a portion is attributable to sources in the state (WHEN ATTRIBUTABLE TO SOURCES IN THE STATE). Deductions are allowed against the portion attributable to sources in the state only to the extent connected with income which arises from sources in the state or property having a situs for taxation in the state.

*Section 5. AS 43.20.040 is amended by adding new subsections (b)(8) and (b)(9) and (d) to read:

- (8) working for salary or wages in the state;
- (9) an estate or trust deriving income from sources in the state.

(d) If a business, trade or profession is carried on partly inside and partly outside the state, other than the rendering of purely personal services by an individual, the income from sources in the state shall be determined as provided in AS 43.19.

*Section 6. A new AS 43.20.062 is added to read:

- (a) A resident is allowed as a credit against the tax otherwise due under this chapter the amount of income tax imposed on him for the taxable year by another state or territory of the United States on income derived from sources in the other state or territory which is also subject to tax under this chapter.
- (b) The credit allowed in (a) of this section is limited to that proportion of the tax computed under this chapter which the taxable income from the other state or territory bears to total taxable income. The credit shall not exceed the actual tax paid to the other state or territory.
- (c) The amounts deducted and withheld as taxes under this chapter during a calendar year are allowed as credits to the taxpayer against the tax imposed by this chapter.
- (d) A taxpayer meeting the qualification requirements for receipt of the Permanent Fund Dividend under AS 43.23.025 for the calendar year may instead apply the dividend as a credit against the tax imposed by this chapter for that calendar tax year under regulations promulgated by the department.

*Section 7. A new AS 43.20.171 is added to read:

- (a) Every employer making payment of wages or salaries shall deduct and withhold an amount of tax computed in a manner to approximate the amount of tax due on those wages under this chapter for that year. Remittance of taxes withheld shall be accompanied by returns or reports on forms prescribed by the department and at the time or times required by the department by regulation. The department shall publish the rate of withholding required by this section. Every employer making a deduction and a withholding shall furnish to the employee (UPON REQUEST) on or before January 31 of the succeeding year, or within 30 days of termination of employment if such 30 day period ends before January 31, a written statement on a form prescribed by the department showing (1) the name and taxpayer identification number of the employer; (2) the name and social security number of the employee; (3) the total amount of wages and other compensation; and, (4) the total amount deducted and withheld as tax. (OF THE AMOUNT OF TAX WITHHELD FROM THE EMPLOYEE ON A FORM PRESCRIBED BY THE DEPARTMENT).
- (b) Every employer making payments of wages or salaries earned in the state, regardless of the place where the payment is made,
 - (1) is liable for the payment of the tax required to be deducted and withheld under this section and is not liable to any individual for the amount of the payment; and,
 - (2) shall make return of and pay to the department quarterly or at other times as the department may require, the amount of tax levied which under the provisions of this chapter he is required to deduct and withhold
- (c) Any person required to collect, truthfully account for, and pay over any tax imposed by this chapter who willfully fails to collect such tax, or truthfully account for and pay over such tax, or willfully attempts in any manner to evade or defeat any such tax or the payment thereof, shall, in addition to other penalties provided by law, be liable for a penalty equal to the total amount of the tax evaded, or not collected, or not accounted for and paid over, as provided in AS 43.05.220(d).
- (d) If the employer is the United States or the state or a political subdivision of the state, or an agency or instrumentality of one or more of the foregoing, the return of the amount deducted and withheld upon wages or salaries may be made by an officer of the employer having control of the payment of the wages or salaries or who is appropriately designated for that purpose.
- (e) In this section the terms wages, employee and employer have the meaning attributed to them under the Internal Revenue Code.

*Section 8. AS 43.20.340 is amended by adding new subsections (12), (13), (14), (15), (16), and (17) to read:

- (12) "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or a person acting in a fiduciary capacity for another or the estate of a deceased person'. The term fiduciary also means an estate or trust for purposes of this chapter.
- (13) "individual" means a natural person, married or unmarried, adult or minor, subject to payment of an income tax under the Internal Revenue Code;
- (14) "domicile" means the place where an individual has his true, fixed, permanent home and principal establishment and to which place he has the intention of returning whenever he is absent for a temporary or transitory purpose;
- (15) "nonresident" means an individual who is not a "resident" or "part-year resident";
- (16) "residence" means actual physical presence in the state and is determined without regard to a person's "domicile";
- (17) "resident" means an individual or natural person who during the taxable year has been domiciled in the state or has resided within the state for the entire taxable year; an individual does not lose his status as a resident simply by reason of attending an educational institution or by serving in the armed forces.

*Section 9. AS 43.20.012 and AS 43.20.013 are repealed.

*Section 10. This act takes effect on January 1, 1988.

Alaska Individual Income Tax

*Working Draft Proposal
and
Briefing Paper*

RECEIVED
FEB 12 1987
STATE OF ALASKA
DEPT. OF REVENUE
ENFORCEMENT DIV.

February 12, 1987

Joint Income Tax Working Group

Department of Revenue

Office of Management and Budget

Alaska Individual Income Tax

Summary

The tax proposal described here (the *Working Draft*) is simple to explain, simple to administer, and simple for the taxpayer. The structure of the Working Draft is illustrated in Figure 1. Calculations begin with "Total Federal Income," on line 23 of the federal form. "Adjustments To Income" are limited to those essential for legality or fairness. Deductions are eliminated entirely, a decision supported by strong theoretical and practical arguments. Despite a proposed personal exemption of \$3,000, the result is among the broadest bases for a state income tax. Other things equal, the breadth of the tax base should allow Alaska to have lower rates than most states, a desirable characteristic from economic and policy standpoints.

Federal Total Income

The arguments in favor of using federal total income as the starting point are simplicity (everyone has to calculate it anyhow), and a settled legal understanding of what total income means. Federal total income has been a stable concept, and changes that have occurred have tended to broaden the tax base.

- *Should the administration's proposal adopt federal total income as the starting point for its individual income tax calculation, as the Working Draft does?*

Adjustments to Income

Permanent Fund Dividends.

Permanent Fund Dividends (PFDs) are included in federal total income. The Working Draft proposes that PFD income be treated just like any other income.

- *Should the PFD should be treated the same as any other income for state tax purposes?*

Federal Cost-of-living Allowance (COLA).

Alaska has 18,000 civilian federal employees. Each receives a 22 percent cost of living allowance that is not taxed by the federal government. The Working Draft says the COLA should be part of the state tax base: to provide otherwise would be unfair to the remaining 204,000 Alaska workers who must pay state tax on their full income. This is consistent with Alaska's earlier income tax. The federal COLA adjustment adds over \$100 million to the state tax base.

- *Should COLA received by federal employees be taxed by the state?*

Tax Exempt Interest.

The Working Draft adds all tax exempt interest, and then deducts the interest on U.S. government obligations. The effect is to tax everything except that which federal law prohibits us from taxing. Economists generally believe that the subsidy paid (in lost taxes) is always larger than the subsidy received by the tax exempt borrowers (in lower interest costs). The part of the subsidy not collected by borrowers goes to high income taxpayers who hold exempt securities.

- *Should Alaska tax just the "exempt" interest from other states, tax none of the "exempt" interest, or (as proposed here) tax all "exempt" interest except that of the U.S.?*

Alimony.

Alimony paid is adjusted out (as it is in line 29 of the federal form) to avoid potential double taxation. Alimony is taxable income to those who receive it.

Early Withdrawal Penalties.

These penalties are deducted from interest earnings, all of which is already been included in income. Without an adjustment folks will be taxed on funds they never received. Of course, had they not chosen to get the money out early, they would not have suffered the penalty.

- *Should the early withdrawal penalty adjustment remain in the Working Draft?*

Federal Adjustments Not Included.

The 1986 federal form allows adjustments for miscellaneous items, some of which generated much popular support in the recent federal tax debate. A solid case can be made for leaving most items off the form, and not just for simplicity. Individual retirement accounts (IRAs), for example, are rarely purchased by low or lower-middle income households, but are almost always purchased by wealthy households. Employee "business" expense is another area that seems to invite petty chiseling. By 1988 it, along with moving expenses, will no longer be a permitted federal adjustment.

- *The Working Draft makes no adjustments for employee moving expense, employee "business" expense, IRA and Keogh plan deductions, or for married couples who work; is this approved?*

Personal Exemptions

The Working Draft allows a \$3,000 personal exemption. With the exemption a family of four pays no tax on the first \$12,000 of annual income. The exemption reduces the tax base by almost \$1.5 billion. The Working Group nevertheless included it to provide progressiveness within the lower income range, and to assure those with dependents face lower effective rates than those otherwise identically situated but without dependents. If there were no exemption, a person

making \$5,000 per year would pay the percentage tax rate as someone earning \$25,000. If deductions were allowed, the same lower income taxpayer would likely pay a *higher* effective percentage rate. Figure 4 shows the average effective tax rates in a two bracket tax system, with and without the personal exemption.

The personal exemption proposed in the Working Draft runs against the desire that "everyone with income should pay some taxes." Without a personal exemption, however, the costs of collecting the tax (including H.R. Block fees, taxpayer time and taxpayer aggravation) will exceed the amount collected for many taxpayers. If the social principle ("everyone with income should pay") overrides cost considerations, the Working Group suggests an additional bracket be added at the low end to provide a lighter tax burden on those with incomes below \$10,000 (couples with income below \$20,000).

- *Is the \$3,000 personal exemption approved? If not, is the addition of a third bracket approved for the low end of the income scale?*

Deductions

On the subject of deductions the Working Draft is simple: there are none, either itemized or "standard." It is this absence of deductions that provides the major simplification in the Working Draft. (The Working Draft still allows business deductions to be subtracted from non-incorporated business income.)

Each traditional deduction has its adherents. Usually they are among the well to do for it is they who benefit disproportionately from deductions. The big items are covered below in descending order of dollar importance. Allowing even a fiscally insignificant deduction might open the door for others.

Mortgage and Other Interest.

This is surely the biggie: the Dept. of Revenue estimates that Alaska taxable income in 1988 would be reduced by at least \$650 million if this deduction were allowed. Almost \$600 million of this is expected to be mortgage interest. The deduction is a subsidy to those who borrow money, especially those who borrow to buy a home (or homes). The subsidy is at the expense of those who rent, and all others who for one reason or another are not paying mortgage interest. Coupled with the inclusion of interest received in income, the deduction serves as a disincentive to saving. The subsidy is most important to those with high incomes. Figure 5 shows that the interest deduction reduces taxable incomes of persons in the \$50-60,000 bracket by 11.4 percent. Those in the \$10-20,000 bracket only get helped to the tune of 3.2 percent. On the other hand, the federal government and most states with income taxes continue to allow this popular deduction.

- *Is the administration comfortable with the elimination of the interest deduction from its tax proposal?*

Property Taxes.

The deduction for property taxes would reduce expected 1988 taxable income in Alaska by more than \$100 million, and cut tax revenues by roughly \$7

...to make up that amount, taxes of those who do not own property would have to be increased. The deduction of property taxes predominately helps high income taxpayers. Because the deduction allows local governments to "export" part of their taxes to the state level, elimination is likely to be opposed by municipal officials. It will certainly be opposed by real estate interests, who will note that the Working Draft runs counter to the federal approach and the approach of most other states with an income tax. The Working Group supports leaving it out.

- *Do property tax deductions remain out of the Working Draft?*

Miscellaneous Deductions.

This politically potent potpourri includes: union and professional dues and other employee expenses; certain legal, accounting and other professional fees; certain adoption costs; some appraisals; and finally, non-business tax preparation fees. These deductions would likely cost the Alaska tax base over \$100 million. This is a particularly difficult audit area, and one that seems to invite a certain amount chiseling.

- *Do miscellaneous deductions remain out of the Working Draft?*

Medical Deductions.

Federal law allows medical deductions if they exceed 7.5 percent of adjusted gross income. Few people have deductions this large, and thus the erosion of the tax base is not large -- only an expected \$20 million in Alaska in 1988. Some have argued that the deduction has encouraged the well-to-do to incur large "discretionary" medical expenses (such as major cosmetic teeth straightening). The estimates from DOR suggest, however, that the deduction would be broadly distributed among income groups. Figure 6 shows this, though it does not show the fact that 15 percent of deductions are taken by the 1 percent of filers who show losses in adjusted gross income.

- *Do medical deductions remain out of the Working Draft?*

Charitable Contributions.

Charity would not be deductible. That includes churches. There is little evidence that giving will be much affected at the marginal tax rates contemplated, however.

- *Do charitable deductions remain out of the Working Draft?*

Casualty and Theft Losses.

Non-business casualty losses from earthquakes, floods, car accidents, as well as losses from theft and other vicissitudes would not be deductible under the Working Draft.

- *Do casualty and theft loss deductions remain out of the Working Draft?*

Tax Rates and Brackets

The Working Draft would establish a two bracket tax with rates of 3.1 percent and 5.5 percent. The break between brackets, figured after subtracting the personal exemption, falls at \$25,000 for single filers and at \$50,000 for joint filers. Figure 7 shows the actual estimated effective tax rates for single and joint filing taxpayers. The relationship of the rates in the two brackets was chosen somewhat arbitrarily, so the progressiveness "tilt" should be reviewed. With this ratio between the higher and lower brackets (3.1%/5.5%), the tax will be slightly less progressive than the new federal system.

- *Are the tax rates and bracket breakpoints in the Working Draft approved?*

Indexing for Inflation and Deflation

The Working Draft does not yet provide for indexing (adjusting) the personal exemption and the bracket breakpoint for inflation or deflation. For example, if there was 10 percent inflation during a year, in the following year the \$3,000 personal exemption would automatically increase to \$3,300 under an indexing arrangement, and the \$25,000 bracket breakpoint would increase to \$27,500. If indexing is not provided, the yield of the tax will tend to increase during times of inflation, and decrease in times of deflation. This is called "bracket creep."

- *Should indexing for inflation and deflation be added?*

Combined PFD and Tax Forms

Mailing costs are expected to be reduced by 30 percent from combining the PFD and tax forms. Additional benefits may result from better compliance; if a non-resident return is received from a PFD recipient, a second look would likely be warranted. As currently planned, the recipient would be able to have the PFD applied to next year's tax liability by marking a box on the form.

- *Are combined PFD and tax forms approved?*

Non-resident and Part-year Apportionment

There are three possible ways to apportion for those who have income attributable to other states. The method that seems most appropriate may not pass constitutional scrutiny, however. The issue is still under legal review. The working group proposes use of whichever constitutionally appropriate method results in non-residents paying the largest part of their share of Alaska government costs. The decision will be briefed when a draft bill is presented for the governor's approval.

STATE OF ALASKA
INDIVIDUAL INCOME TAX
WORKING DRAFT

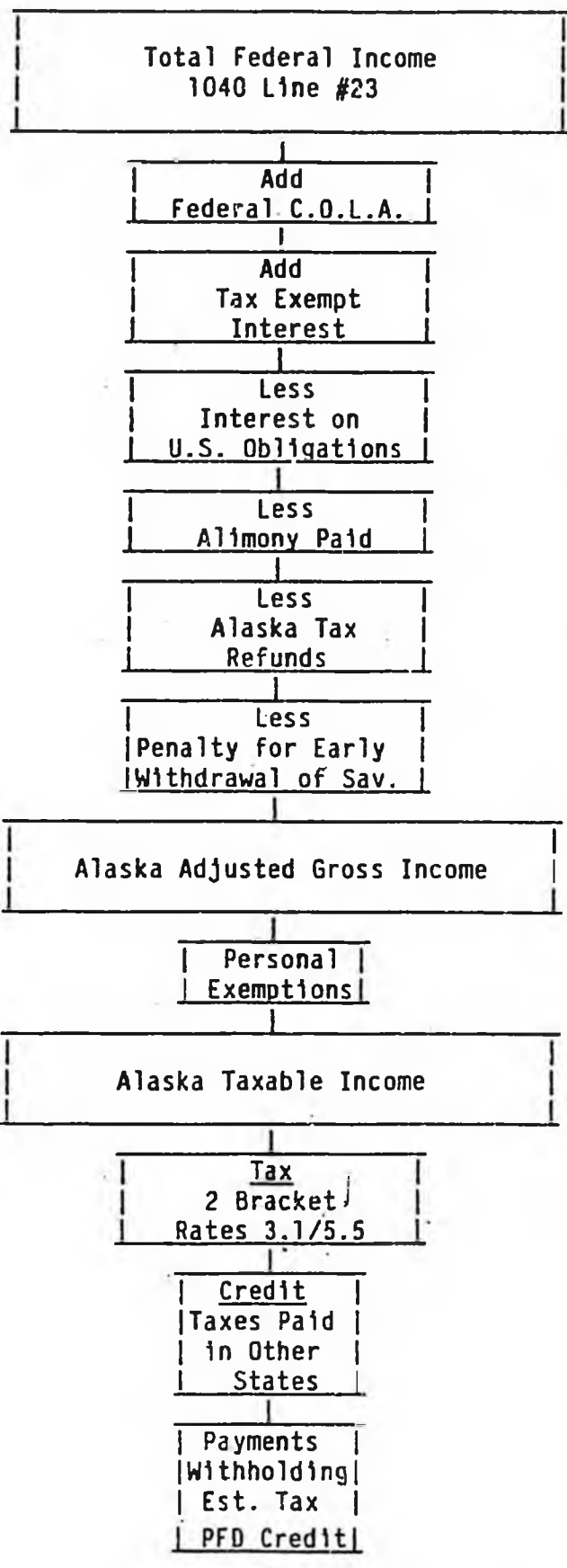
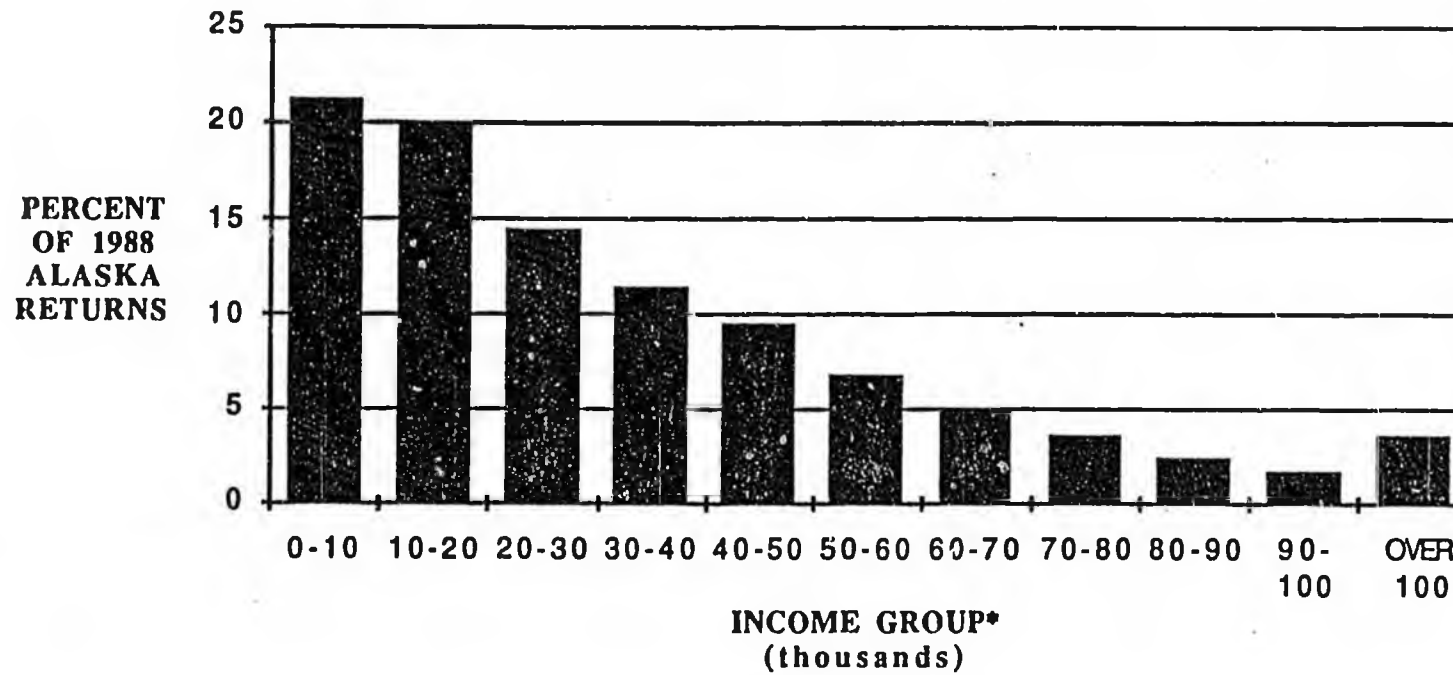


FIGURE 2

WHERE ARE THE TAXPAYERS?

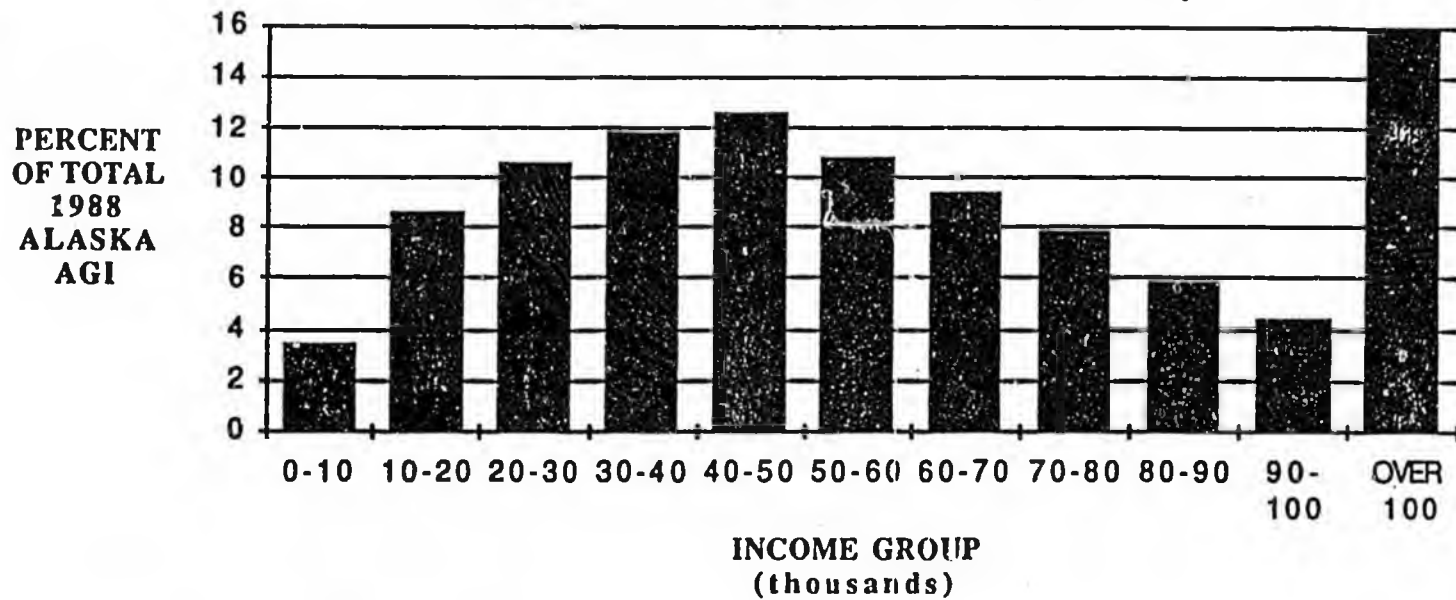


OMB from DOR data, 2/8/87.

*Adjusted Gross

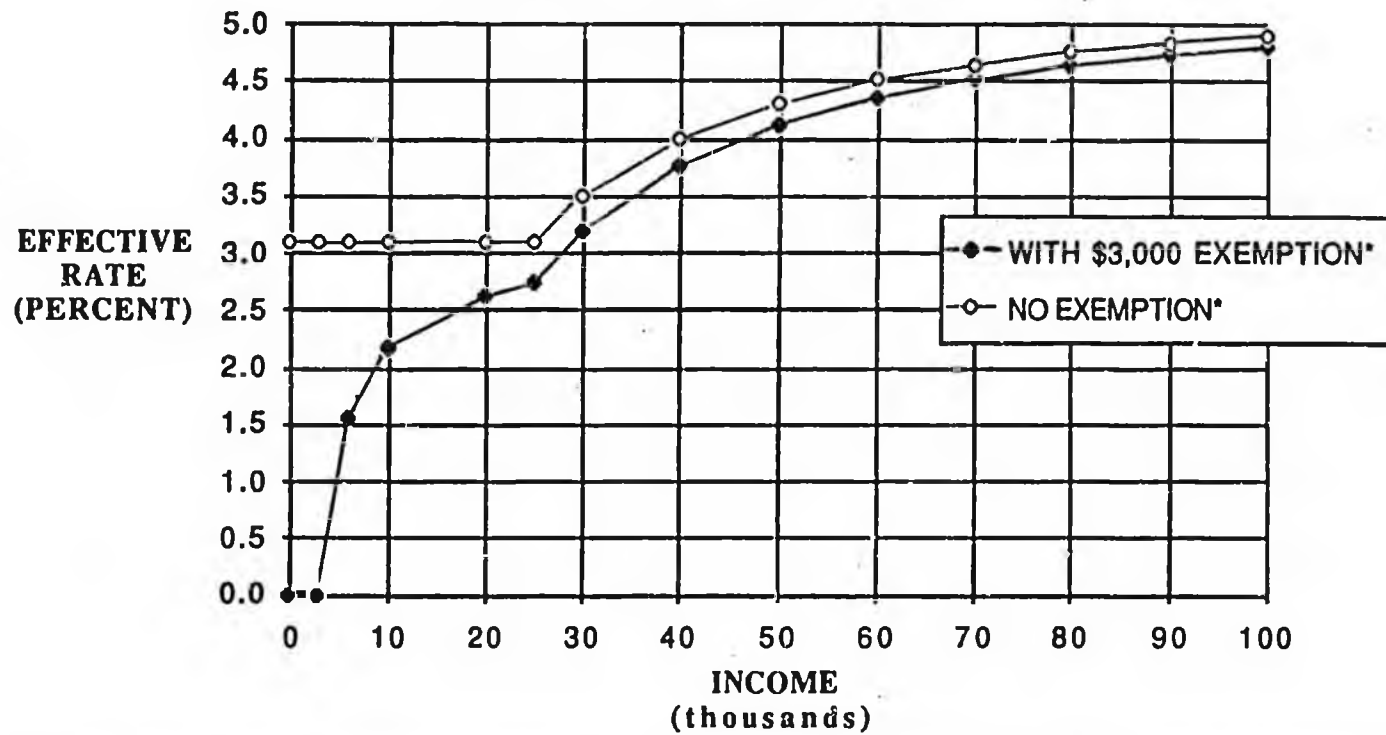
FIGURE 3

WHERE IS THE INCOME?



OMB From DOR estimates, 2/12/87

WHAT IF ALASKA ELIMINATES THE PERSONAL EXEMPTION?

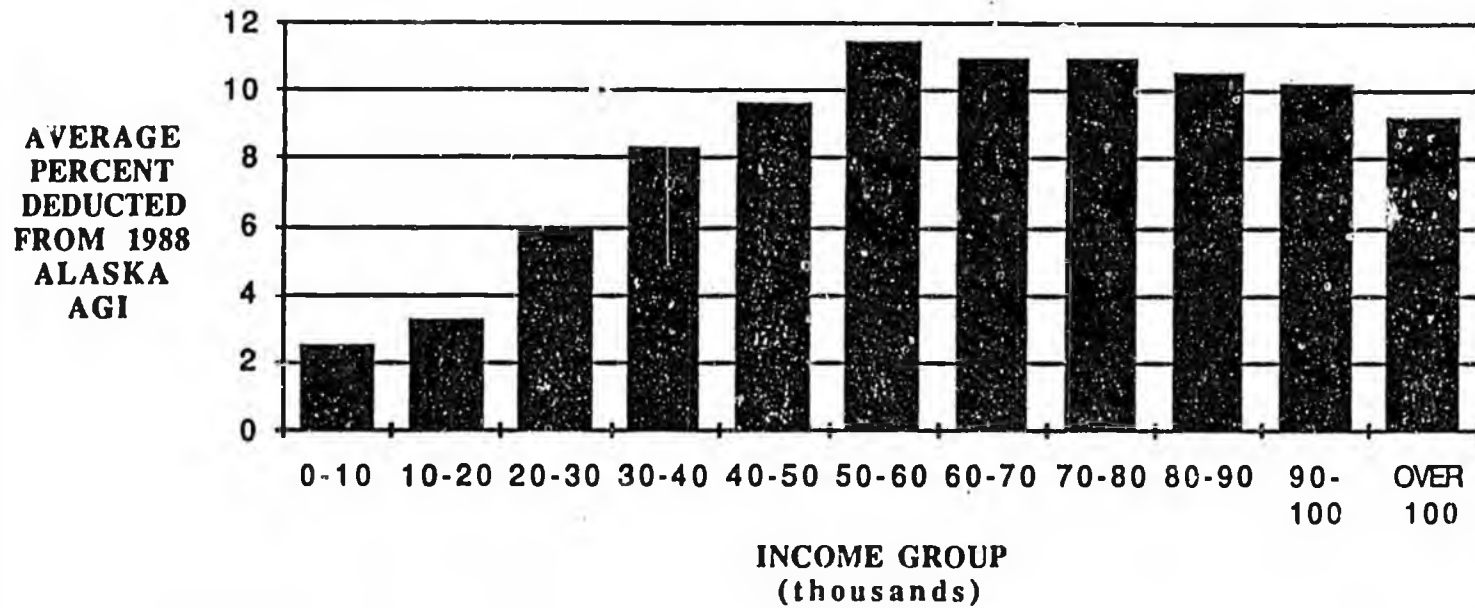


OMB, 2/10/87.

*No deductions. Brackets at 3.1 % below \$25,000 and 5.5% above (non-joint).

FIGURE 5

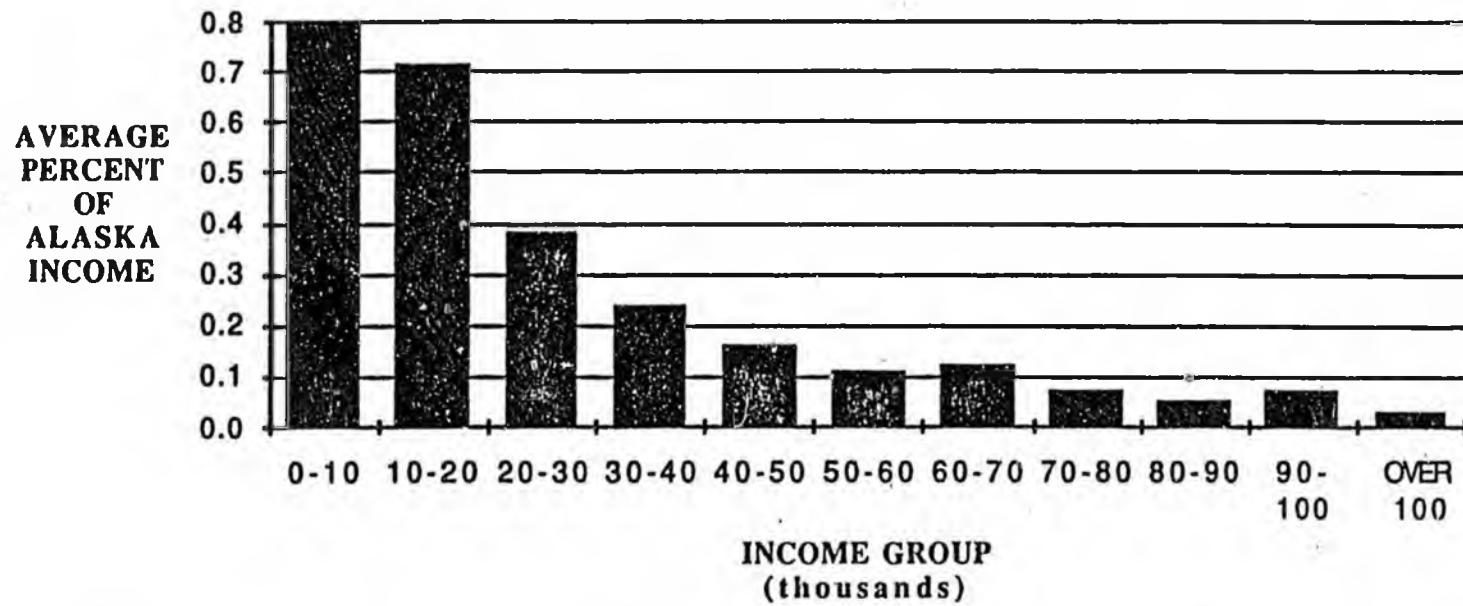
WHO BENEFITS FROM INTEREST DEDUCTIONS ?



G. Erickson from DOR data, 2/8/87.

FIGURE 6

WHO BENEFITS FROM MEDICAL* DEDUCTIONS?



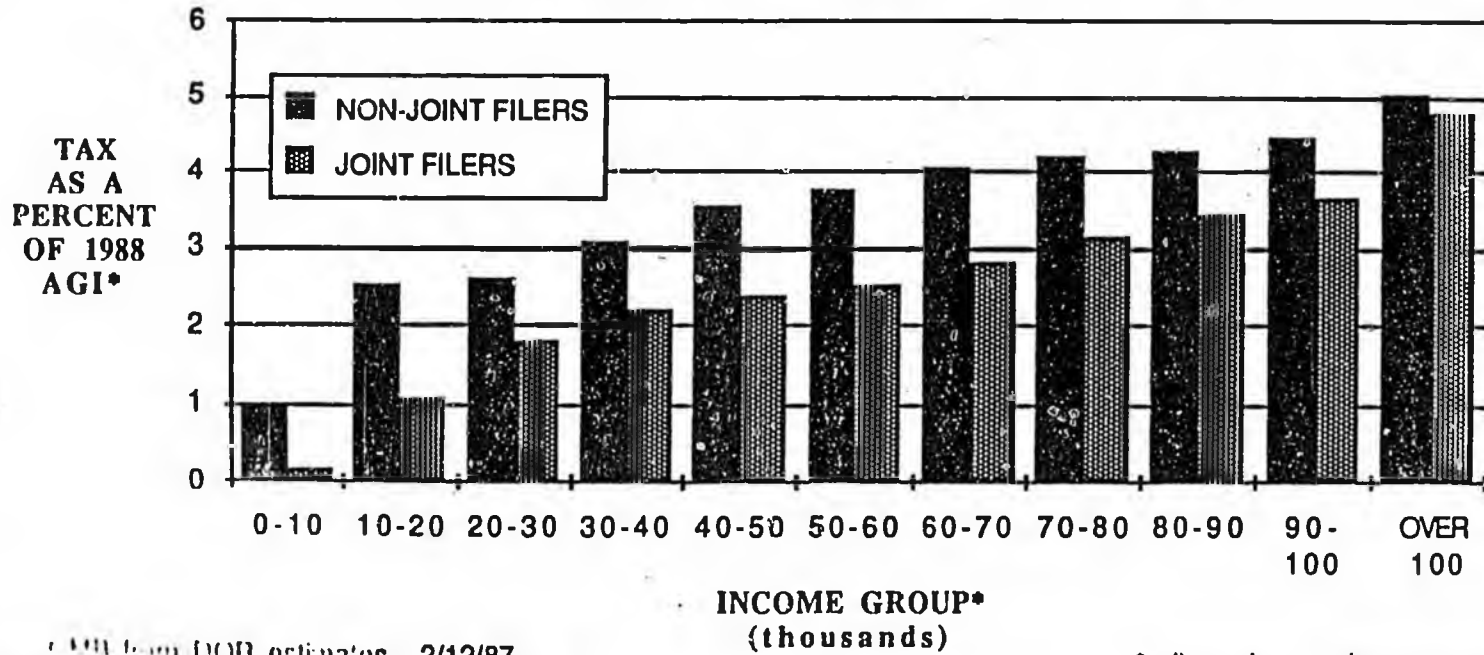
OMB from DOR data, 2/11/87.

*Only medical expenses exceeding 7.5 % of adjusted gross income.

FIGURE 7

WHAT ARE THE EFFECTIVE TAX RATES?

Personal exemption at \$3,000 with no deductions. Brackets at 3.1 % & 5.5%;
bracket breakpoint at \$25,000 (single) or \$50,000 (joint).



*data from DOR estimates, 2/12/87.

*adjusted gross income

Individual Income Tax Draft
 Designed Revenue Goal--\$250 million
 Effective tax rates
 1982

DRAFT*

AGI RANGE	ALL RETURNS	ALL RETURNS	ALL RETURNS	NON-JOINT RETURNS	JOINT RETURNS
	PERCENT OF RETURNS	PERCENT OF AGI	PERCENT OF RETURNS	EFFECTIVE TAX RATE	EFFECTIVE TAX RATE
LOSS	1.23%	-0.92%	0.00%	0.00%	0.00%
0 TO 10000	21.15%	3.35%	0.83%	0.95%	0.14%
10001 TO 20000	19.76%	8.61%	1.95%	2.50%	1.06%
20001 TO 30000	14.48%	10.58%	2.26%	2.59%	1.80%
30001 TO 40000	11.43%	11.78%	2.52%	3.06%	2.18%
40001 TO 50000	9.48%	12.55%	2.69%	3.52%	2.38%
50001 TO 60000	6.67%	10.82%	2.77%	3.76%	2.51%
60001 TO 70000	4.88%	9.34%	2.99%	4.03%	2.80%
70001 TO 80000	3.52%	7.78%	3.28%	4.18%	3.14%
80001 TO 90000	2.31%	5.80%	3.53%	4.26%	3.42%
90001 TO 100000	1.58%	4.42%	3.73%	4.44%	3.64%
100001 TO 150000	2.61%	9.11%	4.06%	4.66%	3.98%
150001 TO 200000	0.51%	2.54%	4.56%	4.91%	4.48%
200001 TO 300000	0.23%	1.59%	4.86%	5.06%	4.75%
300001 TO 400000	0.09%	0.92%	5.05%	5.12%	4.98%
OVER 400000	0.08%	1.73%	5.24%	5.33%	5.12%
TOTAL	100.00%	100.00%			

* Two brackets 3.2%-- 0 to 25000 (non-joint) & 0 to 50000 (joint)
 5.7%-- over 25000 (non-joint); over 50000 (joint)
 Apportions Non-residents tax method 1
 \$3000 personal exemption

MEMORANDUM

State of Alaska

TO: Vincent D. Wright
Chief of Research
Department of Revenue

DATE: December 31, 1986

FILE NO.:

THRU:

TELEPHONE NO.: 465-2173

SUBJECT: Individual Income Tax
Report

FROM: Mary Ellen Frank, Economist *MEF*
David Tonkovich, Economist *DT*
Al Zangri, Economist *AZ*

The enclosed report contains an analysis of three differently structured individual income taxes based on two possible economic scenarios that might occur in the State.

The first tax structure is based on the old state law, including tax rate tables, that existed in 1978-1979 but incorporates federal law changes that have occurred since that time. The state law was "piggybacked" to Federal law. The second tax structure is more closely akin to the Federal tax structure and adopts tax rate tables similar to the latest Federal law. The third tax structure is flat in nature and largely independent of the existing Federal system. The latter two approaches are constructed to generate roughly the same amount of revenue as the first, in the first year only, and are thus revenue neutral. For succeeding years beyond FY88 the taxes are not revenue neutral. The significant aspect of these three approaches and what one should focus on is the differing internal structures i.e. consideration of inclusions, exclusions, deductions, and exemptions.

The model that we designed can be modified to change these tax structures as well as apply different tax tables. We do not recommend any particular tax structure but simply lay out three possible alternatives that the decision makers may wish to consider.

MEF:DT:AZ:mkw

Enclosure

personal copy

REVENUE ALTERNATIVES

Individual Income Tax

Prepared by

Alaska Department of Revenue
Research Section
Vincent D. Wright

Mary Ellen Frank, Economist
Dave Tonkovich, Economist
Al. Zangri, Economist

EXECUTIVE SUMMARY

The purpose of this study was to develop a model allowing us to evaluate the revenue potential and burden of individual income tax proposals presented by Legislative and Executive policy makers. We have presented three alternative structures here primarily for illustrative purposes, and in no way wish to suggest these are proposals of this Department or section. The value of these alternatives is comparative, illustrating the way different structural elements in a tax can be altered to obtain various results, and to show what scope of information it is possible to generate in response to a proposal. We have evaluated the advantages and disadvantages, as well as preliminary estimates of fiscal impact, for each of our three illustrative individual income tax alternatives in order to suggest what kinds of questions could be asked about various proposals.

It should be noted at the outset, that it will be practically impossible to replace petroleum revenues with taxes on individuals or other industrial sectors given the present structure of the Alaskan economy. In fiscal year 1984 the gross wellhead value of North Slope oil production was approximately \$10.6 billion⁽²⁾ while the estimated gross production of all other nongovernmental industrial sectors was only \$8.7 billion and total disposable personal income was \$6.8 billion. In addition, oil production has been a high profit sector and thus supported much higher levels of taxation than other more marginal industrial sectors. Also, many other industries are currently supported, directly and indirectly through state government spending of oil revenues.

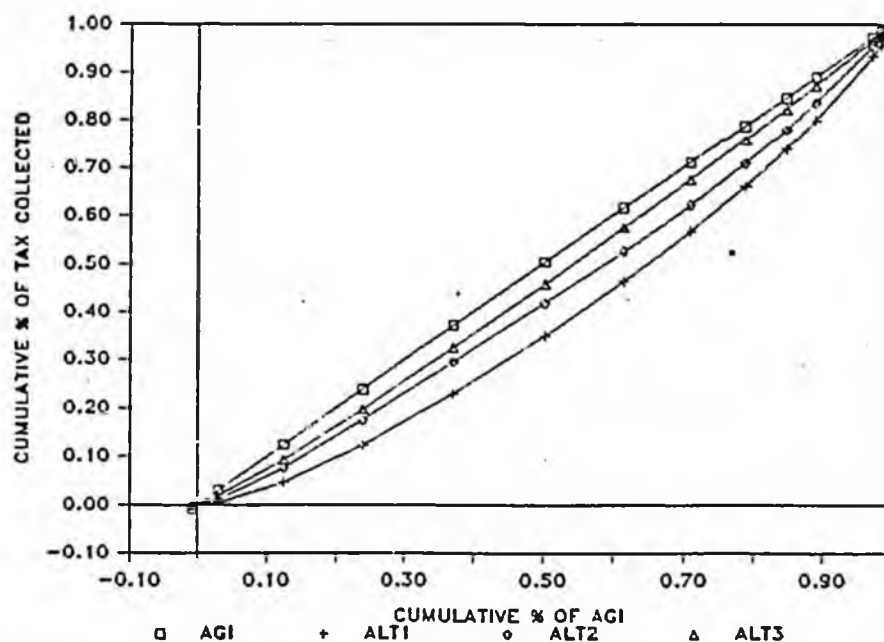
In a study of the tax capacity of the 50 states, the Advisory Commission on Intergovernmental Relations concludes that Alaska has a relatively low tax effort index (high additional tax capacity) for three tax types, personal income tax, general sales tax, and estate and gift tax.

<u>Tax</u>	<u>State-Local Tax Collections as % of U.S. Total</u>	<u>Alaska Effort Index 1982</u>
General Sales	23.5%	29.1
Selected Sales	11.7%	102.0
License Taxes	3.5%	118.0
Individual Income	19.7%	.7
Corporate Income	5.6%	95.0
Property	31.8%	105.0
Estate and Gift	.9%	22.9
Severance	3.4%	278.8

It should be noted that the three tax alternatives examined are revenue neutral in nature for the first year only (1988), i. e. they were designed to generate approximately the same amount of revenue. For each succeeding year, they are not necessarily revenue neutral. What is important is to focus on differences in inclusions, exclusions, deductions, and exemptions as they affect differing income groups.

The figure below compares the progressivity of the effective tax rates of the three tax alternatives. The lowest line is the most progressive, while the straight line indicates what a strictly proportional tax with no exemptions would look like. A regressive tax structure would lie above the proportional line over at least some area. The most progressive alternative examined here is the progressive rate alternative (one), and the least progressive is the flat rate alternative (three).

PROGRESSIVITY MEASURES



- Alternative 1: Reimposition of old Alaska tax rates to new Federal taxable income.
- Alternative 2: Adoption of two brackets and rates applied to new Federal taxable income.
- Alternative 3: Flat rate tax applied to new Federal adjusted gross income with high personal exemption.

On the page following, we present a table that compares the three alternatives we looked at for the year 1988, showing the effective tax rates for each income group and each alternative. The table also reveals the actual percentage paid by income groups as a result of the transfer from the Federal to the State pocket, i. e. itemization of deductions allows the taxpayer to deduct state income taxes from Federal income taxes, and thereby infuses new money into the State's economy by transferring funds that would have gone to the Federal government to the State government.

ES TABLE 1
COMPARISON OF EFFECTIVE RATES
TAX ALTERNATIVES FOR 1988 LOW CASE

AGI GROUP	ADJ GROSS INCOME	ALTERNATIVE 1			ALTERNATIVE 2			ALTERNATIVE 3		
		TAX LIABILITY PFD TAXABLE	TAX AS % OF AGI	TAX % WITH FEDERAL SAVINGS	TAX LIABILITY PFD TAXABLE	TAX AS % OF AGI	TAX % WITH FEDERAL SAVINGS	TAX LIABILITY PFD TAXABLE	TAX AS % OF AGI	TAX % WITH FEDERAL SAVINGS
LOSS	(861,678,793)	(4899,317)			(805,951)			(874,443)		
0- 10000	\$305,298,081	\$2,416,119	0.79%	0.76%	\$4,438,624	1.45%	1.42%	\$7,499,842	2.46%	2.41%
10001-20000	\$769,719,578	\$17,051,401	2.22%	2.14%	\$26,219,841	3.41%	3.31%	\$30,091,066	3.91%	3.78%
20001-30000	\$943,559,133	\$30,516,317	3.23%	2.99%	\$39,176,980	4.15%	3.86%	\$41,876,832	4.44%	4.06%
30001-40000	\$1,072,829,850	\$42,108,721	3.93%	3.42%	\$46,660,490	4.35%	3.82%	\$50,465,208	4.70%	4.06%
40001-50000	\$1,068,241,986	\$47,133,371	4.41%	3.60%	\$47,545,499	4.45%	3.65%	\$52,281,835	4.89%	3.90%
50001-60000	\$923,230,677	\$44,268,610	4.84%	3.71%	\$42,090,913	4.56%	3.50%	\$46,667,981	5.05%	3.81%
60001-70000	\$777,522,186	\$41,669,108	5.38%	4.02%	\$37,811,798	4.86%	3.63%	\$40,294,811	5.18%	3.84%
70001-80000	\$636,844,305	\$37,367,186	5.87%	4.33%	\$34,225,036	5.37%	3.95%	\$33,667,458	5.29%	3.86%
80001-90000	\$485,165,675	\$30,927,599	6.37%	4.62%	\$28,681,819	5.91%	4.28%	\$26,128,240	5.39%	3.60%
90001-100000	\$349,659,148	\$24,391,842	6.97%	4.98%	\$22,072,167	6.31%	4.47%	\$19,142,228	5.47%	3.82%
100001-150000	\$668,858,559	\$52,949,085	7.92%	5.62%	\$45,828,247	6.85%	4.82%	\$37,367,794	5.59%	3.93%
150001-200000	\$91,310,516	\$9,159,568	10.03%	7.30%	\$6,892,991	7.55%	5.47%	\$5,258,491	5.76%	4.21%
200001-300000	\$22,032,722	\$2,681,240	12.17%	9.08%	\$1,000,047	4.54%	3.30%	\$1,298,923	5.90%	4.36%
300001-400000	\$44,902,552	\$5,376,237	11.97%	8.75%	\$4,355,330	9.70%	7.10%	\$2,640,693	5.88%	4.30%
OVER 400000	\$75,394,772	\$9,756,416	12.94%	9.32%	\$6,134,956	8.14%	5.86%	\$4,477,066	5.94%	4.28%
TOTAL	\$8,173,120,947	\$397,473,503			\$392,328,787			\$398,484,025		

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INTRODUCTION AND PURPOSE OF STUDY

Current revenue projections for fiscal years 1988 through 1992 indicate that revenues generated by petroleum related activities (Oil and Gas Corporate Net Income Tax, Oil and Gas Property Tax, Oil and Gas Severance Tax and Oil and Gas Royalties) will comprise over 81.5 percent of total unrestricted General Fund Revenues for the period. Therefore, state government is presently very dependent on these sources of revenue. Finding sources of additional revenue is becoming increasingly important.

Prudhoe Bay oil production has already peaked. Total Alaskan production is currently projected to decline from over 1.848 million b/d in fiscal year 1986 to under 400,000 b/d by fiscal year 2005. This represents a compound annual average rate of decline of 7.9 percent.⁽¹⁾ Other North Slope fields which are currently projected to begin producing will only partially offset this decline. These projections are based only on the development of presently known and economically developable reserves. Additional discoveries may be made in the future, but their development as well as the development of some currently known but high cost reserves is highly dependent on the future growth of real oil prices. In addition, these future discoveries may be made on federal OCS lands from which the state would receive little or no revenues. Future petroleum revenues are therefore both exhaustible and highly uncertain.

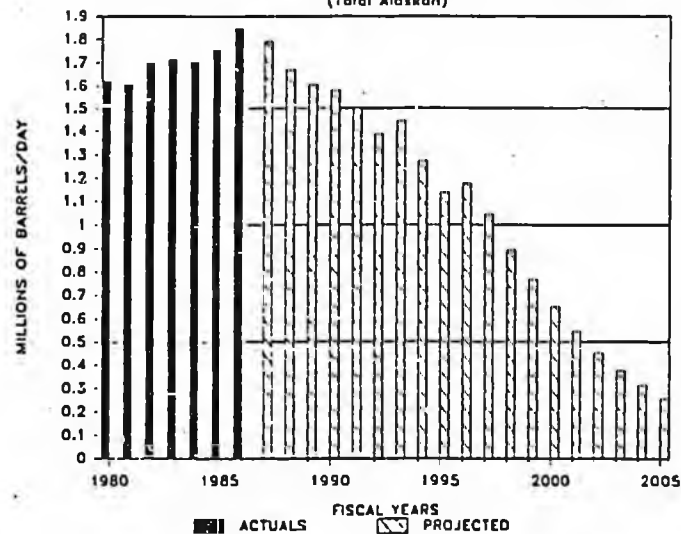
TABLE 1

PETROLEUM PRODUCTIONS PROJECTIONS
(Millions of Barrels/Day)

FISCAL YEAR	TOTAL ALASKAN
1980	1.621
1981	1.699
1982	1.696
1983	1.714
1984	1.714
1985	1.714
1986	1.848
1987	1.842
1988	1.755
1989	1.687
1990	1.558
1991	1.499
1992	1.394
1993	1.287
1994	1.257
1995	1.227
1996	1.095
1997	1.182
1998	1.020
1999	0.895
2000	0.775
2001	0.674
2002	0.595
2003	0.515
2004	0.450
2005	0.294

FIGURE 1

PETROLEUM PRODUCTIONS PROJECTIONS
(Total Alaskan)



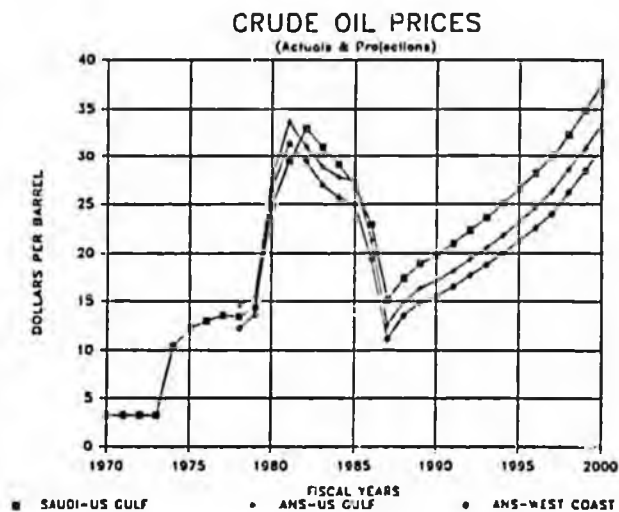
Alaska North Slope oil prices, meanwhile, have dropped from a high in 1981 of \$33.67 per barrel to a 1987 low of \$8.50 (the average is projected to be \$12.59 for the year). These prices have become extremely volatile and difficult to predict. Even if production wasn't declining, this volatility in oil prices and riskiness of oil related revenues could undermine the major source of revenue for this state. To a large extent, this has already happened.

TABLE 2

ACTUAL & PROJECTED CRUDE OIL PRICES
(Dollars per Barrel)

FISCAL YEAR	SAUDI US GULF	AVE US GULF	AVE WEST COAST
1970	3.25		
1971	3.25		
1972	3.25		
1973	3.25		
1974	10.43		
1975	12.30		
1976	13.04		
1977	13.81		
1978	13.44	14.60	12.30
1979	14.41	15.50	13.70
1980	24.75	27.68	26.50
1981	29.45	33.67	31.43
1982	32.99	31.07	29.50
1983	31.05	28.87	27.00
1984	29.10	27.83	25.68
1985	24.80	27.35	24.92
1986	22.90	21.38	19.24
1987	15.15	12.59	11.19
1988	17.59	14.97	13.57
1989	18.93	16.39	14.90
1990	19.77	17.10	15.22
1991	20.96	18.14	16.52
1992	22.21	19.27	17.70
1993	23.62	20.53	18.02
1994	25.03	21.80	20.02
1995	26.55	23.18	21.20
1996	28.18	24.67	22.57
1997	29.93	26.20	24.01
1998	32.36	28.80	26.18
1999	34.81	30.95	28.46
2000	37.62	33.45	30.87

FIGURE 2



The purpose of this study was to develop a model allowing us to evaluate the revenue potential and burden of individual income tax proposals presented by Legislative and Executive policy makers. We have presented three alternative structures here primarily for illustrative purposes, and in no way wish to suggest these are proposals of this Department or section. The value of these alternatives is comparative, illustrating the way different structural elements in a tax can be altered to obtain various results, and to show what scope of information it is possible to generate in response to a proposal. We have evaluated the advantages and disadvantages, as well as preliminary estimates of fiscal impact, for each of our three illustrative individual income tax alternatives in order to suggest what kinds of questions could be asked about various proposals.

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TABLE 3

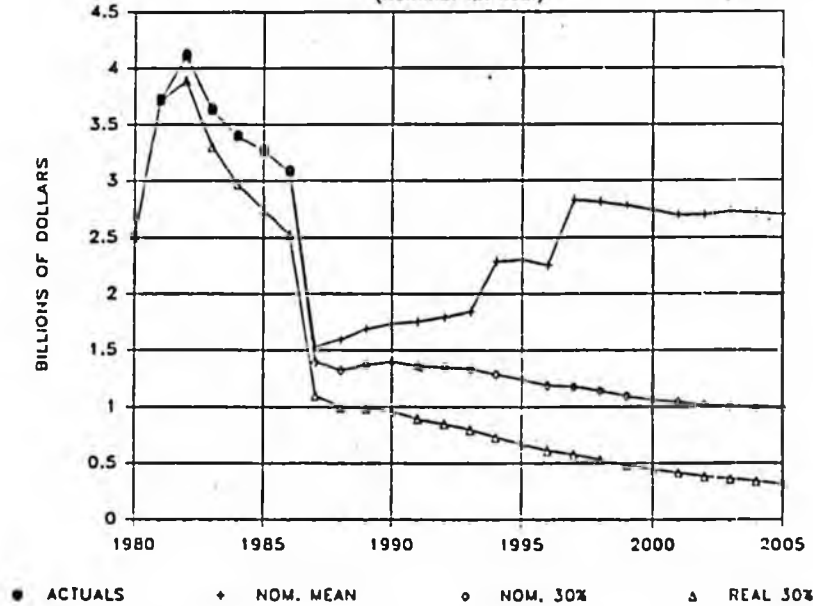
GENERAL FUND UNRESTRICTED REVENUE PROJECTIONS
(Nominal vs. Real)

FISCAL YEAR	ACTUALS	ESTIMATES MEAN CASE (NOMINAL \$)	ESTIMATES 30 % CASE (NOMINAL \$)	ESTIMATES 30 % CASE (REAL \$/1981)
1980	2.501			
1981	3.710			3.710
1982	4.108			3.091
1983	3.651			3.290
1984	3.390			2.910
1985	3.260			2.746
1986	3.076			2.525
1987		1.525	1.299	1.105
1988		1.601	1.325	1.000
1989		1.697	1.374	0.992
1990		1.740	1.390	0.965
1991		1.765	1.359	0.897
1992		1.802	1.349	0.851
1993		1.851	1.354	0.800
1994		2.290	1.287	0.733
1995		2.307	1.241	0.672
1996		2.254	1.191	0.613
1997		2.850	1.170	0.576
1998		2.810	1.143	0.550
1999		2.779	1.090	0.482
2000		2.720	1.063	0.444
2001		2.690	1.045	0.414
2002		2.649	1.020	0.385
2003		2.720	1.004	0.358
2004		2.710	0.997	0.337
2005		2.699	0.989	0.317

FIGURE 3

GENERAL FUND UNRESTRICTED REVENUES

(Nominal vs. Real)



TAX CAPACITY AND TAX BURDEN ON ALASKANS

The assessment of the burden of taxation is a complicated problem. Statutes determine who is legally responsible for a tax. In contrast the economic incidence of a tax is the change in the distribution of private real income brought about by a tax. Different taxes can be shifted to differing extents from the person or business legally responsible to other individuals or businesses.

In less rigorous terms, concepts such as burden are examined by resorting to state-by-state comparisons of taxes paid usually on a per capita basis or in relation to some measure of revenue capacity. Because measures such as per capita income are poor measures of revenue capacity, alternative concepts have been developed. One such measure involves the concept of a representative tax system (RTS).(3)

"The RTS is designed to answer this question: what would be the total revenue of each of the 50 states if every state applied identical tax rates - national averages - to each of 26 commonly used tax bases?"

Tax effort is a companion concept that indicates the overall tax burden placed on the base as defined by the tax capacity concept. A tax effort index is created by dividing the state's actual tax collections by its estimated tax capacity and multiplying by 100.

"The result may be interpreted as a measure of how much a state chooses to exploit all its potential tax bases relative to other states. If a state has a tax effort beneath the national norm, it will have an effort index under 100. Conversely, if a state has a tax effort in excess of the national average, it will have an effort index over 100."

The most current estimates of these ratios is in an Advisory Commission on Intergovernmental Relations publication Tax Capacity of the 50 States. Dated May 1985, the book is based on tax data for 1982. While aged, the numbers are indicative of Alaska's state and local tax burden relative to other states.(4)

Indexes of this sort can often hide subtleties in the underlying relationships. For instance the effort variables are developed using per capita measures which hide the fact that a substantial portion of the tax may be paid by out-of-state visitors or seasonal workers. Alaska, for instance, shows a high effort for hunting and fishing licenses. Although care has to be exercised in their interpretation, the figures indicate that Alaska residents are taxed at relatively low levels on income and sales when compared to residents of other states.

Overall Alaska shows a high tax effort because of our resource based taxes. However, effort measures are considerably below national norms for several major taxes commonly found in other states. Column two below shows the relative importance of major taxes and column three shows Alaska's effort index for these taxes.

<u>Tax</u>	<u>State-Local Tax Collections as % of U.S. Total</u>	<u>Alaska Effort Index 1982</u>
General Sales	23.5%	29.1
Selected Sales	11.7%	102.0
License Taxes	3.5%	118.0
Individual Income	19.7%	.7
Corporate Income	5.6%	95.0
Property	31.8%	105.0
Estate and Gift	.9%	22.9
Severance	3.4%	278.8

GENERAL STRUCTURE OF INDIVIDUAL INCOME TAXES

Individual income taxes are based on income at its source in contrast to other taxes, such as sales, excise taxes and duties which tax income in its use. The basic elements of any tax structure apply to the individual income tax. These are tax base, rate(s) and credits against tax owed.

Tax Base

Tax base is characterized by what is included, excluded, and deductible from income. It is also affected by the presence and size of personal exemptions, and whether these exemptions apply to the taxpayer only, or also to dependents or to special debilitating conditions, such as blindness or elderliness.

Tax Rates

Tax rates are applied to the tax base. They can be separated into rate groups for qualifying taxpayers, such as marital status or household type (i. e. married filing jointly, married filing separately, single, single head of household or widower). Rates can also be stratified by income groups so that taxpayers with different incomes pay different rates.

Tax Credits

Tax credits against tax owed are deducted after the rate is applied to the tax base. Tax credits are available for special expenditures and generally are effective in encouraging those expenditures. Examples of common individual income tax credits are for child care expenses, energy conservation investments, or political contributions.

Tax credits have much more impact in eroding tax base than tax exclusions or deductions do, as the following example illustrates.

In the first example below, an exclusion or deduction would have to be worth \$2,500 in order to reduce the tax to \$1,100 that the \$100 tax credit produced. At a four percent tax rate, the \$100 exclusion or deduction effectively reduced the tax base by \$100, or 0.33%; while the \$100 credit reduced the tax base by \$2,500, or 6.33%.

The higher the tax rate, the greater is the value to the taxpayer of all tax base reductions even though the absolute value of the tax credit is the same, \$100. In the second example, the eight percent tax rate has increased the value of the \$100 tax base reduction to \$8 dollars and the credit remains \$100. An exclusion or deduction would have to be worth only \$1,250 in order to reduce the tax to \$2,300 that the \$100 tax credit produced in the second example.

TABLE 4
EXAMPLES OF TAX CREDITS
VERSUS
TAX DEDUCTIONS

	<u>\$100 EXCLUSION</u>	<u>\$100 DEDUCTION</u>	<u>\$100 CREDIT</u>
INCOME	\$30,000	\$30,000	\$30,000
EXCLUSIONS	\$ 100	\$ 0	\$ 0
ADJ GROSS INCOME	\$29,900	\$30,000	\$30,000
DEDUCTIONS	\$ 0	\$ 100	\$ 0
TAXABLE INCOME	\$29,900	\$29,900	\$30,000
IF TAX RATE	4%	4%	4%
TAX	\$ 1,196	\$ 1,196	\$ 1,200
CREDIT	\$ 0	\$ 0	\$ 100
FINAL TAX	\$ 1,196	\$ 1,196	\$ 1,100
TAX REDUCTION	\$ 4	\$ 4	\$ 100
IF TAX RATE	8%	8%	8%
TAX	\$ 2,392	\$ 2,392	\$ 2,400
CREDIT	\$ 0	\$ 0	\$ 100
FINAL TAX	\$ 2,392	\$ 2,392	\$ 2,300
TAX REDUCTION	\$ 8	\$ 8	\$ 100

The Federal Tax Structure and its Effect on State Tax Policy ✓

The Price Waterhouse Guide to the New Tax Law⁽⁵⁾ points out several of the major objectives of the Tax Reform Act of 1986:

1. "Those with similar incomes should pay essentially the same amount of taxes. This injects an element of fairness into the system that has been absent from prior tax laws. At the same time, the new law reflects a sharp departure from the recent trend toward attempting to cure a wide variety of social and economic problems through tax incentives, or perhaps more accurately tax subsidies."⁽⁶⁾
2. "Another objective was that the law be as understandable and as straightforward as possible, to avoid manipulation of statutory complexities that work to the advantage of the sophisticated and the disadvantage of the financially naive."⁽⁷⁾

While these objectives have not been fully realized by the new Federal law, any movement toward realization is laudable. Tying state law to the new federal law, in addition to simplifying return preparation for Alaska taxpayers, would implicitly signal the adoption of similar principles.

One obvious disadvantage to the "piggyback" arrangement is that changes in the Federal law significantly alter the state tax base and state revenues without a policy change by Alaska. This is of particular concern given that large Federal deficits are already leading some in Congress to suggest modifications to the new tax code. The advantages of piggybacking are primarily administrative and relate to audit, compliance and collections functions. When the IRS audits returns and determines adjustments this information can be shared with the state. This lowers audit costs for the state in that there is less independent verification of information. Minimizing administrative and compliance expenses is an important criteria in evaluating alternative tax systems. These costs are an important consideration as is evidenced by this discussion of expenses at the federal level:

"The costs of administering the income tax in the United States are fairly low. In 1981, for example, the Internal Revenue Service expended only 41 cents to raise each \$100 in taxes [Commissioner of Internal Revenue, 1982, p. 55]. However, the compliance costs of personal income taxation are quite substantial. On the basis of survey evidence, Slemrod and Sorum [1983] estimated that in 1982, the average U.S. household devoted about 29 hours to state and federal tax preparation, and spent about \$53 for professional advice. If the value of time is approximated at about \$10.70 per hour, then the total resource cost per household is about \$364. Multiplying this by the 97 million taxpaying units in 1982 gives a total resource cost of \$35.3 billion, about 9 percent of total federal and state income tax revenue."(8)

A final criteria by which any other tax system might be judged is adequacy. That is, does it raise sufficient revenues particularly with reference to all the costs, both political and monetary, associated with its imposition. Currently, individual income taxes rank second as a producer of state revenues nationally producing about 30 percent of revenues in 1984. That proportion has increased significantly over time. In 1973 about 23 percent of state revenues came from this source. In general then income taxes raise significant amounts of revenue in relation to the administrative costs.

PATTERN OF COLLECTION & REFUND

Actual tax collections are spread throughout time. Generally, income taxes are withheld by employers and submitted directly by them to the State. Those who are self-employed submit estimated tax payments on a regular basis throughout the year. Finally, taxes are submitted, if owing, with the tax return prepared for the tax year (due by April 15).

Refunds are generally requested when tax has been overpaid by submission of a tax return that documents the overpayment. Those returns are primarily submitted in February through April and the refunds issued a month after the return is received.

The time pattern of tax payments was evaluated for this project using data available on Department of Revenue data bases and the refunds were analyzed using State accounting system reports. From those, a projected time pattern was generated. This can be used to translate the projected tax year liabilities presented in the tables into gross collections, refunds and net collections by quarter. This translation is an important step in determining fiscal year revenues.

Historically, collections for any given tax year have exceeded liability and a portion of tax collections have been refunded. For this analysis, tax collections for a tax year are estimated to be 25 percent greater than the estimated liability for that tax year.

Receipts for the fiscal year by quarter are estimated using ratios that are based on an analysis of 1970 - 1979 Cash Flow data (9) from the Alaska individual income tax. Refunds are then estimated as 27.2 percent of the total fiscal year receipts from the prior fiscal year; an estimate based on Department of Administration PBA reports for 1970 - 1979.(9)

This analysis may overestimate tax refunds for the flat tax options as presumably the ability to estimate tax liability for the individual will be considerably easier. The refund amounts tend to net out over time, in any case, so this refund estimate is used for all alternatives.

EVALUATION OF ALTERNATIVES

We have presented three alternative structures here primarily for illustrative purposes, and in no way wish to suggest these are proposals of this Department or section. We have designed the three alternatives to raise approximately the same total revenue with three different tax structures; our benchmark revenue amount being that obtained by the first alternative, reinstatement of the old individual income tax.

The tables presented in this report summarize only the projected quantitative impacts of these illustrative individual income tax alternatives and can't effectively be compared on revenue raised. Tax alternatives two and three were constructed to yield approximately the same 1988 revenue as alternative one. After 1988, tax alternatives were allowed to yield whatever revenue the interaction between the tax structure and the economic variables generated. The comparison of the alternative yields identifies the relative responsiveness of each structure to the projected changes in the economy. In addition, these alternatives illustrate the way different structural elements in a tax can be altered to obtain various results, and to show what scope of information it is possible to generate in response to a proposal. We also have evaluated the advantages and disadvantages, as well as the preliminary estimates of fiscal impact, for each of our three illustrative individual income tax alternatives in order to suggest what kinds of questions could be asked about various proposals.

This highlights the other crucial issues. Each of the elements of the tax structure can be tailored to affect different taxpayers differently (or to try and affect them identically). The alternative tax structures we present will each be analyzed briefly on a number of issues including how they affect taxpayer groups, how easily administered they are and how politically palatable they might be.

In general, the issues which should be considered with respect to measures to increase revenues are as follows.

Economic Efficiency: What effect does the proposed tax have on incentives and economic decision making? How does the tax alter consumption, production or resource allocation decisions?

Equity: Who bears the burden of the tax and how does that burden compare with ability to pay or benefits received? Is the tax progressive or regressive with respect to income and/or wealth?

Elasticity: What is the sensitivity of the tax revenue yield to changes in economic or demographic conditions? As income or population increase or decrease, does tax revenue increase or decrease in greater, lesser or equal proportion?

Administrative Efficiency: How costly is the tax to administer in terms of resources devoted to administration and compliance relative to the revenue yield of the tax? Who bears the burden of administrative cost, the taxpayer, the State or the tax collector (if different from the State)?

Political Feasibility: How acceptable is the proposed tax to the legislature and/or the electorate given existing social, political, and economic conditions? Who benefits, who loses, and who has the most political power?

Additionally, we are concerned with three other issues.

Interstate Capture: How much of the tax owed by nonresident taxpayers who work in Alaska is it possible to capture?

Intergovernmental Effects: Does the tax erode the tax base of higher level (federal) or lower level (local) governments? If this should be mitigated, how can it be done?

Inflation Effects: What is the effect of inflation on the elements of the tax structure and the burden on the taxpayer? If this should be mitigated, how can it be done?

Distribution of Income Inclusions, Exclusions and Deductions

The individual income tax is based on source of income. As such, the distribution of income among households is very important in determining the vertical distribution of the tax incidence. It is also important how inclusive of various types of income the tax base is. The tables below present data estimated to simulate the 1988 new federal income tax structure to which all our alternatives will at least partially be tied.

It is obvious from this table that special treatment or exclusions applied to some sources of income are going to affect households at different points on the income distribution, differently. For example, capital gains, until recent tax reform, had special treatment. A portion of net capital gains could be excluded from income for tax purposes. Capital gains and investment income (such as corporate dividends and interest) are not major sources of income for lower income households. The complete inclusion in the tax base of these income sources affects higher income households to a much greater degree than lower income households.

TABLE 5
1988 DISTRIBUTION OF INCOME INCLUSIONS

ADJ GROSS INCOME GROUP	PERCENT OF RETURNS	PERCENT OF ADJ GROSS INCOME	PERCENT OF WAGES & SALARIES	PERCENT OF INTEREST INCOME	PERCENT OF CAPITAL GAIN/LOSS	OF SMALL ENTER PRISE	PERCENT OF PENSIONS ANNUITIES
LOSS	1.19%	-0.75%	0.38%	2.33%	5.32%	-138.19%	1.47%
0- 10000	22.06%	3.74%	3.59%	4.62%	2.06%	-12.96%	5.61%
10001-20000	20.46%	9.42%	9.66%	8.14%	3.96%	21.46%	12.00%
20001-30000	14.92%	11.54%	11.89%	9.18%	4.84%	14.30%	13.12%
30001-40000	11.90%	13.13%	14.05%	10.97%	7.32%	14.71%	12.08%
40001-50000	9.26%	13.07%	14.08%	10.86%	7.39%	3.24%	13.19%
50001-60000	6.56%	11.30%	11.80%	8.50%	5.76%	1.31%	14.41%
60001-70000	4.64%	9.51%	9.89%	7.35%	6.09%	2.37%	7.64%
70001-80000	3.26%	7.79%	7.84%	7.04%	6.42%	13.81%	6.52%
80001-90000	2.15%	5.94%	5.77%	6.39%	6.40%	13.03%	4.07%
90001-100000	1.34%	4.28%	3.71%	5.25%	7.40%	27.92%	3.87%
100001-15000	2.00%	8.18%	6.15%	13.55%	20.46%	84.86%	4.75%
150001-20000	0.17%	1.12%	0.58%	2.23%	4.69%	15.48%	0.73%
200001-30000	0.02%	0.27%	0.06%	0.48%	2.30%	4.21%	0.10%
300001-40000	0.04%	0.55%	0.22%	1.24%	3.16%	12.31%	0.37%
OVER 400000	0.03%	0.92%	0.25%	1.81%	6.36%	22.09%	0.00%
ESTIM MEDIAN	\$26,000	\$44,700	\$44,600	\$55,600	\$84,900	\$182,200	\$45,000

The estimated median is the level of 1984 AGI where one half of the inclusion, exclusion or deduction dollars are found on returns with less than this AGI and half on returns with more than this AGI. The exception to this is the percent of returns column (col. 2) where number of returns determined the median. Half of the returns in the 1988 low case had a 1984 AGI of \$26,000 or less.

The distribution of income exclusions and deductions differs among households also. The table below shows how these are distributed differently among income groups. Special exclusions and deductions will alter the distribution of the tax burden depending on which income sources or expenditure items are given favorable tax treatment. For instance, half of the dollars claimed as standard deductions occurred on returns with AGI less than \$10,500, while the comparable figure for itemized deductions is \$35,200. There is interaction in the function of these two, so a change in one will affect the other.

TABLE 6
1988 DISTRIBUTION OF INCOME EXCLUSIONS
AND INCOME DEDUCTIONS

ADJ GROSS INCOME GROUP	PERCENT OF RETURNS	PERCENT OF ADJ GROSS INCOME	PERCENT OF SAVINGS EXCLUSNS	PERCENT OF ITEMIZED DEDUCTIONS	PERCENT OF STANDARD DEDUCTIONS	PERCENT OF MEDICAL DEDUCTIONS	PERCENT OF PROP TAX DEDUCTIONS	PERCENT OF TOT INT DEDUCTIONS	PERCENT OF SHORT INT DEDUCTIONS	PERCENT OF MISC DEDUCTIONS	PERCENT OF VALUE OF EXEMPTIONS
LOSS	1.19%	-0.75%	1.10%	1.45%	1.35%	15.91%	1.31%	1.21%	1.05%	2.01%	1.40%
0- 10000	22.06%	3.74%	1.09%	12.04%	27.37%	11.00%	1.55%	1.12%	1.15%	1.85%	14.26%
10001-20000	20.46%	9.42%	4.11%	12.96%	25.32%	25.16%	4.23%	3.55%	3.94%	6.07%	16.62%
20001-30000	14.92%	11.54%	9.82%	11.87%	17.86%	16.30%	8.35%	7.97%	8.44%	9.86%	14.89%
30001-40000	11.90%	13.13%	20.13%	11.75%	11.94%	11.44%	12.30%	12.62%	13.33%	13.41%	14.00%
40001-50000	9.25%	13.07%	15.29%	10.96%	7.29%	7.92%	14.09%	14.60%	14.97%	13.57%	11.89%
50001-60000	6.56%	11.30%	6.43%	10.05%	3.81%	4.53%	13.67%	15.07%	15.73%	12.12%	8.78%
60001-70000	4.64%	9.51%	4.53%	7.86%	2.09%	2.52%	11.55%	12.08%	12.02%	9.96%	6.38%
70001-80000	3.26%	7.79%	6.87%	6.24%	1.17%	1.95%	9.39%	9.78%	9.47%	8.05%	4.54%
80001-90000	2.15%	5.94%	5.19%	4.62%	0.73%	1.14%	7.67%	7.07%	6.73%	6.50%	2.94%
90001-100000	1.34%	4.28%	4.28%	3.21%	0.41%	1.06%	4.82%	4.74%	4.40%	5.14%	1.77%
100001-150000	2.00%	8.18%	16.48%	5.81%	0.54%	0.99%	9.08%	8.56%	7.62%	9.65%	2.40%
150001-200000	0.17%	1.12%	2.89%	0.61%	0.03%	0.06%	1.08%	0.90%	0.74%	1.19%	0.06%
200001-300000	0.02%	0.27%	0.57%	0.09%	0.00%	0.00%	0.13%	0.14%	0.08%	0.09%	0.00%
300001-400000	0.04%	0.55%	0.43%	0.19%	0.01%	0.00%	0.36%	0.26%	0.15%	0.08%	0.00%
OVER 400000	0.03%	0.92%	0.72%	0.27%	0.00%	0.00%	0.33%	0.25%	0.09%	0.41%	0.00%
ESTIA MEDIAN	\$26,000	\$44,700	\$43,900	\$35,200	\$10,500	\$13,900	\$54,700	\$54,600	\$54,600	\$65,800	\$35,400

Comparison of State Structures

Our alternatives were developed as illustrations of information scope and structural comparison only; however, if they were compared to other states with individual income taxes, that comparison would be as follows:

**TABLE 7
STATE INDIVIDUAL INCOME TAXES
(As of January 1, 1986)⁽¹⁰⁾**

State or other jurisdiction	Rate category (percent)	Income brackets		Personal exemptions			Federal income tax deductible
		Lowest (lowest)	Highest (highest)	Single	Married	Dependents	
Alabama	2.0 - 5.0(1)	\$ 500(1)	\$ 1,000(1)	\$1,500	\$ 3,000	\$ 100	•
Alaska	2.0 - 8.0(1)	1,122(1)	6,710(1)	1,941	3,882	1,161	•
Arizona	1.0 - 7.0(1)	1,000	25,000	15,000(1)	30,000	6,000	•
Arkansas	1.0 - 11.0(1)	1,000(1)	11,000(1)	2,000	4,000	1,000	•
California	1.0 - 8.0(1)(2)	1,400	16,100	1,200	2,400	1,200	•
Delaware	1.2 - 6.75(1)	1,000	40,000	1,000	2,000	1,000	•(1)
Florida	1.0 - 6.0(1)	1,000(1)	7,000(1)	1,500	3,000	1,500	•
Georgia	2.25 - 11.0(1)	1,500(1)	30,000(1)	1,000	2,000	1,000	•
Idaho	2.0 - 7.5(1)(3)	1,000	5,000	1,600(1)	3,200(1)	1,600(1)	•
Illinois	2.25	Flat rate	1,000	2,000	1,000	1,000	•
Indiana	1.0	Flat rate	1,000	2,000	1,000	1,000	•
Iowa	0.5 - 11.0(1)(4)	1,021	76,725	20	40	11(1)	•
Kansas	2.0 - 9.0(1)	1,000(1)	25,000(1)	1,000	2,000	1,000	•(1)
Kentucky	2.0 - 6.0(1)	1,000	8,000	20	40	20(1)	•
Louisiana	2.0 - 6.0(1)	10,000	50,000	4,500(1)	9,000(1)	1,500	•
Maine	1.0 - 10.0(1)	2,000(1)	25,000(1)	1,000	2,000	1,000	•
Massachusetts	2.0 - 7.0(1)	1,000	1,000	0	0	0	•
Michigan	1.875(1)(5)	Flat rate	2,200	4,400(1)	2,200	2,200	•
Minnesota	1.0 - 9.0(1)(6)	100	16,200	70(1)	140(1)	70(1)	•(1)
Mississippi	1.0 - 5.0(1)	5,000	10,000	6,000	9,000	1,500	•
Missouri	1.5 - 6.0(1)	1,000	9,000	1,200	2,400	600	•
Montana	2.0 - 11.0(1)	1,000	41,000	1,000	2,000	1,000	•
Nebraska	10% of U.S. tax						•
New Jersey	2.0 - 11.0(1)	20,000	50,000	1,000	2,000	1,000	•
New Mexico	1.8 - 8.5(1)	5,200(1)	41,600(1)	2,000	4,000	2,000	•
New York	2.0 - 11.0(1)(7)	1,000	26,000	650	1,300	650	•
North Carolina	1.0 - 7.0(1)	2,000	10,000	1,000	2,000	1,000	•
North Dakota	2.0 - 9.0(1)	1,000	50,000	1,000(1)	2,000(1)	1,000(1)	•(1)
Ohio	0.815 - 8.5(1)	5,000	100,000	1,000(1)	2,000(1)	1,000(1)	•
Oklahoma	0.5 - 6.0(1)	1,000	7,500	1,000	2,000	1,000	•(1)
Oregon	4.0 - 10.0(1)	500	5,000	61(1)	120(1)	61(1)	•(1)
Pennsylvania	2.25	Flat rate					•
Rhode Island	2.25(1)(8)	2.25% of U.S. tax					•
South Carolina	2.0 - 7.0(1)	4,000	12,000	1,000(1)	2,000(1)	1,000(1)	•
Texas	2.75 - 7.75(1)	150(1)	2,500(1)	150(1)	300(1)	150(1)	•
Vermont	24% of U.S. tax(1)						•
Virginia	2.0 - 6.75(1)	1,000	11,000	600	1,200	600	•
West Virginia	2.1 - 11.0(1)	1,000(1)	11,000(1)	620	1,240	620	•
Wisconsin	1.0 - 7.9(1)	7,500	30,000			50(1)	•
Wyo. of Col.	2.0 - 11.0(1)	1,000	25,000	500(1)	1,000(1)	500(1)	•

Alaska Alternative I.....	3-14.5	2000	200000	1950	3900	1950	no
Alaska Alternative II.....	6.5-11.5	0	25000	1950	3900	1950	no
Alaska Alternative III.....	6	Flat Rate		3000	6000	3000	no

Source: The Department of Tax Administration, on the basis of legislation enacted in the 1985 sessions.

Note: This table excludes the following state taxes: Connecticut sales taxes and dividends at 1 to 11 percent and capital gains at 7 percent; New Hampshire investment and dividends at 5 percent; Tennessee sales taxes and dividends at 6 percent.

Abb: Not applicable.

(1) The figure in parentheses is the number of steps in the range. For California, Kansas, and North Carolina, the amount shown for the lowest bracket includes zero bracket amount and lowest generic bracket.

(2) Ten states have various provisions for automatic adjustment of tax brackets or personal exemptions, as well as other features, to reflect changes in price levels. Adjustments to be made for 1986 tax years will generally not be shown until the later part of 1986. The 1985 amounts are shown.

(3) For joint returns, the tax is on the tax imposed on half the income.

(4) Tax credits.

(5) The range reported is for single persons. For married persons, the tax is on the tax imposed on half the income. For heads of households, different rates apply.

(6) Imposes a surtax of 2 percent on gross income from unproductive sources which exceed \$15,000.

(7) The federal tax deduction is limited. Delaware, to \$100 for an individual, \$200 for a joint return, Kansas, \$1,000 (individual), \$10,000 (joint) for 10 percent of federal tax liability, whichever is greater; Oregon, to \$1,000.

(8) The range reported is for single persons. For joint returns and heads of households, the same rates are applied to income brackets ranging from \$1,000 to \$10,000. For married persons filing separately, the income brackets range from \$1,000 to \$10,000.

(9) In the case of joint returns, the tax is on the tax imposed on half the income. A filing fee of \$10 is imposed on each return. A credit of \$15 is allowed for each personal exemption.

(10) These states by definition allow personal exemptions provided in the Internal Revenue Code. States allowing tax filers to claim the federal code as of January 1, 1986: North Carolina as of December 31, 1986; North Carolina, as of December 31, 1986; Utah (for purposes of personal ex-

emptions) as of December 31, 1985; and the District of Columbia, as of July 1, 1985.

(11) No tax is imposed on persons whose net income does not exceed \$1,000.

(12) Combined personal exemption and standard deduction limit. A 10.17 percent rate applies to interest and dividends (other than from savings deposits) and on net capital gains. The 3.1875 percent rate applies to all other income, including earned income and income from savings deposits. These rates include a 3.75 percent surtax.

(13) Maximum allowable, spouse's exemption is \$1,000 plus the amount of earnings, but the total exemption for taxpayer and spouse may not exceed \$4,000.

(14) The tax range shown is for single persons not deducting federal income tax. Married persons filing jointly have a range of 1.75 to 9 percent. Taxpayers who deduct federal income taxes have a range of 1.1 to 14 percent for single and 1.9 to 14 percent if married.

(15) The rate range reported is for single persons. For joint returns and heads of households, the rate range is from 2.4 percent on income not over \$5,000 to 8.9 percent on income over \$40,000. For married persons filing separately, a separate set of rates and brackets applies.

(16) Maximum rate of 4.9 percent on personal service income.

(17) Taxpayers have the option of paying 10 percent of adjusted gross income tax liability.

(18) At taxpayer's option, \$450 deduction plus \$20 credit per exemption.

(19) The rate range is for single persons not deducting federal income tax. Married persons filing jointly, surviving spouses, and heads of households have the same rates and brackets that are shown as wide as where the rules, with rates ranging from 4.5 percent to 17 percent, apply to taxpayers deducting federal income taxes.

(20) If a taxpayer's tax liability for one taxable year exceeds \$500,000, the taxpayer will be required to file a return equal to the excess plus 8 percent of the amount. A separate surtax for taxpayers with an adjusted gross income of under \$7,000.

(21) The range reported is for single persons. For joint returns, the same rates are applied to brackets ranging from \$1,000 to \$10,000. Separate brackets apply to heads of households.

As noted previously, the tax rates in the benchmark alternative (one) were in effect ten years prior to the first forecast year, 1988. Significant inflation has altered the tax base so these rates could be onerous. Inflation from 1978 to October 1986 has been 69.1 percent and over the entire ten year period is estimated to be 84.4 percent. Lack of inflation adjustment to the tax brackets in the rate structure will necessarily lead to bracket creep. What this means in practical terms, is that taxpayers may be no better off in any real sense (their income, after adjustment for inflation, is no greater) but may have to pay greater portions in tax. This can be mitigated with inflation indexed tax brackets.

Federal tax law has also changed the tax base significantly. Our estimate of the revenue yield in 1988 under the old tax law with no federal tax law change to the tax base is over \$35 million less than the alternatives in this study. The estimated tax revenue from our illustrative alternatives is over 35.25 percent of the the taxpayers' estimated federal tax for those years (compared to rates ranging from 19 to 26 percent for states with percentage of federal rate structures in the table above, i. e. Rhode Island, Nebraska and Vermont). Additionally, the old highest rate effective in alternative one (14.5 percent) is higher than any other state, (13.5 percent in New York). In our flat rate tax alternative (three), our tax rate of six percent is higher than any other state that has a flat rate (i. e. Illinois, Indiana, Massachusetts, Michigan, and Pennsylvania).

GENERAL DESCRIPTION OF THE ECONOMIC SCENARIOS

The revenue which can be generated by any income tax structure is obviously dependent on the future course of the Alaskan economy. It is probably safe to say that uncertainty about that course is greater at the present time than at any time in recent Alaska history. The future movement of oil prices is a key determinant as are state policy responses to significantly lower levels of revenue. Briefly, a case can be made for a wide range of economic outcomes.

A large number of economic scenarios combined with a variety of tax structures can quickly lead to a proliferation of cases which can overwhelm both researchers and policy makers. As a consequence we have limited this initial analysis to two economic scenarios and to three tax structures.

With the caveat that it is fairly costly to run different tax structures against the data base, we have considerable flexibility with regard to modelling different structures. Unfortunately we have very little flexibility with regard to economic scenarios. Econometric models which have been developed by state agencies have been rendered inoperative due to the departure of key personnel. Access to university or private models would have involved contractual funds which simply were not available.

Because of this problem we were forced to rely on an already published forecast. In March of 1986 ISER prepared a working paper titled "The Impact of Collapse of the World Oil Market on the Alaska Economy."⁽¹¹⁾ The paper essentially presents two cases - one based on state revenues as forecasted in December 1985 before the severe oil price decline and one based on revenues which approximate those currently forecasted. In the former case state general fund appropriations fall to about 74 percent of 1986 levels by 1990 while in the latter case these appropriations fall to about 47 percent of 1986 levels. In addition the paper shows other key variables - employment, population and personal income - also as a percent of 1986 levels. While this analysis would be strengthened by an approach which combined the tax forecasting model with custom tailored economic forecasts we feel the two cases we have available provide useful guidance on the sensitivity of our results to economic outcomes.

GENERAL DESCRIPTION OF THE TABLE FORMATS AND TERMS

There are three alternative tax structures considered in this report. Each structure is described, the tax issues discussed, projection tables are presented, and the revenue collections estimates are provided.

A set of two tables is presented for each year in the projection period, 1988 through 1992, and for each of two economic scenarios (described briefly above). The first table in the set is the sum for each variable, and the second set is the mean for each non zero value of the variable. Mean values help determine what is the impact of the individual variables on the average tax return in the income group.

The variables considered for the tax alternatives and economic scenarios are:

- Wages & Salaries;
- Adjusted Gross Income;
- Taxable Income;
- Number of Personal Exemptions;
- Value of Personal Exemptions;
- Itemized Deductions;
- Standard Deductions;
- Tax Liability if PFD is Taxable;
- Amount of Tax Liability Paid from Federal Tax;
- Tax Liability if PFD is not Taxable; and
- Leakage of Tax to Municipalities (from Property Tax).

These variables are presented for each of 15 adjusted gross income groups (AGI GROUP) and for the total. The data was grouped by 1984 AGI because it was felt it would aid in the intuitive interpretations of the tables. It is also possible to group by the AGI of the relevant tax year.

ALTERNATIVE ONE: 1978 ALASKA RATES/ FEDERAL TAX BASE

This alternative attempts to reinstate, largely, the tax structure effective in Alaska before it was repealed. That structure had its own set of progressive tax rates grouped by filing status, and was piggybacked to the federal law for most of its tax base elements.

Tax Base

The federal law has changed dramatically since the Alaska individual income tax was in effect. This proposal assumes that the changes adopted by the federal government will be referenced in Alaska Statute much as they were in 1978-1979. This will result in the expansion of the tax base through the inclusion of more items in income, a decrease in both exclusions and itemized deductions from income, and an increase in standard deductions and the value of exemptions, resulting in lower taxable income in the lower part of the income distribution and higher taxable income in the upper part of the income distribution. The specifics of the changes resulting from tax reform at the federal level are available in a number of publications and we will not attempt to discuss those here. The provisions of the new law that we assume would be effective for this proposal are summarized below.

Income Inclusions and Exclusions

Included as total income are wages, salaries, tips, interest income, dividends, income tax refunds, alimony received, business income, capital gains, pensions, IRA and annuity distributions, rents, royalties, partnership, estates, trusts, farm income, unemployment insurance (which we are unable to include in our model), social security benefits and other income. The new Federal law eliminates the \$100 - \$200 exclusion of dividend income and treats the full amount of capital gain as ordinary income. The Alaska Permanent Fund Dividend is included as income.

New restrictions are now included in the Federal law which define passive and active participation in ventures and set limits for higher income taxpayers on offsetting losses of any kind. Passive losses cannot be used to offset other income except for \$25,000 in participatory rental losses. (Passive losses occur particularly in some partnership and rental activities.)

Additionally, Alaska individual income tax law did include the Federal cost of living allowance and excluded exempt pensions and annuities, military pay of nonresidents serving in Alaska, and income from U. S. government securities. Because our data bases did not have sufficient detail to isolate these elements, it is difficult to quantify their impact. Conceptually our figures (which rely on the Federal income tax data) would exclude the Federal cost of living allowance and include the pay of military stationed in Alaska. Exempt pensions, annuities and U. S. government securities income would be excluded.

Income Adjustments

Under the new Federal law, only the Keogh plan contributions, savings withdrawal penalties and alimony paid adjustments from income remain. Eliminated is the Two Earner adjustment; while the IRA adjustment is phased out at higher income levels or eliminated if the employer covers the employee with a retirement plan. The moving expense and employee business expense adjustment are now deductions.

Treatment of the Alaska Permanent Fund Dividend

All of the alternatives presented show tax liability with PFD both taxable and not taxable. The 1988 low case Table 8 following indicates a loss of \$16.6 million in taxes from exclusion of the PFD from taxable income (\$399.3 million with PFD included - \$382.7 million with PFD excluded). The taxable income shown in the tables is with PFD not taxable. Children and other persons not required to file will not pay tax on the PFD. The estimates of the PFD are as follows:

1988	\$750
1989	\$800
1990	\$800
1991	\$800
1992	\$800

These are rounded values from the December 1986 Long Run Fiscal Model of the Department of Revenue.(12)

Nonresident Apportionment

As was done in the 1978 Alaska individual income tax law, nonresident workers apportion their income by source state in this proposal. The apportionment ratio is obtained by dividing Alaska adjusted gross income (income earned in this state or attributable to investments in this state) by total adjusted gross income. The ratio obtained is used to adjust exemptions and standard deduction. Itemized deductions are apportioned to Alaska based on the expenditure location, property site or source of income to pay the expenditure.

Standard Deduction

The following standard deductions are assumed to be adopted from the Federal Code and are indexed yearly for inflation.

<u>Filing Status</u>	<u>Standard Deduction</u>	<u>Add'l for Blindness/ Age Exemption</u>
Single	\$3,000	\$750 per Exemption
Married Filing Joint	\$5,000	\$600 per Exemption
Married Filing Sep	\$2,500	\$600 per Exemption
Head of Household	\$4,400	\$750 per Exemption

Itemized Deductions

Those with greater than the standard deduction can itemize deductions on state returns as done on the Federal return. Alaska income taxes cannot be deducted for Alaska tax although they can for Federal income tax. Medical expenses in excess of 7.5 percent of adjusted gross income are deductible. Sales taxes are not deductible but property taxes are. Home mortgage interest (for primary and secondary residences) is still deductible, but consumer interest is phased out and other mortgage interest is no longer deductible. Union and professional dues, tax return preparation fees, employee business expenses are also deductible, but must total more than two percent of adjusted gross income. Moving expenses are deductible.

Personal Exemptions

Exemptions are available for the taxpayer, spouse, dependents and for certain debilitating conditions. They are worth \$1,950 each in 1988, \$2,000 in 1989 and are indexed for inflation thereafter. For higher income taxpayers, the value of these exemptions is reduced by five percent of taxable income if taxable income is greater than the threshold amount (which is indexed yearly for inflation).

<u>Filing Status</u>	<u>Income Threshold</u>
Single	\$89,560
Married Filing Joint	\$149,200
Married Fil'g Separately	\$113,300
Head of Household	\$123,790

Tax Credits

We have not included any tax credits in these proposals. Summaries of the major tax credits effective in Alaska and profiles of the taxpayers and amounts credited have been published previously and are available from this office.(13)

ISSUES

Economic Efficiency

It is difficult to determine the effects on economic efficiency associated with reimposition of a state income tax. Individuals and businesses are making adjustments in light of the new federal tax and it is difficult to determine what additional adjustments would occur in response to a state income tax.

Income Elasticity

The income elasticity of individual income tax revenues, given progressive rates, is greater than one which is to say a given percentage change in income will produce a larger percentage change in tax revenues. Thus, during periods of income growth, individual income tax revenues will increase more than in proportion to the growth and, during periods of income decline, they will fall more than in proportion to the decline. This makes the individual income tax relatively unstable in terms of yield.

Equity

In terms of equity the individual income tax is generally considered the "fairest" tax. The burden or incidence of the tax falls primarily on the individual taxpayer and there is less opportunity for shift of incidence compared with the corporate income or business type taxes. Given a progressive rate schedule, the tax burden is based on the "ability to pay" principle of taxation and the nominal incidence is progressive. That is, as income level of the taxpayer increases, the nominal tax rate also increases. It should be noted though that state income taxes are deductible when computing taxable income for federal income tax purposes if the individual itemizes deductions. This has the effect of reducing the burden on individuals with higher incomes who are subject to higher marginal rates at the federal level and are also more likely to be in a position to itemize. The effect is to reduce the progressivity of the tax burden at the state level. This effect will be reduced, however, in light of recent scheduled income tax rate reductions enacted at the federal level.

Administration and Compliance

Reinstating the individual income tax after dismantling the administrative and compliance functions in the Department of Revenue could involve considerable start up costs. Audit and collection functions would have to be brought back on line. Personnel would have to be hired and trained, computer programs and procedures developed, etc. However, once the initial start up period was completed, administrative and compliance costs similar to previous levels relative to tax collections would probably be achieved.

✓ The Alaska Net Income Tax law as it applies to corporations and as it applied to individuals before those sections were repealed is piggybacked on the federal income tax law. This means basically that the starting point for calculating Alaska taxable income is federal taxable income. The Alaska law follows the federal law as far as allowable deductions and exemptions are concerned unless specified otherwise. The state law specifies its own tax rate schedule which is independent of the federal rate schedules.

This piggybacking has advantages and disadvantages. The advantages are primarily administrative and relate to audit, compliance and collections functions. When the IRS audits returns and determines that there should be adjustments made they share this information with the state. This lowers the state's audit costs because it reduces the amount of information on a return that the state must verify independently. The disadvantage of piggybacking is that when federal tax laws are changed relative to deductions and exemptions there may be an impact on state tax collections unless the state changes its tax law accordingly.

Nonresident Taxpayers

This alternative captures the nonresident worker in the tax base fairly effectively. Alaskan employers submit payroll taxes regardless of the residence of the worker. The potential for avoiding estimated payments remains but is no worse or better for this alternative than any other.

The apportionment of nonresident (or part year resident) income, exemptions and deductions all seem fair and are generally consistent with practice in other states.

Intergovernmental Effects

All state income taxes are deductible from Federal income. This causes a leakage of tax from the federal government to the State. What the 1988 low case Table 8 below shows that for every dollar of Alaska tax paid, the taxpayer effectively pays only 78¢ while the Federal government leaks 22¢ of it to the State (\$86.2 million Federal leakage / \$399.3 million State tax liability).

On the other hand, the deductibility of property taxes (generally levied at the local government level), erodes the tax base of the State. The estimated leakage of tax from the State to local government estimated under this alternative is presented in the tables below. The 1988 low case Table 8 indicates a leakage from municipal property taxes of \$7.5 million.

Inflation Effects

Inflation adjustments are present in the exemption, deduction and income limit amounts of this tax alternative; however, the lack of inflation adjustment to the tax brackets in the rate structure will necessarily lead to bracket creep. What this means in practical terms, is that taxpayers may be no better off in any real sense (their income, after adjustment for inflation, is no greater) but may have to pay greater portions in tax. This can be mitigated with inflation indexed tax brackets.

TABLE 8
1988 TAX ALTERNATIVE ONE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2878	1.19	26309170.00	-61678792.91	9522088.47	7805.00	15093065.29	21978299.00	8361421.80
\$0 TO \$10000	53355	22.06	248499609.00	305298080.85	51103488.58	78669.00	153385050.00	182077568.76	165836035.70
\$10001 TO \$20000	49490	20.46	668214244.00	769719577.88	361711133.07	91714.00	178824750.00	196100662.73	156198215.60
\$20001 TO \$30000	36082	14.92	822338578.00	943559133.02	567599932.03	82151.00	160156933.31	178839871.42	110198161.10
\$30001 TO \$40000	28778	11.90	971451140.00	1072829850.36	711225185.16	77343.00	150610013.87	177719720.99	73655960.10
\$40001 TO \$50000	22390	9.26	973365388.00	1068241985.88	746097930.25	65702.00	127937517.15	165810358.80	44977736.20
\$50001 TO \$60000	15856	6.56	815676730.00	923230676.83	661901490.79	48533.00	94469411.63	152000537.43	23540605.70
\$60001 TO \$70000	11225	4.64	683752605.00	777522186.01	575697419.09	35348.00	68617104.41	118871746.80	12946000.00
\$70001 TO \$80000	7883	3.26	542298283.00	636844305.28	482688052.22	25290.00	48879109.84	94435768.96	7230400.00
\$80001 TO \$90000	5208	2.15	398926188.00	485165674.57	376776961.75	16585.00	31662349.51	69861199.66	4521200.00
\$90001 TO \$100000	3243	1.34	256764893.00	349859148.04	27822663.84	10278.00	19120685.92	48547255.19	2540200.00
\$100001 TO \$150000	4837	2.00	425160325.00	668888559.51	548327386.29	15373.00	25887775.21	87967948.02	3339400.00
\$150001 TO \$200000	412	0.17	40720223.00	91310515.75	80761636.75	1223.00	743708.82	9273420.18	245100.00
\$200001 TO \$300000	55	0.02	4709336.00	22032721.97	20473845.20	128.00	6049.24	1497327.53	22000.00
\$300001 TO \$400000	93	0.04	15285945.00	44902551.74	41886181.28	297.00	0.00	2880620.46	69000.00
OVER \$400000	79	0.03	17348776.00	75394772.03	71074644.61	260.00	1950.00	4216627.42	28000.00
TOTAL	241864	100	6910821433.00	8173120946.79	5584670039.37	556699.00	1075395474.20	1512073933.40	616707494.20

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	899316.93	226804.72	880081.22	14468.33
\$0 TO \$10000	2416119.14	98110.72	1839506.04	24833.16
\$10001 TO \$20000	17051401.49	579771.33	15040091.47	166253.58
\$20001 TO \$30000	30516317.62	2311360.21	28172968.47	452411.10
\$30001 TO \$40000	42108721.07	5401201.48	39617450.37	829369.83
\$40001 TO \$50000	47133370.87	8630545.22	44764018.51	1029036.05
\$50001 TO \$60000	44668609.82	10425030.21	42737348.02	1020584.71
\$60001 TO \$70000	41869107.58	10615382.12	40358933.79	942931.34
\$70001 TO \$80000	37367186.11	9777395.26	36239920.77	808293.19
\$80001 TO \$90000	30927599.34	8494474.62	30144541.35	650313.70
\$90001 TO \$100000	24391842.25	6964249.62	23886628.45	453872.72
\$100001 TO \$150000	52949084.81	15376563.61	52144393.42	925385.99
\$150001 TO \$200000	9159567.69	2490940.93	9087926.39	123591.08
\$200001 TO \$300000	2681239.56	681444.79	2673304.56	15394.97
\$300001 TO \$400000	5376237.33	1445019.79	5356628.58	43804.51
OVER \$400000	9756415.97	2731796.47	9740973.47	40764.87
TOTAL	399272137.36	86250091.11	382684714.86	7541809.13

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2878	1.19	9141.48	-21498.36	3308.58	2.71	5244.29	7636.66	4393.84
\$0 TO \$10000	53355	22.06	4657.48	5748.09	957.80	1.47	2874.80	3412.57	3299.22
\$10001 TO \$20000	49490	20.46	13502.01	15587.05	7308.77	1.85	3613.35	3962.43	3600.95
\$20001 TO \$30000	36082	14.92	22790.83	26205.61	15730.83	2.28	4438.69	4956.48	4013.63
\$30001 TO \$40000	28778	11.90	33756.73	37330.10	24714.20	2.69	5233.51	6175.54	4292.56
\$40001 TO \$50000	22390	9.26	43473.22	47761.87	33322.82	2.93	5714.05	7405.55	4509.95
\$50001 TO \$60000	15856	6.56	51442.78	58303.17	41744.54	3.06	5957.96	9586.31	4710.01
\$60001 TO \$70000	11225	4.64	60913.37	69341.14	51287.08	3.15	6112.88	10589.91	4726.54
\$70001 TO \$80000	7883	3.26	68793.39	80930.78	61231.52	3.21	6200.57	11979.67	4759.97
\$80001 TO \$90000	5208	2.15	76598.73	93283.15	72345.81	3.18	6079.56	13414.21	4840.69
\$90001 TO \$100000	3243	1.34	79175.11	107947.90	85668.41	3.17	5895.99	14969.86	4875.62
\$100001 TO \$150000	4837	2.00	87897.52	138371.65	113361.05	3.18	5352.03	18186.47	5129.65
\$150001 TO \$200000	412	0.17	98835.49	221627.47	196023.39	2.97	1805.12	22508.30	4713.46
\$200001 TO \$300000	55	0.02	85624.29	400594.96	372251.73	2.33	109.99	27224.14	4400.00
\$300001 TO \$400000	93	0.04	164365.00	482823.14	450389.05	3.19	0.00	30974.41	5750.00
OVER \$400000	79	0.03	219604.76	966599.64	899679.05	3.29	24.68	53375.03	4666.67
TOTAL	241864	100	28573.17	33870.36	23090.13	2.30	4446.28	6251.77	3795.61

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	312.48	78.81	305.80	5.03
00 TO \$10000	45.28	1.84	34.48	0.47
\$10001 TO \$20000	344.54	11.71	303.90	3.36
\$20001 TO \$30000	845.75	64.06	780.80	12.54
\$30001 TO \$40000	1463.23	187.69	1376.66	28.82
\$40001 TO \$50000	2105.11	385.46	1999.29	45.96
\$50001 TO \$60000	2817.14	657.48	2695.34	64.37
\$60001 TO \$70000	3729.99	945.69	3595.45	84.00
\$70001 TO \$80000	4740.22	1240.31	4597.22	102.54
\$80001 TO \$90000	5938.48	1631.04	5788.12	124.87
\$90001 TO \$100000	7521.38	2147.47	7365.60	139.95
\$100001 TO \$150000	10946.68	3178.95	10780.32	191.31
\$150001 TO \$200000	22231.96	6045.97	22058.07	299.98
\$200001 TO \$300000	48749.81	12389.91	48605.54	289.00
\$300001 TO \$400000	57809.00	15537.85	57598.16	471.02
OVER \$400000	123498.94	34579.70	123303.46	516.01
TOTAL	1650.81	356.61	1582.23	31.18

TABLE 9
1989 TAX ALTERNATIVE ONE
LOW ECONOMIC SCENARIO

AGI GROUP	H	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2727	1.14	24579758.00	-59527626.97	8539877.59	7470.00	14846327.64	21084905.50	8367769.76
\$0 TO \$10000	49750	20.81	232987396.00	286672325.82	43820769.88	73786.00	147556000.00	176304462.61	163787805.25
\$10001 TO \$20000	48252	20.19	656298356.00	751585286.54	343897257.30	89031.00	178042000.00	195143890.35	157531673.01
\$20001 TO \$30000	35369	14.80	812405077.00	923763680.84	548745272.46	79515.00	159008000.00	177599705.33	112547490.52
\$30001 TO \$40000	28712	12.01	985741252.00	1070678566.88	706774140.62	76053.00	151948000.00	176830167.86	77262576.00
\$40001 TO \$50000	22522	9.42	989322698.00	1074621071.55	746927729.42	65638.00	131085200.65	166106723.06	48722923.85
\$50001 TO \$60000	15948	6.67	819697745.00	928255468.79	661843839.95	48377.00	96615931.55	153682669.80	25767530.03
\$60001 TO \$70000	11568	4.84	704321793.00	801060959.06	589753611.64	36355.00	72433344.64	123148975.88	14463323.70
\$70001 TO \$80000	8326	3.48	572604837.00	673113198.20	507520192.42	26733.00	53047841.18	100359852.33	8500826.94
\$80001 TO \$90000	5626	2.35	431283215.00	523202734.79	404613126.68	17881.00	35189627.87	75257881.92	5220974.82
\$90001 TO \$100000	3642	1.52	288673205.00	394794853.94	311889364.95	11567.00	22348398.95	55279979.96	2997955.44
\$100001 TO \$150000	5790	2.42	51229672.00	802432875.56	655680697.13	18561.00	32805332.25	105314904.19	4263216.36
\$150001 TO \$200000	541	0.23	56662960.00	119475168.33	105190074.84	1648.00	1339483.93	12180009.57	375576.60
\$200001 TO \$300000	64	0.03	6216251.00	25806499.57	24055611.52	148.00	0.00	1675688.00	24070.20
\$300001 TO \$400000	106	0.04	18829475.00	48952894.76	45458394.83	356.00	346.64	3326953.30	95235.00
OVER \$400000	90	0.04	17208477.00	94194971.63	89647513.03	285.00	4000.00	4430533.40	79197.60
TOTAL	239033	100	7129129237.00	8459082929.26	5794357474.22	553404.00	1096269835.30	1547727303.11	630008145.07

	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
AGI GROUP				
LOSS	808923.16	208229.55	790731.76	12881.04
\$0 TO \$10000	2115386.81	79224.36	1567745.78	25258.59
\$10001 TO \$20000	16316172.68	570141.30	14261707.09	166454.98
\$20001 TO \$30000	29677495.73	2259090.19	27253699.14	445791.36
\$30001 TO \$40000	42203555.05	5512458.96	39574487.13	846028.86
\$40001 TO \$50000	47442576.99	8720754.05	44917154.87	1050869.83
\$50001 TO \$60000	44663279.29	10445742.78	42808462.57	1021133.64
\$60001 TO \$70000	42954318.61	10911696.96	41300160.27	975451.34
\$70001 TO \$80000	39314874.25	10315268.98	38046344.56	857508.83
\$80001 TO \$90000	33206170.17	9098697.08	32305804.59	685111.56
\$90001 TO \$100000	27393323.70	7815786.38	26786425.38	512139.84
\$100001 TO \$150000	63242606.10	18363433.37	62210257.41	1110627.65
\$150001 TO \$200000	11856187.39	3269577.40	11753508.48	160691.83
\$200001 TO \$300000	3127435.48	784508.26	3116691.48	22439.53
\$300001 TO \$400000	5788830.78	1525859.44	5764690.78	46897.36
OVER \$400000	12401223.39	3352803.97	12383359.39	48385.63
TOTAL	422712359.59	93233273.04	404841226.66	7987721.85

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2727	1.14	9013.48	-21885.16	3131.60	2.74	5444.20	7731.91	4575.05
\$0 TO \$10000	49750	20.81	4683.16	5787.85	.880.82	1.48	2965.95	3543.81	3438.61
\$10001 TO \$20000	48252	20.19	13601.47	15610.54	7127.11	1.85	3689.84	4044.27	3731.03
\$20001 TO \$30000	35369	14.80	22969.41	26168.20	15514.87	2.25	4495.69	5021.34	4141.43
\$30001 TO \$40000	28712	12.01	34332.03	37342.30	24615.98	2.65	5292.14	6158.75	4420.31
\$40001 TO \$50000	22522	9.42	43926.95	47771.55	33164.36	2.91	5820.32	7375.31	4631.02
\$50001 TO \$60000	15948	6.67	51398.15	58278.22	41500.12	3.03	6058.18	9636.49	4883.91
\$60001 TO \$70000	11568	4.84	60885.36	69343.92	50981.47	3.14	6261.53	10645.66	4926.20
\$70001 TO \$80000	8326	3.48	68773.10	51019.88	60956.06	3.21	6371.35	12053.79	4935.82
\$80001 TO \$90000	5626	2.35	76658.94	93146.29	71918.44	3.18	6254.82	13376.80	5054.19
\$90001 TO \$100000	3642	1.52	79262.27	108489.93	85636.84	3.18	6136.30	15178.47	5133.49
\$100001 TO \$150000	5790	2.42	88479.58	138637.33	113243.64	3.21	5665.86	18189.10	5329.02
\$150001 TO \$200000	541	0.23	104737.45	220841.35	194436.37	3.05	2475.94	22513.88	5216.34
\$200001 TO \$300000	64	0.03	97128.92	403226.56	375868.93	2.31	0.00	26182.63	4814.04
\$300001 TO \$400000	106	0.04	177636.56	461819.76	428852.78	3.36	3.27	31386.35	6349.00
OVER \$400000	90	0.04	191205.30	1070397.40	996083.48	3.17	44.44	49228.15	4949.85
TOTAL	239033	100	29824.87	35468.60	24240.83	2.32	4586.27	6474.95	3954.83

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PID NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	296.63	76.36	289.96	4.72
\$0 TO \$10000	42.52	1.59	31.51	0.51
\$10001 TO \$20000	338.15	11.82	295.57	3.45
\$20001 TO \$30000	839.08	63.87	770.55	12.60
\$30001 TO \$40000	1469.89	191.99	1378.33	29.47
\$40001 TO \$50000	2106.50	387.21	1994.37	46.66
\$50001 TO \$60000	2813.10	656.99	2684.25	64.03
\$60001 TO \$70000	3713.20	943.27	3570.21	84.32
\$70001 TO \$80000	4721.94	1238.92	4569.58	102.99
\$80001 TO \$90000	5902.27	1617.26	5742.23	121.78
\$90001 TO \$100000	7521.51	2146.01	7354.87	140.62
\$100001 TO \$150000	10922.73	3171.58	10744.43	191.82
\$150001 TO \$200000	21915.32	6043.58	21725.52	297.03
\$200001 TO \$300000	48866.18	12257.94	48698.30	351.40
\$300001 TO \$400000	54611.61	14394.90	54383.88	442.43
OVER \$400000	137791.37	37253.38	137592.88	537.62
TOTAL	1768.43	390.04	1693.66	33.42

TABLE 10
1990 TAX ALTERNATIVE ONE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2622	1.13	25526126.00	-54911695.16	11333431.23	7222.00	14955107.50	21076660.44	8483328.04
\$0 TO \$10000	45296	19.52	209413184.00	260591560.84	35461641.15	67414.00	140993635.47	168623004.08	158474657.30
\$10001 TO \$20000	44893	19.34	607363524.00	699222851.80	309927139.85	81794.00	171067780.80	188890844.23	159317118.76
\$20001 TO \$30000	33958	14.63	775758196.00	888313489.07	520665780.64	74942.00	156725679.60	174641883.02	113826028.76
\$30001 TO \$40000	27907	12.03	956564806.00	1040705076.59	680127666.79	72648.00	151780933.34	175199547.49	79145947.52
\$40001 TO \$50000	22315	9.62	978808639.00	1064817448.92	733981817.95	64267.00	134250481.18	166743279.85	51893937.69
\$50001 TO \$60000	16087	6.93	828475374.00	936611011.46	663039924.41	48500.00	101311016.69	155989373.02	28052083.90
\$60001 TO \$70000	11938	5.14	724824159.00	826709341.16	605454012.30	37315.00	77766208.92	127314481.14	16394745.37
\$70001 TO \$80000	8778	3.78	604631162.00	710172238.27	532791585.96	28093.00	58339638.05	106166096.46	9759494.30
\$80001 TO \$90000	6192	2.67	471880182.00	576217347.26	443325723.96	19739.00	40637328.28	83488960.27	6193680.48
\$90001 TO \$100000	4132	1.78	328407845.00	444702445.62	350006028.77	13145.00	26701728.73	61964092.34	3612900.38
\$100001 TO \$150000	6952	3.00	609539110.00	964848535.81	785154740.35	22506.00	41902973.58	127339108.48	5737862.54
\$150001 TO \$200000	709	0.31	77427061.00	153190549.32	133381755.73	2237.00	2413340.31	16365853.28	561657.74
\$200001 TO \$300000	79	0.03	8081215.00	27081756.16	25212211.63	198.00	9600.75	1756743.78	47173.20
\$300001 TO \$400000	110	0.05	17519133.00	53161612.12	48748186.34	372.00	2370.19	4237455.58	72153.50
OVER \$400000	100	0.04	18918257.00	100847567.87	95247484.78	312.00	2091.60	5456164.19	73015.70
TOTAL	232068	100	7243137973.00	8692281137.11	5973859191.81	540704.00	1118856914.97	1585253547.67	641645785.17

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	1150245.11	300374.02	1130168.50	13983.55
90 TO \$10000	1721078.40	64146.42	1259468.76	18032.66
\$10001 TO \$20000	14649898.05	493021.09	12787220.48	143388.58
\$20001 TO \$30000	28294563.04	2176476.72	25998886.64	429967.78
\$30001 TO \$40000	40840369.17	537.622.20	38322947.28	825167.34
\$40001 TO \$50000	46831481.59	8556267.09	44362058.51	1037843.30
\$50001 TO \$60000	44972149.88	10500952.60	42918814.06	1032387.41
\$60001 TO \$70000	44125903.80	11190827.17	42428191.10	1003443.35
\$70001 TO \$80000	41294042.67	10823344.54	39962602.43	902539.06
\$80001 TO \$90000	36341465.11	9920639.54	35352120.42	760544.43
\$90001 TO \$100000	30589051.64	8789922.35	29902313.22	574039.78
\$100001 TO \$150000	75393347.75	21849634.45	74144603.31	1334840.58
\$150001 TO \$200000	14821388.68	4105563.55	14683961.01	223447.27
\$200001 TO \$300000	3168456.60	812254.38	3153812.60	26615.02
\$300001 TO \$400000	6237269.25	1658120.39	6212209.25	57266.27
OVER \$400000	13101479.29	3663414.20	13080135.29	50487.99
TOTAL	443532190.05	100284580.71	425700512.86	8438994.36

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2622	1.13	9735.36	-20990.71	4322.44	2.75	5703.70	8038.39	4828.30
\$0 TO \$10000	45296	19.52	4623.22	5778.60	782.89	1.49	3112.65	3722.69	3619.63
\$10001 TO \$20000	44893	19.34	13529.14	15611.83	6903.69	1.82	3810.57	4207.58	3881.24
\$20001 TO \$30000	33958	14.63	22844.64	26213.99	15332.64	2.21	4615.28	5142.88	4313.39
\$30001 TO \$40000	27907	12.03	34276.88	37342.75	24371.22	2.60	5438.81	6277.98	4594.03
\$40001 TO \$50000	22315	9.62	43863.26	47773.23	32891.86	2.88	6016.15	7472.25	4786.82
\$50001 TO \$60000	16087	6.93	51499.68	58301.34	41215.89	3.01	6297.69	9696.61	5092.05
\$60001 TO \$70000	11938	5.14	60715.71	69348.99	50716.54	3.13	6514.17	10664.64	5131.38
\$70001 TO \$80000	8778	3.78	68880.29	81005.16	60696.24	3.20	6646.12	12094.57	5193.98
\$80001 TO \$90000	6192	2.67	76208.04	93223.97	71596.53	3.19	6562.88	13483.36	5280.21
\$90001 TO \$100000	4132	1.78	79479.15	107650.07	84706.20	3.18	6462.18	14996.15	5320.91
\$100001 TO \$150000	6952	3.00	87672.24	138827.13	112939.40	3.24	6027.47	18316.90	5597.91
\$150001 TO \$200000	709	0.31	109206.01	216065.65	188126.59	3.16	3403.87	23083.01	5506.45
\$200001 TO \$300000	79	0.03	102293.86	342807.04	319141.92	2.51	121.53	22237.26	5896.65
\$300001 TO \$400000	110	0.05	159264.85	483287.38	443165.33	3.38	21.55	38522.32	6559.41
OVER \$400000	100	0.04	189182.57	1018662.30	952474.85	3.12	20.92	54561.64	5616.59
TOTAL	232068	100	31211.27	37538.41	25741.85	2.33	4821.25	6830.99	4149.31

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	438.69	114.56	431.03	5.33
\$0 TO \$10000	38.00	1.42	27.81	0.40
\$10001 TO \$20000	326.33	10.98	284.84	3.31
\$20001 TO \$30000	833.22	64.09	765.65	12.66
\$30001 TO \$40000	1463.45	192.59	1373.24	29.57
\$40001 TO \$50000	2098.65	383.43	1987.99	46.51
\$50001 TO \$60000	2795.56	652.76	2667.92	64.18
\$60001 TO \$70000	3696.26	937.41	3554.05	84.05
\$70001 TO \$80000	4704.27	1233.01	4552.59	102.82
\$80001 TO \$90000	5869.10	1602.17	5709.32	122.83
\$90001 TO \$100000	7402.97	2127.28	7236.77	138.93
\$100001 TO \$150000	10844.84	3142.93	10665.22	192.01
\$150001 TO \$200000	20904.64	5790.64	20710.81	315.16
\$200001 TO \$300000	40107.05	10281.70	39921.68	336.90
\$300001 TO \$400000	56702.45	15073.82	56474.63	520.60
OVER \$400000	131014.79	36684.14	130801.35	504.88
TOTAL	1911.22	432.13	1834.38	36.36

TABLE 11
1991 TAX ALTERNATIVE ONE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS	TAXABLE	NUMBER OF	VALUE OF	ITEMIZED	STANDARD
			SUM	INCOME	INCOME	EXEMPTIONS	EXEMPTIONS	DEDUCTIONS	DEDUCTIONS
LOSS	2419	1.07	22722616.00	-48966407.45	9697792.17	6664.00	14468915.64	19574019.26	8189143.56
\$0 TO \$10000	42107	18.55	193833384.00	241699360.09	29806371.81	62257.00	136176587.00	163415328.15	155432229.09
\$10001 TO \$20000	42552	18.74	573637888.00	663765627.54	285202344.27	76780.00	167937635.00	185411324.71	158306421.37
\$20001 TO \$30000	32994	14.53	751855480.00	861414298.61	497522399.55	71271.00	155885061.00	173732249.71	115890927.74
\$30001 TO \$40000	27248	12.00	933776569.00	1016421637.12	658895697.42	69442.00	151728471.99	172656130.28	81040430.83
\$40001 TO \$50000	21843	9.62	956248447.00	1042692481.52	713241840.92	61808.00	135056358.54	165878703.87	54379153.88
\$50001 TO \$60000	16104	7.09	828050505.00	938350265.57	660747128.36	47990.00	104844269.40	156683042.18	30406753.84
\$60001 TO \$70000	12292	5.41	746748943.00	851055079.46	619440346.65	38192.00	83306535.04	131753600.07	18235957.04
\$70001 TO \$80000	9227	4.06	634749096.00	745792375.32	556753370.83	29334.00	63852393.40	111702118.27	11195935.36
\$80001 TO \$90000	6585	2.90	504345180.00	613002694.62	469110985.06	20956.00	45309622.99	89242122.52	7094186.64
\$90001 TO \$100000	4516	1.99	358621482.00	489577935.00	383977340.94	14463.00	30759375.32	68386060.98	4302698.44
\$100001 TO \$150000	7982	3.52	707583864.00	1107770863.76	898085467.76	25739.00	51258246.52	146445074.28	7255194.80
\$150001 TO \$200000	917	0.40	95826032.00	202428533.36	176850429.20	2895.00	3572277.85	20661826.31	804320.92
\$200001 TO \$300000	91	0.04	8526371.00	34485304.75	32249030.01	211.00	6936.16	2118138.57	87348.32
\$300001 TO \$400000	91	0.04	14471967.00	44541391.74	41317990.67	306.00	3398.36	3078402.71	89206.50
OVER \$400000	82	0.04	18777337.00	81885809.63	78164222.52	259.00	0.00	3599987.11	59946.20
TOTAL	227050	100	7349775161.00	8885917250.63	6111062758.12	528567.00	1144166084.22	1614338128.97	652769854.54

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
1055	955445.47	245725.47	936768.88	13893.02
\$0 TO \$10000	1459624.03	52913.50	1057887.90	17518.77
\$10001 TO \$20000	13484520.13	461182.36	11769617.94	136692.18
\$20001 TO \$30000	27060433.31	2068864.05	24866765.51	408445.69
\$30001 TO \$40000	39802425.27	5287922.42	37380146.55	801481.07
\$40001 TO \$50000	45719348.98	8322320.52	43336429.70	1015949.52
\$50001 TO \$60000	45010846.44	10485556.45	42979672.25	1027277.66
\$60001 TO \$70000	45147499.37	11460365.85	43412174.48	1025604.76
\$70001 TO \$80000	43080121.84	11294176.62	41684343.39	943982.02
\$80001 TO \$90000	38419457.66	10502066.01	37369412.41	814657.32
\$90001 TO \$100000	33664907.26	9596874.51	32914176.72	619610.48
\$100001 TO \$150000	86134545.24	25112915.17	84701787.69	1568184.28
\$150001 TO \$200000	19749960.41	5492629.14	19570493.93	275021.67
\$200001 TO \$300000	4150277.79	1033242.99	4134433.79	27915.60
\$300001 TO \$400000	5311376.09	1441996.29	5290950.79	45592.12
OVER \$400000	10749404.27	2857015.68	10731772.27	49046.39
TOTAL	459900173.54	105715767.02	442136834.19	8770872.55

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2419	1.07	9393.39	-20284.34	4009.01	2.75	5981.36	8091.78	5058.15
\$0 TO \$10000	42107	18.55	4603.35	5765.59	707.87	1.48	3234.06	3880.95	3778.68
\$10001 TO \$20000	42552	18.74	13480.87	15631.26	6702.44	1.80	3946.64	4357.29	4047.72
\$20001 TO \$30000	32994	14.53	22787.64	26162.92	15079.18	2.16	4724.65	5265.57	4470.58
\$30001 TO \$40000	27248	12.00	34269.55	37354.71	24181.43	2.55	5568.43	6336.47	4759.25
\$40001 TO \$50000	21843	9.62	43778.26	47788.28	32653.11	2.83	6183.05	7594.14	4978.86
\$50001 TO \$60000	16104	7.09	51418.93	58344.23	41030.00	2.98	6510.45	9729.45	5287.21
\$60001 TO \$70000	12292	5.41	60750.81	69338.04	50393.78	3.11	6777.30	10718.65	5347.79
\$70001 TO \$80000	9227	4.06	68792.58	80950.00	60339.59	3.18	6920.17	12106.01	5427.02
\$80001 TO \$90000	6585	2.90	76590.00	93246.53	71239.33	3.18	6880.73	13552.33	5503.64
\$90001 TO \$100000	4516	1.99	79411.31	108457.67	85025.98	3.20	6811.20	15143.06	5646.59
\$100001 TO \$150000	7982	3.52	88647.44	138853.20	112513.84	3.22	6421.73	18346.91	5888.96
\$150001 TO \$200000	917	0.40	104499.49	220750.85	192857.61	3.16	3895.61	22531.98	5786.48
\$200001 TO \$300000	91	0.34	93696.38	378959.39	354384.95	2.32	76.22	23276.25	5823.22
\$300001 TO \$400000	91	0.04	159032.60	459465.84	454043.85	3.36	37.34	33828.60	6371.89
OVER \$400000	82	0.04	228991.91	998607.43	953222.23	3.16	0.00	43902.28	5449.65
TOTAL	227050	100	32370.73	39219.30	26915.05	2.33	5039.27	7110.06	4339.57

AGI GROUP	TAX LIABILITY PGD TAXABLE	PAID FROM FLORL TAX	TAX LIABILITY PGD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	394.98	101.58	387.25	5.74
\$0 TO \$10000	34.66	1.26	25.12	0.42
\$10001 TO \$20000	316.90	10.84	276.59	3.21
\$20001 TO \$30000	820.16	62.70	753.68	12.38
\$30001 TO \$40000	1460.75	194.07	1371.85	29.41
\$40001 TO \$50000	2093.09	381.01	1984.00	46.51
\$50001 TO \$60000	2795.01	651.12	2668.88	63.79
\$60001 TO \$70000	3672.92	932.34	3531.74	83.44
\$70001 TO \$80000	4668.92	1224.04	4517.65	102.31
\$80001 TO \$90000	5834.39	1594.85	5674.93	123.71
\$90001 TO \$100000	7454.59	2125.08	7288.35	137.20
\$100001 TO \$150000	10791.10	3146.19	10611.60	193.96
\$150001 TO \$200000	21537.56	5939.78	21341.87	299.91
\$200001 TO \$300000	45607.45	11354.32	45433.34	306.76
\$300001 TO \$400000	58366.77	15946.11	58142.32	501.01
OVER \$400000	131090.30	34841.65	130875.27	598.13
TOTAL	2025.55	465.61	1947.31	38.63

TABLE 12
1992 TAX ALTERNATIVE ONE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2264	1.03	21510055.00	-44921117.13	8114347.25	6330.00	14384194.44	18863524.74	8114243.02
\$0 TO \$10000	38092	17.35	173424469.00	218101755.25	23788322.16	56474.00	129185347.20	155174388.06	147773688.14
\$10001 TO \$20000	39603	18.04	531457697.00	618621308.98	257937418.47	70168.00	160509454.00	179307812.24	155171903.87
\$20001 TO \$30000	31514	14.35	715441887.00	822644758.59	467034651.20	66914.00	153042727.60	170561026.02	117073787.49
\$30001 TO \$40000	26099	11.89	884436553.00	969951666.68	620734000.89	65254.00	149178971.20	169210251.67	81851749.25
\$40001 TO \$50000	21295	9.70	925620350.00	1017112468.21	690264912.17	59416.00	135753966.36	163329146.61	56694376.20
\$50001 TO \$60000	16056	7.31	824716113.00	935551453.61	654404147.90	47366.00	108233956.20	157095074.37	32668999.51
\$60001 TO \$70000	12422	5.66	752396329.00	862414743.02	624635880.11	38291.00	87347154.61	133696562.59	20033019.25
\$70001 TO \$80000	9564	4.36	657913473.00	773528676.35	573470189.91	30524.00	69524885.52	116622587.60	12791926.80
\$80001 TO \$90000	7028	3.20	536363704.00	655823705.91	500347250.32	22269.00	50447780.07	95256782.34	8289646.80
\$90001 TO \$100000	4866	2.22	385216038.00	526313960.95	409804453.11	15613.00	34820123.27	74625087.75	5142120.00
\$100001 TO \$150000	9346	4.26	835105299.00	1304899322.58	1055418619.10	30255.00	63751156.73	171645717.94	8996436.00
\$150001 TO \$200000	1171	0.53	126341782.00	258367717.96	224494628.73	3716.00	5403653.06	26731036.17	1093440.00
\$200001 TO \$300000	143	0.07	13834587.00	50797706.62	47043251.52	378.00	28787.04	3532868.26	131494.40
\$300001 TO \$400000	37	0.02	5966913.00	17275554.88	16280573.60	110.00	0.00	939781.28	47270.00
OVER \$400000	84	0.04	16666422.00	77910048.33	73140582.27	275.00	0.00	4644666.06	65783.00
TOTAL	219584	100	7405811671.00	9060393730.75	6246913228.49	513353.00	1161612157.31	1641236313.68	655934888.73

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	795487.64	204310.63	779743.06	11954.47
\$0 TO \$10000	1190966.42	49810.19	858601.13	13962.27
\$10001 TO \$20000	12140871.45	406609.81	10587816.86	123358.64
\$20001 TO \$30000	25487672.14	1950395.30	23428446.44	379028.15
\$30001 TO \$40000	37599443.16	4962217.96	35322102.52	750218.21
\$40001 TO \$50000	44480283.59	8005716.99	42189380.67	969291.06
\$50001 TO \$60000	44648919.03	10369611.73	42644930.09	1024817.55
\$60001 TO \$70000	45631974.16	11619068.37	43941446.54	1032769.93
\$70001 TO \$80000	44362325.70	11591927.63	42922452.64	978010.43
\$80001 TO \$90000	41079226.67	11190384.11	39962027.68	872395.31
\$90001 TO \$100000	35766562.35	10208858.59	34958009.11	677680.77
\$100001 TO \$150000	101205411.47	29695415.21	99521833.28	1790557.11
\$150001 TO \$200000	24950436.79	6931801.88	24718510.45	355159.25
\$200001 TO \$300000	5914369.39	1532480.58	5836965.39	45459.03
\$300001 TO \$400000	2092857.17	586000.01	2084853.17	9511.71
OVER \$400000	10005640.43	2710828.15	9987544.43	42710.18
TOTAL	477402497.56	112015437.13	459794663.47	9076884.07

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2264	1.03	9500.91	-21656.09	3584.08	2.80	6353.44	8331.95	5334.81
\$0 TO \$10000	38092	17.35	4552.78	5750.26	624.50	1.48	3391.40	4073.67	3968.89
\$10001 TO \$20000	39603	18.04	13419.63	15652.98	6513.08	1.77	4052.96	4527.83	4226.50
\$20001 TO \$30000	31514	14.35	22702.35	26162.22	14819.91	2.12	4856.34	5412.23	4644.13
\$30001 TO \$40000	26099	11.89	33887.76	37219.94	23783.82	2.50	5715.89	6483.40	4953.21
\$40001 TO \$50000	21295	9.70	43466.56	47816.86	32414.41	2.79	6374.92	7669.84	5198.93
\$50001 TO \$60000	16056	7.31	51364.98	58340.70	40757.61	2.95	6741.03	9784.20	5493.91
\$60001 TO \$70000	12422	5.66	60569.66	69515.94	50284.65	3.08	7031.65	10762.89	5567.66
\$70001 TO \$80000	9564	4.36	68790.62	81006.25	59961.33	3.19	7269.44	12193.91	5658.22
\$80001 TO \$90000	7028	3.20	76318.11	93462.12	71193.40	3.17	7178.11	13553.90	5748.71
\$90001 TO \$100000	4866	2.22	79164.82	108206.00	84217.93	3.21	7155.80	15336.02	5863.31
\$100001 TO \$150000	9346	4.26	89354.30	139680.94	112927.31	3.24	6821.22	18365.69	6103.42
\$150001 TO \$200000	1171	0.53	107892.21	220638.53	191711.89	3.17	4614.56	22827.53	6177.63
\$200001 TO \$300000	143	0.07	96745.36	355228.72	328973.79	2.64	201.31	24705.37	6261.64
\$300001 TO \$400000	37	0.02	161267.92	466906.89	440015.50	2.97	0.00	25399.49	6752.86
OVER \$400000	84	0.04	191266.93	927500.58	870721.22	3.27	0.00	55293.64	5980.73
TOTAL	219584	100	33726.55	41346.55	28448.85	2.34	5297.06	7474.30	4557.79

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	351.36	98.24	344.41	5.28
\$0 TO \$10000	31.27	1.31	22.54	0.37
\$10001 TO \$20000	306.56	10.27	267.35	3.11
\$20001 TO \$30000	808.77	61.89	743.43	12.03
\$30001 TO \$40000	1440.65	190.13	1353.39	28.75
\$40001 TO \$50000	2088.77	375.94	1981.19	45.52
\$50001 TO \$60000	2780.82	645.84	2656.01	63.83
\$60001 TO \$70000	3677.51	935.36	3537.39	83.14
\$70001 TO \$80000	4638.47	1212.04	4487.92	102.26
\$80001 TO \$90000	5845.08	1592.26	5686.12	124.13
\$90001 TO \$100000	7350.30	2098.00	7184.14	139.27
\$100001 TO \$150000	10828.74	3177.34	10648.60	191.59
\$150001 TO \$200000	21306.99	5919.56	21108.89	303.30
\$200001 TO \$300000	41359.23	10716.65	41167.59	317.90
\$300001 TO \$400000	56563.71	15837.84	56347.38	257.07
OVER \$400000	119114.77	32271.76	118899.34	508.45
TOTAL	2174.12	510.13	2093.94	41.34

Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 13
LIABILITY TO COLLECTIONS
TAX ALTERNATIVE ONE
LOW ECONOMIC SCENARIO

-----USING HISTORICAL DATA-----										
FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)	FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	NET REC \$86 (\$m real)
86				325.98		86				325.98
75/1	\$18	\$1	\$17			88/1	\$0	\$1	(\$1)	
/2	\$25	\$0	\$25			/2	\$0	\$0	(\$0)	
/3	\$27	\$2	\$25			/3	\$1	\$3	(\$1)	
/4	\$34	\$14	\$21			/4	\$80	\$6	\$74	
TOTAL	\$104	\$16	\$87	155.16	\$184	TOTAL	\$81	\$9	\$72	338.66 \$69
76/1	\$36	\$2	\$34			89/1	\$106	\$5	\$101	
/2	\$46	\$1	\$45			/2	\$140	\$2	\$138	
/3	\$47	\$13	\$34			/3	\$136	\$16	\$120	
/4	\$50	\$16	\$34			/4	\$114	\$36	\$78	
TOTAL	\$178	\$31	\$147	166.17	\$288	TOTAL	\$496	\$60	\$437	354.17 \$402
77/1	\$53	\$3	\$50			90/1	\$112	\$6	\$106	
/2	\$62	\$1	\$61			/2	\$148	\$2	\$146	
/3	\$77	\$15	\$63			/3	\$144	\$20	\$124	
/4	\$60	\$22	\$38			/4	\$120	\$44	\$77	
TOTAL	\$252	\$41	\$210	175.80	\$390	TOTAL	\$525	\$72	\$453	370.39 \$398
78/1	\$46	\$3	\$43			91/1	\$118	\$5	\$113	
/2	\$43	\$1	\$42			/2	\$155	\$2	\$154	
/3	\$42	\$6	\$36			/3	\$151	\$16	\$135	
/4	\$50	\$25	\$25			/4	\$125	\$35	\$91	
TOTAL	\$191	\$36	\$146	187.62	\$253	TOTAL	\$549	\$57	\$493	387.35 \$415
79/1	\$43	\$10	\$33			92/1	\$122	\$5	\$117	
/2	\$42	\$1	\$41			/2	\$161	\$2	\$159	
/3	\$42	\$15	\$27			/3	\$157	\$15	\$141	
/4	\$47	\$31	\$16			/4	\$126	\$34	\$93	
TOTAL	\$174	\$57	\$117	205.22	\$186	TOTAL	\$566	\$55	\$511	405.09 \$411

TABLE 14
1988 TAX ALTERNATIVE ONE
MODERATE ECONOMIC SCENARIO

AGI GROUP	H	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3100	1.17	28281141.00	-61444490.96	11505727.51	8295.00	16031015.29	23199403.58	8920079.40
\$0 TO \$10000	59403	22.42	270128023.00	338555016.00	56644579.29	85667.00	167031150.00	202316548.83	180501300.20
\$10001 TO \$20000	54784	20.68	728576580.00	851035482.08	404898280.60	98951.00	192938850.00	216241954.99	174005920.40
\$20001 TO \$30000	39411	14.88	891007933.00	1030107863.38	623992788.56	88043.00	171646333.31	194628692.21	119972065.00
\$30001 TO \$40000	31031	11.71	1030650179.00	1150799371.58	764557341.66	81746.00	159257939.75	191698072.98	79069707.80
\$40001 TO \$50000	23954	9.04	1032909499.00	1142649829.99	799475004.57	69458.00	135255859.46	178033078.14	48153836.10
\$50001 TO \$60000	17163	6.48	882968616.00	998647869.19	718014053.73	51769.00	100765961.63	163584738.02	25302837.20
\$60001 TO \$70000	12206	4.61	742422172.00	844152753.33	625583999.21	38244.00	74256265.58	128844532.84	14164300.00
\$70001 TO \$80000	8524	3.22	588115204.00	688799061.32	522169281.65	27190.00	52566559.84	102377161.71	7935050.00
\$80001 TO \$90000	5672	2.14	432324512.00	528886838.01	411022653.00	17968.00	34313376.56	76079694.81	4994400.00
\$90001 TO \$100000	3549	1.34	282732742.00	381335884.95	301526506.32	11218.00	20913480.42	54197458.58	2602100.00
\$100001 TO \$150000	5427	2.05	473620536.00	748821667.34	614044733.23	17285.00	29172404.62	98034229.49	3845000.00
\$150001 TO \$200000	470	0.18	47369847.00	101944043.67	90663530.18	1404.00	906224.67	10364538.82	322300.00
\$200001 TO \$300000	49	0.02	4666366.00	18125990.20	16787484.76	116.00	8474.81	1277530.62	15200.00
\$300001 TO \$400000	95	0.04	15666462.00	46314279.44	42683468.92	339.00	0.00	3489810.52	47100.00
OVER \$400000	83	0.03	17633031.00	85184874.61	81601792.58	256.00	0.00	3467582.03	42900.00
TOTAL	264921	100	7464072843.00	8893916334.10	6084571225.77	597949.00	1155063895.95	1647885028.16	677894596.10

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	1139491.38	289502.30	1118881.76	16062.96
\$0 TO \$10000	2649711.60	92560.54	2005319.96	25714.20
\$10001 TO \$20000	19087811.92	632826.63	16865933.26	180350.94
\$20001 TO \$30000	33750017.79	2523345.31	31201146.18	484134.15
\$30001 TO \$40000	45363595.63	5713791.30	42700047.03	868484.41
\$40001 TO \$50000	50873608.33	9259129.78	48359133.12	1096208.94
\$50001 TO \$60000	48729794.94	11392222.91	46654414.26	1106448.92
\$60001 TO \$70000	45599895.51	11575180.13	43965608.68	1027924.48
\$70001 TO \$80000	40497662.59	10630219.98	39283334.88	879302.83
\$80001 TO \$90000	33847757.73	9265441.26	32998061.05	702192.07
\$90001 TO \$100000	26394624.59	7541639.35	25844031.83	495270.32
\$100001 TO \$150000	59289699.25	17210959.93	58388669.26	1029100.37
\$150001 TO \$200000	10149834.75	2753793.00	10067992.59	134977.34
\$200001 TO \$300000	2167839.15	526329.56	2160361.65	16728.91
\$300001 TO \$400000	5466880.96	1513822.01	5446513.66	48519.29
OVER \$400000	11239067.42	2994065.26	11222319.92	51621.88
TOTAL	436247293.56	93915329.25	418281769.08	8163192.01

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
1055	3100	1.17	9122.95	-19878.52	3711.53	2.68	5171.30	7483.68	4340.67
\$0 TO \$10000	59403	22.42	4547.38	5726.77	953.56	1.44	2811.83	3405.83	3295.25
\$10001 TO \$20000	54784	20.68	13299.08	15570.76	7390.81	1.81	3521.81	3947.17	3591.75
\$20001 TO \$30000	39411	14.88	22608.10	26192.07	15832.96	2.23	4355.29	4938.44	3992.81
\$30001 TO \$40000	31031	11.71	33213.57	37138.13	24638.50	2.63	5132.22	6177.63	4274.73
\$40001 TO \$50000	23954	9.04	43120.54	47765.65	33375.43	2.90	5646.48	7432.29	4502.04
\$50001 TO \$60000	17163	6.48	51446.05	58264.17	41835.00	3.02	5871.12	9531.24	4674.46
\$60001 TO \$70000	12206	4.61	60824.36	69255.29	51252.17	3.13	6083.59	10555.84	4701.06
\$70001 TO \$80000	8524	3.22	68995.21	80939.96	61258.71	3.19	6166.89	12010.46	4740.17
\$80001 TO \$90000	5672	2.14	76220.82	93376.91	72465.21	3.17	6049.61	13413.20	4806.93
\$90001 TO \$100000	3549	1.34	79665.47	107539.73	84960.98	3.16	5892.78	15271.19	4831.99
\$100001 TO \$150000	5427	2.05	87271.15	138031.64	113146.26	3.19	5375.42	18073.38	5099.47
\$150001 TO \$200000	470	0.18	100786.91	216902.22	191624.53	2.99	1928.14	22052.21	4966.15
\$200001 TO \$300000	49	0.02	95231.96	369918.17	342601.73	2.37	172.96	26072.05	5066.67
\$300001 TO \$400000	95	0.04	164910.13	487518.73	449299.67	3.57	0.00	36734.85	5837.50
OVER \$400000	83	0.03	212446.16	1026323.79	983154.13	3.08	0.00	41778.10	4766.67
TOTAL	264921	100	28193.59	33654.15	22967.49	2.26	4360.03	6220.29	3777.50

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	367.58	93.39	360.93	5.18
\$0 TO \$10000	44.61	1.56	33.76	0.43
\$10001 TO \$20000	348.42	11.55	307.86	3.29
\$20001 TO \$30000	856.36	64.04	791.69	12.29
\$30001 TO \$40000	1461.88	184.13	1376.04	27.99
\$40001 TO \$50000	2123.80	386.54	2018.83	45.76
\$50001 TO \$60000	2839.24	663.77	2718.31	64.47
\$60001 TO \$70000	3735.86	948.32	3601.97	84.21
\$70001 TO \$80000	4751.02	1247.09	4608.56	103.16
\$80001 TO \$90000	5967.52	1633.54	5817.71	123.80
\$90001 TO \$100000	7437.20	2125.00	7282.06	139.55
\$100001 TO \$150000	10924.95	3171.36	10758.92	189.63
\$150001 TO \$200000	21595.39	5859.13	21421.26	287.19
\$200001 TO \$300000	44241.62	10741.42	44089.01	341.41
\$300001 TO \$400000	57546.12	15934.97	57331.72	511.78
OVER \$400000	135410.45	36073.08	135208.67	621.95
TOTAL	1646.71	354.50	1578.89	30.81

TABLE 15
1989 TAX ALTERNATIVE ONE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3006	1.12	28070529.00	-64487886.75	12527197.24	8114.00	16054655.29	23485964.55	9031311.99
\$0 TO \$100000	56662	21.11	257635640.00	324767512.55	49707681.10	82012.00	164004000.00	201516525.51	188252971.03
\$100001 TO \$200000	54308	20.24	720811102.00	844326259.27	370899175.82	97269.00	194522000.00	221137337.87	180274961.14
\$200001 TO \$300000	39735	14.81	897217379.00	1038269296.78	622409739.02	87008.00	173964000.00	199618758.65	126400873.11
\$300001 TO \$400000	31588	11.77	1055289336.00	1174989186.46	777546279.07	81557.00	162894000.00	196678224.06	84411576.09
\$400001 TO \$500000	24634	9.18	1062494637.00	1175937775.50	818647183.43	70535.00	140867549.44	183764348.07	52832562.28
\$500001 TO \$600000	17785	6.63	913542735.00	1035260965.56	739312225.99	53447.00	106743931.55	170569901.29	28633225.61
\$600001 TO \$700000	13042	4.86	791237713.00	903171006.17	666591012.64	40429.00	80564991.87	138267945.76	16448045.34
\$700001 TO \$800000	9356	3.49	643333916.00	757004148.90	571722995.34	29782.00	59048005.95	112581320.48	9607889.88
\$800001 TO \$900000	6388	2.38	486846827.00	595002856.86	460538317.14	20259.00	39829895.91	85622644.16	5926512.78
\$900001 TO \$1000000	4223	1.57	333768399.00	456522662.61	360691218.15	13467.00	26015499.13	63676806.25	3515644.80
\$1000001 TO \$1500000	6717	2.50	592160693.00	933514844.65	763688792.71	21486.00	37687267.22	122155700.73	5070038.56
\$1500001 TO \$2000000	658	0.25	67581334.00	143041504.29	125800597.88	1992.00	1608859.59	14708846.82	472561.20
\$2000001 TO \$3000000	78	0.03	6477017.00	32038015.94	30026468.92	180.00	0.00	1916347.02	39757.20
\$3000001 TO \$4000000	70	0.03	13946040.00	45523451.28	42368441.86	311.00	346.64	3013862.78	45983.50
OVER \$4000000	80	0.03	15339488.00	76761347.92	71342843.07	264.00	0.00	5300104.85	40811.40
TOTAL	268350	100	7885752785.00	9471642938.98	6503820169.33	608112.00	1203805002.59	1744014638.84	711074730.90

	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
AGI GROUP				
LOSS	1298531.08	340713.65	1276962.37	16841.85
\$0 TO \$10000	2394718.76	90944.99	1771066.87	24716.92
\$10001 TO \$20000	18549269.96	605260.15	16244585.35	172582.21
\$20001 TO \$30000	33998876.85	2549026.47	31291848.56	488093.33
\$30001 TO \$40000	46864194.21	6086233.08	44026557.43	895256.82
\$40001 TO \$50000	52451462.07	9582536.53	49718663.36	1120182.53
\$50001 TO \$60000	50353283.02	11751983.54	48076190.43	1143991.17
\$60001 TO \$70000	48763034.58	12393280.04	45908150.28	1092051.18
\$70001 TO \$80000	44457849.72	11680760.24	43038016.47	967565.04
\$80001 TO \$90000	37946466.09	10376628.43	36928604.98	782246.14
\$90001 TO \$100000	31643594.95	9013309.65	30942610.13	590822.37
\$100001 TO \$150000	73754077.98	21395146.21	72555975.33	1298772.62
\$150001 TO \$200000	14125465.89	3851417.65	14001500.86	192052.77
\$200001 TO \$300000	3896221.28	1014560.19	3882633.28	29578.83
\$300001 TO \$400000	5466723.80	1503536.24	5446393.19	42473.50
OVER \$400000	9775640.25	2708440.65	9758472.25	47178.80
TOTAL	475759410.49	104943777.69	455867631.13	8904346.07

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	3006	1.12	9338.17	-21510.30	4167.40	2.70	5340.87	7813.03	4542.91
\$0 TO \$10000	56662	21.11	4546.89	5759.00	877.27	1.45	2894.43	3556.47	3447.67
\$10001 TO \$20000	54308	20.24	13272.65	15582.86	7197.82	1.79	3581.83	4071.91	3734.02
\$20001 TO \$30000	39735	14.81	22580.03	26186.52	15664.02	2.19	4378.10	5023.75	4137.37
\$30001 TO \$40000	31588	11.77	33407.92	37257.48	24615.24	2.58	5156.83	6226.36	4418.99
\$40001 TO \$50000	24634	9.18	43131.23	47798.46	33232.41	2.86	5718.42	7459.79	4652.70
\$50001 TO \$60000	17785	6.63	51365.91	58281.88	41569.43	3.01	6001.91	9590.66	4865.46
\$60001 TO \$70000	13042	4.86	60668.43	69330.70	51111.10	3.10	6177.35	10601.74	4902.55
\$70001 TO \$80000	9356	3.49	68761.64	81058.37	61107.63	3.18	6311.24	12033.06	4955.07
\$80001 TO \$90000	6388	2.38	76212.72	93304.51	72094.29	3.17	6235.11	13403.67	5026.73
\$90001 TO \$100000	4223	1.57	79035.85	108155.10	85411.13	3.19	6160.43	15078.57	5109.95
\$100001 TO \$150000	6717	2.50	88158.51	139060.75	113694.92	3.20	5610.73	18186.05	5374.91
\$150001 TO \$200000	658	0.25	102707.19	217388.30	191186.32	3.03	2445.08	22353.87	5081.30
\$200001 TO \$300000	78	0.03	83038.68	410743.79	384954.73	2.31	0.00	24568.55	4969.65
\$300001 TO \$400000	90	0.03	154956.00	505816.13	470760.47	3.46	3.85	33487.36	6569.79
OVER \$400000	80	0.03	191743.60	959516.85	891785.54	3.30	0.00	66251.31	5830.20
TOTAL	268350	100	29386.07	35380.50	24236.33	2.27	4485.95	6499.03	3950.48

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	431.98	113.34	424.80	5.60
\$0 TO \$10000	42.26	1.61	31.26	0.44
\$10001 TO \$20000	341.56	11.14	299.12	3.18
\$20001 TO \$30000	855.64	64.15	787.51	12.28
\$30001 TO \$40000	1484.24	192.68	1393.77	28.34
\$40001 TO \$50000	2129.23	389.00	2018.29	45.47
\$50001 TO \$60000	2831.22	660.78	2703.19	64.32
\$60001 TO \$70000	3738.92	950.26	3596.70	83.73
\$70001 TO \$80000	4751.80	1248.48	4600.04	103.42
\$80001 TO \$90000	5940.27	1624.39	5780.93	122.46
\$90001 TO \$100000	7493.16	2134.34	7327.02	139.91
\$100001 TO \$150000	10980.21	3185.22	10801.84	193.36
\$150001 TO \$200000	21467.27	5553.22	21278.88	291.87
\$200001 TO \$300000	49951.55	13007.18	49777.35	379.22
\$300001 TO \$400000	60741.38	16705.96	60515.48	471.93
OVER \$400000	122195.50	33855.51	121980.90	509.73
TOTAL	1772.91	391.07	1698.78	33.18

TABLE 16
1990 TAX ALTERNATIVE ONE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2925	1.09	26365568.00	-59283482.17	11337997.98	7950.00	16496112.09	22824015.78	9373639.40
\$0 TO \$10000	53544	20.14	244905721.00	300713792.33	43056718.50	77609.00	162308222.67	199670764.38	188244312.37
\$10001 TO \$20000	52742	19.70	703208749.00	821126187.45	370647855.45	93055.00	194619196.80	220867731.34	186756467.60
\$20001 TO \$30000	39408	14.72	893115999.00	1028639440.14	609644898.11	84237.00	176173376.40	201989234.29	131116493.43
\$30001 TO \$40000	31554	11.78	1062534280.00	1173442339.22	770072221.35	80088.00	167362366.65	198689943.63	88535178.35
\$40001 TO \$50000	24721	9.23	1067862265.00	1177443432.09	812942509.28	69872.00	145995525.29	186123844.48	57144337.87
\$50001 TO \$60000	18138	6.77	932249695.00	1056722125.05	750862451.92	53910.00	112595195.69	174443488.61	31564743.03
\$60001 TO \$70000	13563	5.06	822511897.00	939857608.90	690064852.08	41827.00	87163767.72	144311044.92	13607855.21
\$70001 TO \$80000	10073	3.76	695422872.00	814731935.87	611876117.07	31954.00	66362892.92	121867843.56	11260025.10
\$80001 TO \$90000	6963	2.60	532100419.00	649054524.68	500150049.99	22062.00	45426453.02	93618955.43	6936209.08
\$90001 TO \$100000	4660	1.74	370013362.00	504643932.17	397286463.18	14755.00	29914591.71	70727157.77	4049718.98
\$100001 TO \$150000	7947	2.97	701929743.00	1102871983.44	893160155.21	25661.00	47835041.27	144969873.56	6519836.20
\$150001 TO \$200000	853	0.32	89483808.00	186064265.47	163004905.63	2641.00	2735090.69	19093869.16	726619.36
\$200001 TO \$300000	109	0.04	9900570.00	42186195.84	39206127.93	274.00	6330.58	2860137.33	104252.06
\$300001 TO \$400000	108	0.04	15939348.00	53490334.51	49940619.07	357.00	105.66	3378409.78	109430.25
OVER \$400000	74	0.03	14865466.00	74469794.42	70193242.72	240.00	2091.60	4170232.80	76103.10
TOTAL	267782	100	8182464762.00	9874179409.39	6738447185.41	606492.00	1254996363.75	1809586566.80	741175271.40

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEORL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	1121559.10	290863.63	1100053.68	15981.99
\$0 TO \$10000	2103811.85	82871.37	1547597.30	21776.07
\$10001 TO \$20000	17557824.82	580555.59	15370308.90	169737.84
\$20001 TO \$30000	33314832.35	2509347.67	30665873.03	481476.58
\$30001 TO \$40000	46576394.51	6065475.44	43760375.07	919632.98
\$40001 TO \$50000	52142396.70	9425966.76	49439786.82	1123109.00
\$50001 TO \$60000	51331971.19	13464061.95	49033252.05	1161336.67
\$60001 TO \$70000	50554882.60	12821717.79	48639119.16	113371.38
\$70001 TO \$80000	47552394.00	12488943.87	46031195.70	1034181.02
\$80001 TO \$90000	41173751.94	11262124.81	40065377.04	857980.61
\$90001 TO \$100000	34910772.34	9955695.12	34138556.73	654124.50
\$100001 TO \$150000	86367644.28	25191172.10	84944382.56	1531095.27
\$150001 TO \$200000	18215114.61	4935838.74	18050322.59	253787.92
\$200001 TO \$300000	5044887.26	1268944.60	5025835.26	36072.26
\$300001 TO \$400000	6420425.99	1726293.98	6395697.99	55917.93
OVER \$400000	9651122.19	2673585.32	9635230.19	29836.50
TOTAL	504039785.60	113293508.73	483842964.07	9481764.51

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2925	1.09	9013.87	-20309.52	3876.24	2.72	5639.70	7803.08	4792.25
\$0 TO \$10000	53944	20.14	4540.00	5749.72	798.17	1.44	3008.83	3701.45	3599.04
\$10001 TO \$20000	52742	19.70	13332.99	15603.35	7027.57	1.76	3690.02	4187.70	3868.28
\$20001 TO \$30000	39408	14.72	22663.32	26149.41	15470.08	2.14	4470.50	5125.59	4274.52
\$30001 TO \$40000	31554	11.78	33673.52	37239.13	24404.90	2.54	5304.00	6296.82	4572.15
\$40001 TO \$50000	24721	9.23	43196.56	47687.15	32884.69	2.83	5905.73	7528.98	4800.03
\$50001 TO \$60000	18138	6.77	51397.60	58337.32	41397.20	2.97	6207.70	9617.57	5051.98
\$60001 TO \$70000	13563	5.06	60643.80	69377.55	50378.48	3.08	6426.58	10640.05	5086.89
\$70001 TO \$80000	10073	3.76	69038.31	81043.66	60744.18	3.17	6588.20	12098.47	5179.40
\$80001 TO \$90000	6963	2.60	76418.27	93375.70	71829.68	3.17	6523.98	13445.20	5244.90
\$90001 TO \$100000	4660	1.74	79402.01	108317.01	85254.61	3.17	6419.44	15177.50	5314.59
\$100001 TO \$150000	7947	2.97	88326.38	138813.34	113018.77	3.23	6019.26	18242.09	5596.47
\$150001 TO \$200000	853	0.32	104910.68	218129.27	191096.02	3.10	3206.44	22384.37	5332.37
\$200001 TO \$300000	109	0.04	90830.92	387029.32	359689.25	2.51	58.08	26056.31	5486.95
\$300001 TO \$400000	108	0.04	148049.52	495280.88	462413.14	3.31	0.98	31281.57	6437.07
OVER \$400000	74	0.03	200884.68	1020134.17	948557.33	3.24	28.26	56354.50	5854.08
TOTAL	267782	100	30556.44	36956.06	25350.65	2.26	4686.63	6757.69	4117.53

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	383.44	99.44	376.09	5.46
\$0 TO \$10000	39.00	1.54	28.69	0.40
\$10001 TO \$20000	332.90	11.01	291.42	3.22
\$20001 TO \$30000	845.38	63.68	778.16	12.22
\$30001 TO \$40000	1476.09	192.23	1386.84	29.14
\$40001 TO \$50000	2109.23	381.29	1999.91	45.43
\$50001 TO \$60000	2830.08	659.61	2703.34	64.03
\$60001 TO \$70000	3727.41	945.35	3586.16	83.59
\$70001 TO \$80000	4720.78	1239.84	4569.76	102.67
\$80001 TO \$90000	5913.22	1617.42	5754.04	123.22
\$90001 TO \$100000	7491.58	2136.42	7325.87	140.37
\$100001 TO \$150000	10867.96	3169.90	10688.86	192.66
\$150001 TO \$200000	21354.18	5845.12	21160.99	299.87
\$200001 TO \$300000	46283.37	11641.69	46108.58	330.94
\$300001 TO \$400000	59448.39	15984.20	59219.43	517.76
OVER \$400000	136420.57	36129.53	130205.81	403.20
TOTAL	1882.28	423.08	1806.85	35.41

TABLE 17
1991 TAX ALTERNATIVE ONE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2826	1.05	26151717.00	-58930891.94	11872666.66	7702.00	16712452.69	22704079.67	9613825.57
\$0 TO \$10000	51193	19.07	233394604.00	292786918.06	36408407.86	74429.00	162795057.60	198011904.68	188677056.95
\$10001 TO \$20000	51365	19.14	686318284.00	799113086.17	348699801.46	90083.00	197027867.60	223647139.26	190566584.05
\$20001 TO \$30000	39219	14.61	889736838.00	1022530539.62	595998716.60	82853.00	181193279.00	205168826.57	136473268.16
\$30001 TO \$40000	31792	11.85	1071210898.00	1181316606.58	768577005.95	79365.00	173430339.69	202249836.33	93983364.12
\$40001 TO \$50000	25107	9.35	1086818833.00	1197238525.45	821357692.71	69920.00	152772111.14	190643103.37	62066212.91
\$50001 TO \$60000	18680	6.96	959615727.00	1087936586.28	767582659.23	55022.00	120208567.00	180798508.82	35065388.29
\$60001 TO \$70000	14172	5.28	862239297.00	983541884.84	717558041.14	43674.00	95213638.27	151635463.79	21077462.14
\$70001 TO \$80000	10701	3.99	734716610.00	866083961.40	647604945.86	33882.00	73706630.40	129320745.22	13229483.90
\$80001 TO \$90000	7572	2.82	576125158.00	705032371.02	541238140.72	23906.00	51677673.59	101179027.58	8368573.74
\$90001 TO \$100000	5223	1.95	412975522.00	565674142.95	443513266.89	16559.00	35189173.36	79515744.94	4880433.00
\$100001 TO \$150000	9204	3.43	813480190.00	1285842525.18	1043039035.46	29707.00	58979616.15	170026835.97	8268831.12
\$150001 TO \$200000	1073	0.40	113944305.00	231801267.08	201633784.26	3371.00	4370942.86	24230939.96	901382.44
\$200001 TO \$300000	143	0.05	15670147.00	52588873.08	48697808.45	349.00	15526.73	3690737.90	134281.32
\$300001 TO \$400000	44	0.02	7005312.00	22124906.06	20646225.25	142.00	0.00	1412280.81	68730.50
OVER \$400000	79	0.03	15733671.00	86653603.57	82178076.31	251.00	0.00	4360327.26	58014.80
TOTAL	268393	100	8505137113.00	10321334905	7096606274.75	611215.00	1323292876.09	1888595502.14	773432893.01

	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
AGI GROUP				
LOSS	1248321.95	336440.56	1228947.03	15682.10
\$0 TO \$10000	1803531.21	77499.51	1315109.02	20885.12
\$10001 TO \$20000	16483892.14	551112.32	14413657.78	159364.22
\$20001 TO \$30000	32626823.91	2470230.89	30030846.13	479065.61
\$30001 TO \$40000	46727395.55	6129571.69	43930216.39	906529.21
\$40001 TO \$50000	52968022.43	9607349.66	50252461.96	1138590.37
\$50001 TO \$60000	52539601.63	12237575.24	50199084.12	1191246.06
\$60001 TO \$70000	52624462.47	13359408.90	50633131.52	1179198.21
\$70001 TO \$80000	50419336.20	13187834.48	48812744.32	1089554.71
\$80001 TO \$90000	44522203.49	12151134.67	43320563.71	923805.81
\$90001 TO \$100000	38951241.39	11106773.92	38080590.97	719824.99
\$100001 TO \$150000	100483155.19	29170656.68	98834870.08	1765045.86
\$150001 TO \$200000	22391457.21	6251485.02	22183010.08	321107.21
\$200001 TO \$300000	6189472.50	1609254.55	6163220.50	48758.54
\$300001 TO \$400000	2672200.66	682540.48	2662572.66	12789.29
OVER \$400000	11363725.06	3153124.29	11347021.06	43369.94
TOTAL	534014843.00	122081992.87	513416047.33	10014817.25

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2826	1.05	9253.97	-20904.89	4201.23	2.73	5913.82	8034.00	5009.81
\$0 TO \$10000	51193	19.07	4559.11	5746.33	711.20	1.45	3180.03	3867.95	3768.72
\$10001 TO \$20000	51365	19.14	13361.59	15592.75	6788.67	1.75	525.84	4354.08	4028.64
\$20001 TO \$30000	39219	14.61	22686.37	26124.95	15196.68	2.11	4620.04	5231.36	4435.99
\$30001 TO \$40000	31792	11.85	33694.35	37213.85	24175.17	2.50	5455.16	6361.66	4733.01
\$40001 TO \$50000	25107	9.35	43287.48	47742.49	32714.29	2.78	6084.84	7593.23	4972.06
\$50001 TO \$60000	18680	6.96	51371.29	58309.39	41091.15	2.95	6435.15	9678.72	5250.10
\$60001 TO \$70000	14172	5.28	60841.05	69473.89	50632.09	3.08	6718.43	10699.65	5311.86
\$70001 TO \$80000	10701	3.99	68658.69	81094.00	60518.17	3.17	6887.83	12084.92	5373.47
\$80001 TO \$90000	7572	2.82	76086.26	93245.92	71478.89	3.16	6824.84	13362.26	5491.19
\$90001 TO \$100000	5223	1.95	79068.64	108345.94	84915.43	3.17	6737.35	15224.15	5564.92
\$100001 TO \$150000	9204	3.43	88383.33	139735.11	113324.54	3.23	6408.04	18473.15	5839.57
\$150001 TO \$200000	1073	0.40	106192.27	216031.00	187915.92	3.14	4073.57	22582.42	5704.95
\$200001 TO \$300000	143	0.05	109581.45	367754.36	340544.12	2.44	108.58	25809.36	6103.70
\$300001 TO \$400000	44	0.02	159211.64	502838.77	469232.39	3.23	0.00	32097.29	6873.05
OVER \$400000	79	0.03	199160.39	1096881.06	1040228.81	3.18	0.00	55194.02	5801.48
TOTAL	268393	100	31689.12	38541.35	26441.10	2.28	4930.43	7036.68	4308.41

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	441.73	119.05	434.87	5.55
\$0 TO \$10000	35.23	1.51	25.69	0.41
\$10001 TO \$20000	320.92	10.73	280.61	3.10
\$20001 TO \$30000	831.91	62.99	765.72	12.22
\$30001 TO \$40000	1469.78	192.80	1381.80	28.51
\$40001 TO \$50000	2109.69	382.66	2001.53	45.35
\$50001 TO \$60000	2812.61	655.12	2687.32	63.77
\$60001 TO \$70000	3713.27	942.66	3572.76	83.21
\$70001 TO \$80000	4711.65	1232.39	4561.51	101.82
\$80001 TO \$90000	5879.85	1604.75	5721.15	122.00
\$90001 TO \$100000	7457.64	2126.51	7292.47	137.82
\$100001 TO \$150000	10917.34	3169.35	10738.25	191.77
\$150001 TO \$200000	20868.09	5826.17	20673.82	299.26
\$200001 TO \$300000	43283.02	11253.53	43099.44	360.97
\$300001 TO \$400000	60731.83	15512.28	60513.02	290.67
OVER \$400000	143844.62	39912.97	143633.18	548.99
TOTAL	1989.68	656.86	1912.93	37.31

TABLE 18
1992 TAX ALTERNATIVE ONE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2782	1.03	25603313.00	-59702639.05	10093941.91	7712.00	17534219.64	23117590.28	10112748.75
\$0 TO \$10000	48792	18.13	223074635.00	278533905.75	31083547.41	71311.00	163121893.20	196487788.19	187724315.76
\$10001 TO \$20000	50190	18.65	676856501.00	781699606.62	330045403.10	87589.00	200352533.20	223917120.72	194515019.66
\$20001 TO \$30000	38976	14.48	838895439.00	1015967845.12	583680017.10	80948.00	185153768.80	207987386.91	142916341.15
\$30001 TO \$40000	32175	11.96	1106841949.00	1198468641.04	775128730.30	78924.00	180405355.49	205316610.90	99733008.05
\$40001 TO \$50000	25484	9.47	1115540797.00	1217226964.02	830492206.51	70076.00	160127424.80	194024120.63	66688532.03
\$50001 TO \$60000	18908	7.03	972929669.00	1100596817.88	772178558.60	54889.00	125429476.70	183563174.45	38343422.91
\$60001 TO \$70000	14503	5.39	880193746.00	1006003243.51	730736458.78	44089.00	100552474.48	156264946.87	23516550.80
\$70001 TO \$80000	11144	4.14	765860463.00	901551955.07	669984614.85	35168.00	80047845.52	135445269.78	14948299.33
\$80001 TO \$90000	8039	2.99	611409955.00	749701168.29	571757051.78	25269.00	57239380.77	109355337.09	9596233.60
\$90001 TO \$100000	5768	2.14	455260282.00	625050219.33	487649380.69	18361.00	40948603.67	88024673.89	6242568.00
\$100001 TO \$150000	10728	3.99	956129483.00	1494754712.25	1208526139.92	34623.00	72967216.34	197215927.20	10237601.20
\$150001 TO \$200000	1357	0.50	144745472.00	297047438.44	257914997.04	4346.00	6347180.72	30778660.88	1286368.80
\$200001 TO \$300000	170	0.06	16224039.00	62192474.87	57614008.24	449.00	45981.68	4302084.94	156614.40
\$300001 TO \$400000	28	0.01	4277365.00	13337617.96	12565041.78	99.00	0.00	727776.18	28720.00
OVER \$400000	85	0.03	18159817.00	82022574.16	77743067.26	307.00	0.00	4151506.90	60416.00
TOTAL	269129	100	8862002930.00	10764452545	7407193165.22	614150.00	1390273605.02	1960679975.81	806106310.44

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	1006130.99	264357.35	986855.24	14170.60
\$0 TO \$10000	1573921.41	81549.18	1144593.69	19037.82
\$10001 TO \$20000	15551262.60	526845.25	13579747.87	156952.81
\$20001 TO \$30000	32005296.10	2464903.66	29463562.13	474819.44
\$30001 TO \$40000	47406690.51	6392973.55	44602724.36	955896.73
\$40001 TO \$50000	53954081.29	9857918.06	51230445.42	1178149.87
\$50001 TO \$60000	53039713.49	12341596.26	50699615.39	1200190.35
\$60001 TO \$70000	53737940.83	13691359.24	51721442.57	1216923.63
\$70001 TO \$80000	52059122.92	13655790.97	50390910.90	1141236.66
\$80001 TO \$90000	47051820.45	12810880.39	45782613.45	982041.83
\$90001 TO \$100000	42788261.78	12229537.33	41835630.01	808184.41
\$100001 TO \$150000	116144108.56	33925776.35	114225631.90	2060851.25
\$150001 TO \$200000	28629757.75	7893321.93	28362116.15	409236.62
\$200001 TO \$300000	7271097.18	1884779.62	7238337.18	59240.02
\$300001 TO \$400000	1607227.06	434075.85	1600731.06	8611.26
OVER \$400000	10657664.75	2955438.00	10639104.75	59705.05
TOTAL	564484177.66	131411102.98	543504062.07	10745248.36

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2782	1.03	9203.20	-21514.46	3628.30	2.77	6302.74	8309.70	5355.74
\$0 TO \$10000	48792	18.13	4571.95	5735.52	637.06	1.46	3343.21	4027.05	3931.40
\$10001 TO \$20000	50190	18.65	13485.88	15611.82	6575.92	1.75	3991.88	4461.39	4174.68
\$20001 TO \$30000	38976	14.48	22806.23	26120.78	14975.37	2.08	4750.46	5336.29	4575.67
\$30001 TO \$40000	32175	11.96	34400.68	37302.93	24091.03	2.45	5607.00	6181.25	4877.87
\$40001 TO \$50000	25484	9.47	43774.16	47822.53	32588.77	2.75	6283.45	7613.57	5128.31
\$50001 TO \$60000	18908	7.03	51455.98	58278.89	40838.72	2.90	6633.67	9708.23	5455.03
\$60001 TO \$70000	14503	5.39	60690.46	69451.38	50385.19	3.04	6933.22	10774.66	5521.61
\$70001 TO \$80000	11144	4.14	68724.02	81038.38	60120.66	3.16	7183.04	12154.10	5630.24
\$80001 TO \$90000	8039	2.99	76055.47	93409.07	71122.91	3.14	7120.21	13603.10	5698.48
\$90001 TO \$100000	5768	2.14	78928.62	108402.74	84543.93	3.18	7099.27	15260.87	5796.26
\$100001 TO \$150000	10728	3.99	89124.67	139384.06	112651.58	3.23	6801.57	18383.29	6072.12
\$150001 TO \$200000	1357	0.50	106665.79	218900.10	190062.64	3.20	4677.51	22681.40	5953.11
\$200001 TO \$300000	170	0.06	95435.52	365838.09	338905.93	2.64	270.48	25306.38	6264.58
\$300001 TO \$400000	28	0.01	152763.04	476343.50	448751.49	3.54	0.00	25992.01	7180.00
OVER \$400000	85	0.03	213644.91	964971.46	914624.32	3.61	0.00	48841.26	6041.60
TOTAL	269129	100	32928.46	40085.70	27522.84	2.28	5165.83	7285.28	4488.90

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	361.66	95.02	354.73	5.09
\$0 TO \$10000	32.26	1.67	23.46	0.39
\$10001 TO \$20000	309.85	10.50	270.57	3.13
\$20001 TO \$30000	821.15	63.24	755.94	12.18
\$30001 TO \$40000	1473.40	198.69	1386.25	29.71
\$40001 TO \$50000	2117.17	386.83	2010.30	46.23
\$50001 TO \$60000	2805.15	652.72	2681.38	63.48
\$60001 TO \$70000	3705.30	944.04	3566.26	83.91
\$70001 TO \$80000	4671.49	1225.39	4521.80	102.41
\$80001 TO \$90000	5852.94	1593.59	5695.06	122.16
\$90001 TO \$100000	7418.21	2120.24	7253.06	140.12
\$100001 TO \$150000	10826.27	3162.36	10647.43	192.10
\$150001 TO \$200000	21097.83	5816.74	20900.60	301.57
\$200001 TO \$300000	42771.16	11086.94	42578.45	368.47
\$300001 TO \$400000	57400.97	15502.71	57168.97	307.54
OVER \$400000	125384.29	34769.86	125165.94	702.41
TOTAL	2097.45	488.28	2019.49	39.93

Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 19
LIABILITY TO COLLECTIONS
TAX ALTERNATIVE ONE
MODERATE ECONOMIC SCENARIO

FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)
86				325.98	
98/1	\$0	\$1	(\$1)		
/2	\$0	\$0	(\$0)		
/3	\$1	\$3	(\$1)		
/4	\$87	\$6	\$82		
TOTAL	\$89	\$9	\$79	338.66	\$76
89/1	\$116	\$5	\$111		
/2	\$153	\$2	\$151		
/3	\$149	\$16	\$132		
/4	\$128	\$36	\$92		
TOTAL	\$545	\$60	\$486	354.17	\$447
90/1	\$126	\$6	\$120		
/2	\$167	\$2	\$165		
/3	\$162	\$20	\$142		
/4	\$136	\$44	\$93		
TOTAL	\$592	\$72	\$520	370.39	\$457
91/1	\$134	\$5	\$129		
/2	\$176	\$2	\$175		
/3	\$172	\$16	\$156		
/4	\$145	\$35	\$110		
TOTAL	\$627	\$57	\$570	387.35	\$480
92/1	\$142	\$5	\$137		
/2	\$187	\$2	\$185		
/3	\$182	\$15	\$167		
/4	\$147	\$34	\$113		
TOTAL	\$657	\$55	\$602	405.09	\$485

ALTERNATIVE TWO: LIMITED BRACKETS/ FEDERAL TAX BASE

This alternative is piggybacked to the federal law for most of its tax base elements.

Relationship to Federal Law

The following chart taken from the Price Waterhouse Guide to the New Tax Law(14) provides a convenient framework for discussing a tax structure which is similar in construction to the new federal law.

FEDERAL LAW CHANGES AT A GLANCE

<u>Old Law</u>	<u>New Law</u>
Fifteen brackets, ranging up to 50 percent	1987; Five brackets, ranging up to 38.5 percent
	1988 Two brackets, 15 and 28 percent
Taxpayers may use income-averaging	Income averaging is no longer allowed
Two-earner deduction is available to working couples	Two-earner deduction is eliminated
Taxpayers may exclude \$100 of dividend income from taxation	Dividend exclusion is no longer permitted

State Structure

A state law might be structured as follows:

1. Adopt new federal rules to derive the taxable income base;
2. Divide taxable income into a small number (2 or 3) of brackets according to some objective criteria or adopt the Federal brackets.
3. Specify state tax rates for each of the chosen brackets with income in the higher bracket(s) being taxed at a higher rate.

The details except for the limited number of brackets and rates are similar to the previous case.

Tax Base

The federal law has changed dramatically since the Alaska individual income tax was in effect. This proposal assumes that the changes adopted by the federal government will be referenced in Alaska Statute much as they were in 1978-1979. This will result in the expansion of the tax base through the inclusion of more items in income, a decrease in both exclusions and itemized deductions from income, and an increase in standard deductions and the value of exemptions, resulting in lower taxable income in the lower part of the income distribution and higher taxable income in the upper part of the income distribution. The specifics of the changes resulting from tax reform at the federal level are available in a number of publications and we will not attempt to discuss those here. The provisions of the new law that we assume would be effective for this proposal are summarized below.

Income Inclusions and Exclusions

Included as total income are wages, salaries, tips, interest income, dividends, income tax refunds, alimony received, business income, capital gains, pensions, IRA and annuity distributions, rents, royalties, partnership, estates, trusts, farm income, unemployment insurance (which we are unable to include in our model), social security benefits and other income. The new Federal law eliminates the \$100 - \$200 exclusion of dividend income and treats the full amount of capital gain as ordinary income. The Alaska Permanent Fund Dividend is included as income.

New restrictions are now included in the Federal law which define passive and active participation in ventures and set limits for higher income taxpayers on offsetting losses of any kind. Passive losses cannot be used to offset other income except for \$25,000 in participatory rental losses. (Passive losses occur particularly in some partnership and rental activities.)

Income Adjustments

Under the new Federal law, only the Keogh plan contributions, savings withdrawal penalties and alimony paid adjustments from income remain. Eliminated is the Two Earner adjustment; while the IRA adjustment is phased out at higher income levels or eliminated if the employer covers the employee with a retirement plan. The moving expense and employee business expense adjustment are now deductions.

Treatment of the Alaska Permanent Fund Dividend

All of the alternatives presented include the Alaska Permanent Fund Dividend as taxable income. The 1989 low case Table 20 indicates a loss of \$16 million if the PFD were not taxable (\$393.9 million with PFD included - \$377.9 million with PFD excluded). The taxable income presented in the tables is with PFD not taxable. Children and other persons not required to file will not pay tax on the PFD. The estimates of the PFD are as follows:

1988	\$750
1989	\$800
1990	\$800
1991	\$800
1992	\$800

These are rounded values from the December 1986 Long Run Fiscal Model of the Department of Revenue.(15)

Nonresident Apportionment

As was done in the 1978 Alaska individual income tax, nonresident workers apportion their income by source state in this proposal. The apportionment ratio is obtained by dividing Alaska adjusted gross income (income earned in this state or attributable to investments in this state) by total adjusted gross income. The ratio obtained is used to adjust exemptions and standard deduction. Itemized deductions are apportioned to Alaska based on the expenditure location, property site or source of income to pay the expenditure.

Standard Deduction

The following standard deductions are assumed to be adopted from the Federal Code and are indexed yearly for inflation.

<u>Filing Status</u>	<u>Standard Deduction</u>	<u>Add'l for Blindness/ Age Exemption</u>
Single	\$3,000	\$750 per Exemption
Married Filing Joint	\$5,000	\$600 per Exemption
Married Filing Sep	\$2,500	\$600 per Exemption
Head of Household	\$4,400	\$750 per Exemption

Itemized Deductions

Those with greater than the standard deduction can itemize deductions on state returns as done on the Federal return. Alaska income taxes cannot be deducted for Alaska tax although they can for Federal income tax. Medical expenses in excess of 7.5 percent of adjusted gross income are deductible. Sales taxes are not deductible but property taxes are. Home mortgage interest (for primary and secondary residences) is still deductible, but consumer interest is phased out and other mortgage interest is no longer deductible. Union and professional dues, tax return preparation fees, employee business expenses are also deductible, but must total more than two percent of adjusted gross income. Moving expenses are deductible.

Personal Exemptions

Exemptions are available for the taxpayer, spouse, dependents and for certain debilitating conditions. They are worth \$1,350 each in 1988, \$2,000 in 1989 and are indexed for inflation thereafter. For higher income taxpayers, the value of these exemptions is reduced by five percent of taxable income if taxable income is greater than the threshold amount (which is indexed yearly for inflation).

<u>Filing Status</u>	<u>Income Threshold</u>
Single	\$89,560
Married Filing Joint	\$149,200
Married Fil'g Separately	\$113,300
Head of Household	\$123,790

Tax Credits

We have not included any tax credits in these proposals. Summaries of the major tax credits effective in Alaska and profiles of the taxpayers and amounts credited have been published previously and are available from this office.(16)

Tax Rates

The rates and rate groups assumed to be in place for this proposal are presented below. These rates are a set that make the alternative revenue neutral compared to the first alternative and the last alternative, for the first year (1988) only. That is, all three proposals are constructed to raise approximately the same revenue.

TAXABLE INCOME LEVEL	SINGLE
\$0-\$25,000	SEPARATE
\$25,000 & MORE	6.5%
	11.5%
TAXABLE INCOME LEVEL	HOUSEHOLD HEAD
\$0-\$50,000	JOINT
\$50,000 & MORE	6.5%
	11.5%

ISSUES

Economic Efficiency

As in the first case it is difficult to make precise statements about efficiency of a limited bracket tax. It obviously will entail costs as individuals and businesses make adjustments. The difficult question is what extra additional adjustments would be made with a state income tax. One could possibly argue that this would be a good time to impose a state tax. Individuals and businesses are in the process of adjusting to new federal rules and could more readily modify their decisions than would be the case if the state waits several years to reimpose a tax.

Income Elasticity

The limited number of brackets would probably cause this type of tax to be less revenue elastic than the first case. Under a system with narrower brackets and more numerous rates real or inflation driven increases in income can easily push returns into higher brackets with larger marginal rates. Conversely with rates that apply to broader income ranges it seems that bracket creep would be less of a phenomenon.

Equity

One possible disadvantage of this type of structure is that those at the lower end of each bracket are taxed at the same nominal rate as those at the upper end. The tax is still progressive in nature across brackets. It is progressive to a lesser extent within brackets given that the personal exemption excludes a larger proportion of the lower income from the tax.

Changes in tax laws have implications for horizontal equity in that individuals make commitments based on existing tax laws which are difficult or impossible to reverse. When the law changes this can reduce welfare. An example is the reduced deduction for personal interest expenses under the new federal law. Persons who entered installment purchase agreements prior to the change are going to be adversely affected.

Administration and Compliance

Comments made on the first tax structure also apply to this case. Compliance costs could be reduced from the first case since this structure is simply a scaled down version of the new federal system. Brackets could be made identical and this could simplify the preparation of returns.

Nonresident Taxpayers

This alternative captures the nonresident worker in the tax base fairly effectively. Alaskan employers submit payroll taxes regardless of the residence of the worker. The potential for avoiding estimated payments remains but is no worse or better for this alternative than any other. The apportionment of nonresident (or part year resident) income seems fair and is generally consistent with practice in other states.

Intergovernmental Effects

All state income taxes are deductible from Federal income. This causes a leakage of tax from the federal government to the State. The 1988 low case Table 20 below shows that for every dollar of Alaska tax paid, the taxpayer pays only 80¢ while the Federal government leaks 20¢ of it to the State (\$79.5 million in Federal leakage / \$393.9 million in State tax liability).

On the other hand, the deductibility from income taxes of property taxes (generally levied at the local government level), erodes the tax base of the State. The estimated leakage of tax from the State to local government estimated under this alternative is presented in the tables below. The 1988 low case Table 20 indicates a leakage from municipal property taxes of \$6.4 million.

Inflation Effects

Inflation adjustments are present in the exemption, deduction, and income limit amounts of this tax alternative. Inflation adjustment to the tax brackets in the rate structure will also help to prevent bracket creep, where taxpayers who may be no better off in any real sense (their income, after adjustment for inflation, is no greater) may have to pay greater portions in tax. As noted, the wider brackets make bracket creep less likely, but without indexing of any amounts expressed in dollar terms, inflation remains a concern.

TABLE 20
1988 TAX ALTERNATIVE TWO
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2878	1.19	26309170.00	-61678792.91	9522088.47	7805.00	15093065.29	21978299.00	8361481.80
\$0 TO \$10000	53355	22.06	248499609.00	305298030.85	51103488.58	78669.00	153385050.00	182077568.76	163834035.70
\$10001 TO \$20000	49490	20.46	668216244.00	769719577.88	361711133.07	91714.00	178824750.00	196100662.73	156198215.60
\$20001 TO \$30000	36082	14.92	822338578.00	943559133.02	567599932.03	82151.00	160156933.31	178839871.42	110198161.10
\$30001 TO \$40000	28778	11.90	971451140.00	1072829850.36	711225185.16	77343.00	150610013.87	177719720.99	73655960.10
\$40001 TO \$50000	22390	9.26	973365388.00	1068241985.88	746097930.25	65702.00	127937517.15	165810358.80	6497736.20
\$50001 TO \$60000	15856	6.56	815676730.00	923230676.83	661901490.79	48533.00	94469411.63	152000537.48	23540605.70
\$60001 TO \$70000	11225	4.64	683752605.00	777522186.01	575697419.09	35348.00	68617104.41	118871746.80	12946000.00
\$70001 TO \$80000	7883	3.26	542298283.00	636844305.28	482688052.22	25290.00	48879109.84	94435768.96	7230400.00
\$80001 TO \$90000	5208	2.15	398926188.00	485165674.57	376776961.75	16585.00	31662349.51	69861199.66	4521200.00
\$90001 TO \$100000	3243	1.34	256764893.00	349859148.04	277822663.84	10278.00	19120685.92	48547255.19	2540200.00
\$100001 TO \$150000	4837	2.00	425160325.00	668888559.51	548327386.29	15373.00	25887775.21	87967943.02	3339400.00
\$150001 TO \$200000	412	0.17	40720223.00	91310515.75	80761636.75	1223.00	743708.82	9273420.18	245100.00
\$200001 TO \$300000	55	0.02	4703336.00	22032721.97	20473845.20	128.00	6049.24	1497327.53	22000.00
\$300001 TO \$400000	93	0.04	15285945.00	44902551.74	41886181.28	297.00	0.00	2880620.46	69000.00
OVER \$400000	79	0.03	17348776.00	75394772.03	71074644.61	260.00	1930.00	4216627.42	28000.00
TOTAL	241864	100	6910821433.00	8173120946.79	5584670039.37	556699.00	1075395474.20	1512078933.40	616707496.20

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITIES
	SUM	SUM	SUM	SUM
1055	805951.00	200322.54	786573.72	13324.86
\$0 TO \$10000	4435674.10	113000.43	3349095.35	36028.81
\$10001 TO \$20000	26219840.58	777071.59	23464027.34	215233.57
\$20001 TO \$30000	39176979.56	2773480.06	36688166.92	655076.67
\$30001 TO \$40000	46660490.14	5659491.37	44654047.80	646396.23
\$40001 TO \$50000	47545498.74	8515129.86	45797643.17	730658.97
\$50001 TO \$60000	42090912.62	9815637.85	40718882.46	704807.30
\$60001 TO \$70000	37811798.08	9620499.84	36507427.15	790003.65
\$70001 TO \$80000	34225035.73	9042808.09	33091264.77	794083.68
\$80001 TO \$90000	28681819.07	7906701.10	27886221.43	636653.01
\$90001 TO \$100000	22072167.13	6419023.32	21578111.24	430551.89
\$100001 TO \$150000	45828246.99	13580189.39	45096326.12	791755.21
\$150001 TO \$200000	6892991.47	1896647.98	6837739.72	88859.21
\$200001 TO \$300000	1000047.14	273130.16	996071.02	7574.74
\$300001 TO \$400000	4355330.30	1167429.82	4339951.93	34668.66
OVER \$400000	6136956.01	1717787.68	6123717.63	29168.83
TOTAL	393940688.69	79477771.07	377915267.78	6407645.08

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	HUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LO55	2878	1.19	9141.48	-21498.36	3308.58	2.71	5244.29	7636.66	4393.84
\$0 TO \$10000	53355	22.06	4657.48	5748.09	957.80	1.47	2874.80	3412.57	3299.22
\$10001 TO \$20000	49490	20.46	13502.01	15587.05	7308.77	1.85	3613.35	3962.43	3600.95
\$20001 TO \$30000	36082	14.92	22790.83	26205.61	15730.83	2.28	4438.69	4956.48	4013.63
\$30001 TO \$40000	28778	11.90	33756.73	37330.10	24714.20	2.69	5233.51	6175.54	4292.56
\$40001 TO \$50000	22390	9.26	43473.22	47761.87	33322.82	2.93	5714.05	7405.55	4509.95
\$50001 TO \$60000	15856	6.56	51442.78	58303.17	41744.54	3.06	5957.96	9586.31	4710.01
\$60001 TO \$70000	11225	4.64	60913.37	69341.14	51287.08	3.15	6112.88	10589.91	4726.54
\$70001 TO \$80000	7883	3.26	68793.39	80930.78	61231.52	3.21	6200.57	11979.67	4759.97
\$80001 TO \$90000	5208	2.15	76598.73	93283.15	72345.81	3.18	6079.56	13414.21	4840.69
\$90001 TO \$100000	3243	1.34	79175.11	107947.90	85668.41	3.17	5895.99	14969.86	4875.62
\$100001 TO \$150000	4837	2.00	87897.52	138371.65	113361.05	3.18	5352.03	18186.47	5129.65
\$150001 TO \$200000	412	0.17	98835.49	221627.47	196023.39	2.97	1805.12	22508.30	4713.46
\$200001 TO \$300000	55	0.02	85624.29	400594.94	372251.73	2.33	109.99	27224.14	4400.00
\$300001 TO \$400000	93	0.04	164365.00	482823.14	450389.05	3.19	0.00	30974.41	5750.00
OVER \$400000	79	0.03	219604.76	966599.64	899679.05	3.29	24.68	53375.03	4666.67
TOTAL	241864	100	28573.17	33870.36	23090.13	2.30	4446.28	6251.77	3795.61

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	280.04	69.60	273.31	4.63
\$0 TO \$10000	83.19	2.12	62.77	0.68
\$10001 TO \$20000	529.80	15.70	474.12	4.41
\$20001 TO \$30000	1085.78	76.87	1016.80	12.61
\$30001 TO \$40000	1621.39	196.66	1551.67	22.46
\$40001 TO \$50000	2123.51	380.31	2045.45	32.63
\$50001 TO \$60000	2654.57	619.01	2568.04	44.45
\$60001 TO \$70000	3368.53	857.06	3252.33	70.38
\$70001 TO \$80000	4341.63	1147.13	4197.80	100.73
\$80001 TO \$90000	5507.26	1518.18	5354.50	122.25
\$90001 TO \$100000	6806.10	1979.35	6653.75	132.76
\$100001 TO \$150000	9474.52	2807.56	9323.20	163.69
\$150001 TO \$200000	16730.56	4603.51	16596.46	215.68
\$200001 TO \$300000	18182.68	4966.00	18110.38	137.72
\$300001 TO \$400000	46831.51	12553.01	46666.15	370.63
OVER \$400000	77657.67	21744.15	77515.41	369.23
TOTAL	1628.77	328.61	1562.51	26.49

TABLE 21
1989 TAX ALTERNATIVE TWO
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2727	1.14	24579758.00	-59527626.97	8539877.59	7470.00	14846327.64	21084905.50	8367769.76
\$0 TO \$10000	49750	20.81	232987396.00	286672325.82	43820769.88	73786.00	147556000.00	176304462.61	163787805.25
\$10001 TO \$20000	48252	20.19	656298356.00	751585286.54	343897257.30	89031.00	178042000.00	195143890.35	157531673.01
\$20001 TO \$30000	35369	14.80	812405077.00	923763680.84	548745272.46	79515.00	159008000.00	177599705.33	112547490.52
\$30001 TO \$40000	28712	12.01	985741252.00	1070678566.88	706774140.62	76053.00	151948000.00	176830167.86	77262576.00
\$40001 TO \$50000	22522	9.42	989322698.00	1074621071.55	746927729.42	65638.00	131085200.65	166106723.06	48722923.85
\$50001 TO \$60000	15948	6.67	819697745.00	928255468.79	661843839.95	48377.00	96615931.55	153682669.80	25767530.03
\$60001 TO \$70000	11568	4.84	704321793.00	801060959.06	589753611.64	36355.00	72433344.64	123148975.88	14463323.70
\$70001 TO \$80000	8326	3.48	572604837.00	673113198.20	507520192.42	26733.00	53047841.18	100359852.33	8500826.94
\$80001 TO \$90000	5626	2.35	431283215.00	523202734.79	404613126.68	17881.00	35189627.87	75257881.92	5220974.82
\$90001 TO \$100000	3642	1.52	288673205.00	394794853.94	311889364.95	11567.00	22348398.95	55279979.96	2997955.44
\$100001 TO \$150000	5790	2.42	512296742.00	802432875.56	655680697.13	18561.00	32805332.25	105314904.19	4263216.36
\$150001 TO \$200000	541	0.23	56662960.00	119475168.33	105190074.84	1648.00	1339483.93	12180009.57	375576.60
\$200001 TO \$300000	64	0.03	6216251.00	25806499.57	24055611.52	148.00	0.00	1675688.05	24070.20
\$300001 TO \$400000	106	0.04	18829475.00	48952894.76	45458394.83	356.00	346.64	3326953.30	95235.00
OVER \$400000	90	0.04	17208477.00	94194971.63	89647513.03	285.00	4000.00	4430533.40	79197.60
TOTAL	239033	100	7129129237.00	8459082929.26	5794357474.22	553404.00	1096269835.30	1547727303.11	630008145.07

	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
AGI GROUP				
LOSS	702031.58	175564.55	683889.89	11448.01
\$0 TO \$10000	3907670.17	95409.30	2866945.57	35723.00
\$10001 TO \$20000	25131022.67	761567.21	22309042.40	216444.60
\$20001 TO \$30000	38084505.38	2722826.15	35507304.99	450738.36
\$30001 TO \$40000	46436544.11	5733877.52	44337287.36	649397.15
\$40001 TO \$50000	47580392.01	8541177.00	45726616.09	740189.09
\$50001 TO \$60000	41919178.52	9754356.03	40472479.53	700788.28
\$60001 TO \$70000	38684465.03	9862651.70	37266681.00	808872.49
\$70001 TO \$80000	35971210.18	9522570.45	34697611.36	836398.06
\$80001 TO \$90000	30788824.69	8482168.65	29873813.72	674914.07
\$90001 TO \$100000	25023309.82	7264074.17	24426740.57	487725.29
\$100001 TO \$150000	55248384.16	16364553.68	54303123.36	955908.56
\$150001 TO \$200000	9220857.89	2567027.92	9139769.09	120569.23
\$200001 TO \$300000	1426380.41	374095.26	1420133.61	12528.72
\$300001 TO \$400000	4950982.18	1303539.32	4931836.98	37320.01
OVER \$400000	7656004.34	2090602.80	7643409.54	35157.00
TOTAL	412731763.13	85616059.73	395606685.05	6774121.92

AGI GROUP	H	PCTN	HAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2727	1.14	9013.48	-21885.16	3131.60	2.74	5444.20	7731.91	4575.05
\$0 TO \$10000	49750	20.81	4683.16	5787.85	882.82	1.48	2965.95	3543.81	3438.61
\$10001 TO \$20000	48252	20.19	13601.47	15610.54	7127.11	1.85	3689.84	4044.27	3731.03
\$20001 TO \$30000	35369	14.80	22969.41	26168.20	15514.87	2.25	4495.69	5021.34	4141.43
\$30001 TO \$40000	28712	12.01	34332.03	37342.30	24615.98	2.65	5292.14	6158.75	4420.31
\$40001 TO \$50000	22522	9.42	43926.95	47771.55	33164.36	2.91	5820.32	7375.31	4631.02
\$50001 TO \$60000	15948	6.67	51398.15	58278.22	41500.12	3.03	6058.18	9636.49	4883.91
\$60001 TO \$70000	11568	4.84	60885.36	69343.92	50981.47	3.14	6261.53	10645.66	4926.20
\$70001 TO \$80000	8326	3.48	68773.10	81019.88	60956.06	3.21	6371.35	12053.79	4985.82
\$80001 TO \$90000	5626	2.35	76658.94	93146.29	71918.44	3.18	6254.82	13376.80	5054.19
\$90001 TO \$100000	3642	1.52	79262.27	108489.93	85636.84	3.18	6136.30	15178.47	5133.49
\$100001 TO \$150000	5790	2.42	88479.58	138637.33	113243.64	3.21	5665.86	18189.10	5329.02
\$150001 TO \$200000	541	0.23	104737.45	220841.35	194436.37	3.05	2475.94	22513.88	5216.34
\$200001 TO \$300000	64	0.03	97128.92	403226.56	375868.93	2.31	0.00	26182.63	4814.04
\$300001 TO \$400000	106	0.04	177636.56	461819.76	428552.78	3.36	3.27	31386.35	6349.00
OVER \$400000	90	0.04	191205.30	1070397.40	996083.48	3.17	44.44	49228.15	4949.85
TOTAL	239033	100	29824.87	35468.60	24240.83	2.32	4586.27	6474.95	3954.83

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDML TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	257.44	64.38	250.78	4.20
\$0 TO \$10000	78.55	1.92	57.63	0.72
\$10001 TO \$20000	520.83	15.78	462.34	4.49
\$20001 TO \$30000	1076.78	76.98	1003.91	72.74
\$30001 TO \$40000	1617.32	199.70	1544.21	22.62
\$40001 TO \$50000	2112.62	379.24	2030.31	32.87
\$50001 TO \$60000	2628.49	611.63	2537.78	43.94
\$60001 TO \$70000	3344.09	852.58	3221.53	69.92
\$70001 TO \$80000	4320.35	1143.71	4167.38	100.46
\$80001 TO \$90000	5472.60	1507.67	5309.96	119.96
\$90001 TO \$100000	6870.76	1994.53	6706.96	133.92
\$100001 TO \$150000	9542.04	2826.35	9378.78	165.10
\$150001 TO \$200000	17044.10	4744.97	16894.21	222.86
\$200001 TO \$300000	22287.19	5845.24	22189.59	195.76
\$300001 TO \$400000	46707.38	12297.54	46526.76	352.08
OVER \$400000	85066.71	23228.92	84926.77	390.63
TOTAL	1726.67	358.18	1655.03	28.34

TABLE 22
1990 TAX ALTERNATIVE TWO
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2622	1.13	25526126.00	-54911695.16	11333431.23	7222.00	14955107.50	21076660.44	8483328.06
\$0 TO \$10000	45296	19.52	209413184.00	260591560.84	35461641.15	67414.00	140990635.47	168623004.08	158474657.30
\$10001 TO \$20000	44893	19.34	607363524.00	699222851.80	309927139.85	81794.00	171067780.80	188890844.23	159317118.76
\$20001 TO \$30000	33958	14.63	775758196.00	888313489.07	520665780.64	74942.00	156725679.60	174641883.02	113826028.76
\$30001 TO \$40000	27907	12.03	956564806.00	1040705076.59	680127666.79	72648.00	151780933.34	175199547.49	79145947.52
\$40001 TO \$50000	22315	9.62	978808639.00	1064817448.92	733981817.95	64267.00	134250481.18	166743279.85	51893937.69
\$50001 TO \$60000	16087	6.93	828475374.00	936611011.46	663039954.41	48500.00	101311016.69	155989373.02	28052083.90
\$60001 TO \$70000	11938	5.14	724824159.00	826709341.16	605454012.30	37315.00	77766208.92	127314481.14	16394745.37
\$70001 TO \$80000	8778	3.78	604631162.00	710172238.27	532791585.96	28093.00	58339638.05	106166096.46	9759494.30
\$80001 TO \$90000	6192	2.67	471880182.00	576217347.26	443325723.96	19739.00	40637328.28	83488960.27	6193680.48
\$90001 TO \$100000	4132	1.78	328407845.00	444702445.62	350006028.77	13145.00	26701728.73	61964092.34	3612900.33
\$100001 TO \$150000	6952	3.00	609539110.00	964848535.81	785154740.35	22506.00	41902973.58	127339108.48	5737862.54
\$150001 TO \$200000	709	0.31	77427061.00	153190549.32	133381755.73	2237.00	2413340.31	16365853.28	561657.74
\$200001 TO \$300000	79	0.03	8081215.00	27081756.16	25212211.63	198.00	9600.75	1756743.78	47173.20
\$300001 TO \$400000	110	0.05	17519133.00	53161612.12	48748186.34	372.00	2370.19	4237455.58	72153.50
OVER \$400000	100	0.04	18918257.00	100847567.87	95247484.78	312.00	2091.60	5456164.19	73015.70
TOTAL	232068	100	7243137973.00	8692281137.11	5973859191.81	540704.00	1118856914.97	1585253547.67	641645785.17

	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
AGI GROUP				
LOSS	979376.38	252567.04	959792.56	12628.02
\$0 TO \$10000	3194810.41	76204.66	2311315.50	26252.62
\$10001 TO \$20000	22661326.86	667333.04	20094771.21	192979.90
\$20001 TO \$30000	36134707.09	2594426.43	33697112.96	430943.18
\$30001 TO \$40000	44710987.17	5562748.90	42706914.26	631522.73
\$40001 TO \$50000	46527081.87	8280929.74	44725800.30	718932.01
\$50001 TO \$60000	41818057.52	9738912.28	40380361.70	698390.70
\$60001 TO \$70000	39453490.26	10040080.45	38019166.95	821172.09
\$70001 TO \$80000	37511896.94	9915432.48	36184081.85	876826.09
\$80001 TO \$90000	33613074.03	9237383.37	32607070.06	749865.10
\$90001 TO \$100000	27878020.81	8141973.68	27202004.64	548547.11
\$100001 TO \$150000	67371725.94	19921207.82	66221059.54	1173940.48
\$150001 TO \$200000	12079913.30	3383405.01	11968795.70	171088.77
\$200001 TO \$300000	1747435.14	468833.74	1737637.14	16742.36
\$300001 TO \$400000	5287819.24	1404220.39	5268020.84	45525.68
OVER \$400000	9341921.02	2615737.89	9326069.42	37472.70
TOTAL	430311643.96	92301446.89	413409974.63	7152829.54

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2622	1.13	9735.36	-20990.71	4322.44	2.75	5703.70	8038.39	4828.30
\$0 TO \$10000	45296	19.52	4623.22	5778.60	782.89	1.49	3112.65	3722.69	3619.63
\$10001 TO \$20000	44893	19.34	13529.14	15611.83	6903.65	1.82	3810.57	4207.58	3881.24
\$20001 TO \$30000	33958	14.63	22844.64	26213.99	15332.64	2.21	4615.28	5142.88	4313.39
\$30001 TO \$40000	27907	12.03	34276.88	37342.75	24371.22	2.60	5438.81	6277.98	4594.03
\$40001 TO \$50000	22315	9.62	43863.26	47773.23	32891.86	2.88	6016.15	7472.25	4786.82
\$50001 TO \$60000	16087	6.93	51499.68	58301.34	41215.89	3.01	6297.69	9696.61	5092.05
\$60001 TO \$70000	11938	5.14	60715.71	69348.99	50716.54	3.13	6514.17	10664.64	5131.38
\$70001 TO \$80000	8778	3.78	68880.29	81005.16	60696.24	3.20	6646.12	12094.57	5193.98
\$80001 TO \$90000	6192	2.67	76208.04	93223.97	71596.53	3.19	6562.88	13483.36	5280.21
\$90001 TO \$100000	4132	1.78	79479.15	107650.07	84706.20	3.18	6462.18	14996.15	5320.91
\$100001 TO \$150000	6752	3.00	87678.24	138827.13	112939.40	3.24	6027.47	18316.90	5597.91
\$150001 TO \$200000	709	0.31	109206.01	216065.65	188126.59	3.16	3403.87	23083.01	5506.45
\$200001 TO \$300000	79	0.03	102293.86	342807.04	319141.92	2.51	121.53	22237.26	5896.65
\$300001 TO \$400000	110	0.05	159264.85	483287.38	443165.33	3.38	21.55	38522.32	6559.41
OVER \$400000	100	0.04	189182.57	1018662.30	952474.85	3.12	20.92	54561.64	5616.59
TOTAL	232068	100	31211.27	37538.41	25741.85	2.33	4821.25	6830.99	4149.31

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	373.52	96.33	366.05	4.82
\$0 TO \$10000	70.53	1.68	51.03	0.58
\$10001 TO \$20000	504.79	14.86	447.61	4.30
\$20001 TO \$30000	1064.10	76.40	992.32	12.69
\$30001 TO \$40000	1602.14	199.33	1530.33	22.63
\$40001 TO \$50000	2085.01	371.09	2004.29	32.22
\$50001 TO \$60000	2599.49	605.39	2510.12	43.41
\$60001 TO \$70000	3304.87	841.02	3184.72	68.79
\$70001 TO \$80000	4273.40	1129.58	4122.13	99.89
\$80001 TO \$90000	5428.47	1491.83	5266.00	121.10
\$90001 TO \$100000	6746.86	1970.47	6583.25	132.76
\$100001 TO \$150000	9690.98	2865.54	9525.47	168.86
\$150001 TO \$200000	17037.96	4772.08	16881.24	241.31
\$200001 TO \$300000	22119.43	5935.24	21995.61	211.93
\$300001 TO \$400000	48071.08	12765.64	47891.10	413.87
OVER \$400000	93419.21	26157.38	93260.69	374.73
TOTAL	1854.25	397.73	1781.42	30.82

TABLE 23
1991 TAX ALTERNATIVE TWO
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
1055	2419	1.07	22722616.00	-48966407.45	9697792.17	6664.00	14468915.64	19574019.26	8189143.56
50 TO \$10000	42107	18.55	193833384.00	241699360.09	29806371.81	62257.00	136176587.00	163415328.15	155432229.09
\$10001 TO \$20000	42552	18.74	573637888.00	663765627.54	285202344.27	76780.00	167937635.00	185411324.71	158306421.37
\$20001 TO \$30000	32994	14.53	751855480.00	861414298.61	497523399.55	71271.00	155885061.00	173732249.71	115890927.74
\$30001 TO \$40000	27248	12.00	933776569.00	1016421637.12	658895697.42	69442.00	151728471.99	172656130.28	81040430.83
\$40001 TO \$50000	21843	9.62	956248447.00	1042692481.52	713241840.92	61808.00	135056358.54	165878703.87	54379153.88
\$50001 TO \$60000	16104	7.09	828050505.00	938350265.57	660747128.36	47990.00	104844239.40	156683042.18	30406753.84
\$60001 TO \$70000	12292	5.41	746748943.00	851055079.46	619440346.65	38192.00	83306535.04	131753600.07	18235957.04
\$70001 TO \$80000	9227	4.06	634749096.00	745792375.32	556753370.83	29334.00	63852393.40	111702118.27	11195935.36
\$80001 TO \$90000	6585	2.90	504345180.00	613002694.62	469110985.06	20956.00	45309622.99	89242122.52	7094186.64
\$90001 TO \$100000	4516	1.99	358621482.00	489577935.00	383977340.94	14463.00	30759375.32	68386060.98	4302698.44
\$100001 TO \$150000	7982	3.52	707583864.00	1107770863.76	898085467.76	25739.00	51258246.52	146445074.28	7255194.80
\$150001 TO \$200000	917	0.40	95826032.00	202428533.36	176850429.20	2895.00	3572277.85	20661826.31	804320.92
\$200001 TO \$300000	91	0.04	8526371.00	34485304.75	32249030.01	211.00	6936.16	2118138.57	87348.32
\$300001 TO \$400000	91	0.04	14471967.00	44541391.74	41317990.67	306.00	3398.56	3078402.71	89206.50
OVER \$400000	82	0.04	18777337.00	81885809.63	78164222.52	259.00	0.00	3599987.11	59946.20
TOTAL	227050	100	7349775161.00	8885917250.63	6111062758.12	528567.00	1144166084.22	1614338128.97	652769854.54

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	779018.17	195788.69	761225.61	11333.70
\$0 TO \$10000	2723817.51	65986.97	1949983.01	25258.31
\$10001 TO \$20000	20866072.63	616826.03	18498297.84	180513.13
\$20001 TO \$30000	34475269.53	2462403.14	32147589.70	407991.63
\$30001 TO \$40000	43140127.20	5409102.47	41229857.96	602692.90
\$40001 TO \$50000	44875887.18	7922280.81	43158242.01	700366.15
\$50001 TO \$60000	41334688.23	9599165.49	39926244.68	684434.11
\$60001 TO \$70000	40076977.22	10197474.33	38634482.59	824778.37
\$70001 TO \$80000	39042773.80	10307669.01	37657340.94	907148.12
\$80001 TO \$90000	35479130.58	9749151.56	34412118.54	800547.78
\$90001 TO \$100000	30710209.65	8393062.51	29968645.48	597150.97
\$100001 TO \$150000	76847109.30	22784437.92	75525106.50	1351866.79
\$150001 TO \$200000	16232508.77	4560646.05	16086559.97	21398.56
\$200001 TO \$300000	1995382.42	500809.86	1986323.62	15148.54
\$300001 TO \$400000	4276015.04	1158281.62	4259979.44	35655.37
OVFR \$400000	7083086.30	1948666.14	7070013.10	37619.61
TOTAL	439935573.54	96371752.59	423272011.00	7396494.04

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	HUNDER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITCIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2419	1.07	9393.39	-20284.34	4009.01	2.75	5981.36	8091.78	5058.15
\$0 TO \$10000	42107	18.55	4603.35	5765.59	707.87	1.48	3234.06	3880.95	3778.68
\$10001 TO \$20000	42552	18.74	13480.87	15631.26	6702.44	1.80	3946.64	4357.29	4047.72
\$20001 TO \$30000	32994	14.53	22787.64	26162.92	15079.18	2.16	4724.65	5265.57	4476.58
\$30001 TO \$40000	27248	12.00	34269.55	37354.71	24181.43	2.55	5568.43	6336.47	4759.25
\$40001 TO \$50000	21843	9.62	43778.26	47788.28	32653.11	2.83	6183.05	7594.14	4978.86
\$50001 TO \$60000	16104	7.09	51418.93	58344.23	41030.00	2.98	6510.45	9729.45	5287.21
\$60001 TO \$70000	12292	5.41	60750.81	69338.04	50393.78	3.11	6777.30	10718.65	5347.79
\$70001 TO \$80000	9227	4.06	68792.58	80950.00	60339.59	3.18	6920.17	12106.01	5427.02
\$80001 TO \$90000	6585	2.90	76590.00	93246.53	71239.33	3.18	6880.73	13552.33	5503.64
\$90001 TO \$100000	4516	1.99	79411.31	108457.67	85025.98	3.20	6811.20	15143.08	5646.59
\$100001 TO \$150000	7982	3.52	88647.44	138853.20	112513.84	3.22	6421.73	18346.91	5888.96
\$150001 TO \$200000	917	0.40	104499.49	226750.85	192857.61	3.16	3895.61	22531.98	5786.48
\$200001 TO \$300000	91	0.04	93696.38	378959.39	354384.95	2.32	76.22	23276.25	5823.22
\$300001 TO \$400000	91	0.04	159032.60	489465.84	454043.85	3.36	37.34	33828.60	6371.89
OVER \$400000	82	0.04	228991.91	998607.43	953222.23	3.16	0.00	43902.28	5449.65
TOTAL	227050	100	32370.73	39219.30	26915.05	2.33	5039.27	7110.06	4339.59

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	322.04	80.94	314.69	4.69
\$0 TO \$10000	64.69	1.57	46.31	0.60
\$10001 TO \$20000	490.37	14.50	434.72	4.24
\$20001 TO \$30000	1044.90	74.63	974.35	12.37
\$30001 TO \$40000	1583.24	198.51	1513.13	22.12
\$40001 TO \$50000	2054.47	362.69	1975.84	32.06
\$50001 TO \$60000	2566.73	596.07	2479.28	42.50
\$60001 TO \$70000	3260.41	829.60	3143.06	67.10
\$70001 TO \$80000	4231.36	1117.12	4081.21	98.31
\$80001 TO \$90000	5387.87	1480.51	5225.83	121.57
\$90001 TO \$100000	6800.31	1969.23	6636.10	132.23
\$100001 TO \$150000	9627.55	2854.48	9461.93	169.36
\$150001 TO \$200000	17701.75	4973.44	17542.60	233.36
\$200001 TO \$300000	21932.77	5503.41	21827.73	166.47
\$300001 TO \$400000	46989.18	12728.37	46812.96	391.82
OVER \$400000	86379.10	23764.22	86219.67	458.78
TOTAL	1937.63	424.45	1864.22	32.58

TABLE 24
1992 TAX ALTERNATIVE TWO
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY SUM	ADJ GROSS INCOME SUM	TAXABLE INCOME SUM	NUMBER OF EXEMPTIONS SUM	VALUE OF EXEMPTIONS SUM	ITEMIZED DEDUCTIONS SUM	STANDARD DEDUCTIONS SUM
LOSS	2264	1.03	21510055.00	-48921117.13	8114347.25	6330.00	14384194.44	18863524.74	8114243.02
\$0 TO \$10000	38092	17.35	173424469.00	218101755.25	23788322.16	56474.00	129185347.20	155174388.06	147773688.14
\$10001 TO \$20000	39603	18.04	531457697.00	618621308.98	257937418.47	70168.00	160509454.00	179307812.24	155171903.87
\$20001 TO \$30000	31514	14.35	715441887.00	822644758.59	467034651.20	66914.00	153042727.60	170561026.02	117073787.49
\$30001 TO \$40000	26099	11.89	884436553.00	969951666.68	620734000.89	65254.00	149178971.20	169210251.67	81851749.25
\$40001 TO \$50000	21295	9.70	925620350.00	1017112468.21	690264912.17	59416.00	135753966.36	163329146.61	56694376.20
\$50001 TO \$60000	16056	7.31	824716113.00	935551453.61	654404147.90	47366.00	108233956.20	157095074.37	32668999.51
\$60001 TO \$70000	12422	5.66	752396329.00	862414743.02	624635880.11	38291.00	87347154.61	133696562.59	20038019.25
\$70001 TO \$80000	9564	4.36	657913473.00	773528676.35	573470189.91	30524.00	69524885.52	116622587.60	12781926.80
\$80001 TO \$90000	7028	3.20	536363704.00	655823705.91	500347250.32	22269.00	50447780.07	95256782.34	8289646.80
\$90001 TO \$100000	4866	2.22	385216038.00	526313960.95	409804453.11	15613.00	34820123.27	74625087.75	5142120.00
\$100001 TO \$150000	9346	4.26	835105299.00	1304899322.58	1055418619.10	30255.00	63751156.73	171645717.94	8996436.00
\$150001 TO \$200000	1171	0.53	126341782.00	258367717.96	224494628.73	3716.00	5403653.06	26731036.17	1093440.00
\$200001 TO \$300000	143	0.07	13834587.00	50797706.62	47043251.32	378.00	28787.04	3532868.26	131494.40
\$300001 TO \$400000	37	0.02	5966913.00	17275554.88	16280573.60	110.00	0.00	939781.28	47270.00
OVER \$400000	84	0.04	16066422.00	77910048.33	73140582.27	275.00	0.00	4644666.06	65788.00
TOTAL	219584	100	7405811671.00	9060393730.75	6246913228.49	513353.00	1161612157.31	1641236313.68	655934888.73

AGE GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	669330.40	168998.96	653945.35	10295.77
\$0 TO \$10000	2193775.97	56995.08	1550346.78	20175.82
\$10001 TO \$20000	18854038.22	542939.34	16709237.19	161323.28
\$20001 TO \$30000	32381616.26	2303961.33	30193582.61	380239.40
\$30001 TO \$40000	40620982.75	5067769.78	38835094.14	560592.36
\$40001 TO \$50000	43273139.70	7569076.77	41634999.33	654888.96
\$50001 TO \$60000	40769515.62	9444555.49	39390626.99	675415.71
\$60001 TO \$70000	40155833.34	10247933.97	38727810.99	821261.87
\$70001 TO \$80000	39920002.91	10554881.98	38500523.09	932517.45
\$80001 TO \$90000	37491451.70	10273439.10	36362104.97	852659.55
\$90001 TO \$100000	32767620.79	9502986.87	31967502.75	653833.45
\$100001 TO \$150000	91033657.39	27143717.93	89476021.79	1577162.60
\$150001 TO \$200000	20920648.69	5853790.82	20730171.89	280600.49
\$200001 TO \$300000	3719224.83	986462.36	3700364.83	29540.97
\$300001 TO \$400000	1611082.08	451102.98	1604982.48	7164.13
OVER \$400000	6699342.54	1846610.18	6685901.34	32511.12
TOTAL	453081063.19	102015222.92	436723016.50	7650182.87

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2264	1.03	9500.91	-21656.09	3584.08	2.80	6353.44	8331.95	5334.81
\$0 TO \$10000	38092	17.35	4552.78	5750.26	624.50	1.48	3391.40	4073.67	3968.89
\$10001 TO \$20000	39603	18.04	13419.63	15652.98	6513.08	1.77	4052.96	4527.63	4226.50
\$20001 TO \$30000	31514	14.35	22702.35	26162.22	14819.91	2.12	4856.34	5412.23	4644.13
\$30001 TO \$40000	26099	11.89	33887.76	37219.94	23783.82	2.50	5715.89	6483.40	4953.21
\$40001 TO \$50000	21295	9.70	43466.56	47816.86	32414.41	2.79	6374.92	7669.84	5198.93
\$50001 TO \$60000	16056	7.31	51364.98	58340.70	40757.61	2.95	6741.03	9784.20	5493.91
\$60001 TO \$70000	12422	5.66	60569.86	69515.94	50284.65	3.08	7031.65	10762.89	5567.66
\$70001 TO \$80000	9564	4.36	68790.62	81006.25	59961.33	3.19	7269.44	12193.91	5658.22
\$80001 TO \$90000	7028	3.20	76318.11	93462.12	71193.40	3.17	7178.11	13553.90	5748.71
\$90001 TO \$100000	4866	2.22	79164.82	108206.00	84217.93	3.21	7155.80	15336.02	5863.31
\$100001 TO \$150000	9346	4.26	89354.30	139680.94	112927.31	3.24	6821.22	18365.69	6103.42
\$150001 TO \$200000	1171	0.53	107892.21	220638.53	191711.89	3.17	4614.56	22827.53	6177.63
\$200001 TO \$300000	143	0.07	96745.36	355228.72	328973.79	2.64	201.31	24705.37	6261.64
\$300001 TO \$400000	37	0.02	161267.92	466906.89	440015.50	2.97	0.00	25399.49	6752.86
OVLR \$400000	84	0.04	191266.93	927500.58	870721.22	3.27	0.00	55293.64	5980.73
TOTAL	219584	100	33726.55	41346.55	28448.85	2.34	5290.06	7474.30	4557.79

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LO55	295.64	74.65	288.85	4.55
\$0 TO \$10000	57.59	1.50	40.70	0.53
\$10001 TO \$20000	476.08	13.71	421.92	4.07
\$20001 TO \$30000	1027.52	73.11	958.10	12.07
\$30001 TO \$40000	1556.42	194.17	1467.99	21.48
\$40001 TO \$50000	2032.08	355.44	1955.15	30.75
\$50001 TO \$60000	2539.21	588.23	2453.32	42.07
\$60001 TO \$70000	3232.64	824.98	3117.68	66.11
\$70001 TO \$80000	4173.99	1103.61	4025.57	97.50
\$80001 TO \$90000	5334.58	1461.79	5173.89	121.32
\$90001 TO \$100000	6734.00	1952.94	6569.56	134.37
\$100001 TO \$150000	9740.39	2904.31	9573.72	168.75
\$150001 TO \$200000	17865.63	4998.97	17702.96	239.62
\$200001 TO \$300000	26008.57	6338.34	25876.68	206.58
\$300001 TO \$400000	43542.76	12191.97	43377.90	193.63
OVER \$400000	79754.08	21983.45	79594.06	387.04
TOTAL	2063.36	464.58	1988.87	34.84

Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 25
(PFD TAXABLE)
LIABILITY TO COLLECTIONS
TAX ALTERNATIVE TWO

-----USING HISTORICAL DATA-----											
FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)	FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)
86				325.98		86				325.98	
75/1	\$18	\$1	\$17			88/1	\$0	\$1	(\$1)		
/2	\$25	\$0	\$25			/2	\$0	\$0	(\$0)		
/3	\$27	\$2	\$25			/3	\$1	\$3	(\$1)		
/4	\$34	\$14	\$21			/4	\$79	\$6	\$73		
TOTAL	\$104	\$16	\$87	155.16	\$184	TOTAL	\$80	\$9	\$71	338.66	\$68
76/1	\$36	\$2	\$34			89/1	\$105	\$5	\$99		
/2	\$46	\$1	\$45			/2	\$138	\$2	\$136		
/3	\$47	\$13	\$34			/3	\$134	\$16	\$118		
/4	\$50	\$16	\$34			/4	\$112	\$36	\$76		
TOTAL	\$178	\$31	\$147	166.17	\$288	TOTAL	\$489	\$60	\$429	354.17	\$395
77/1	\$53	\$3	\$50			90/1	\$110	\$6	\$103		
/2	\$62	\$1	\$61			/2	\$144	\$2	\$142		
/3	\$77	\$15	\$63			/3	\$141	\$20	\$121		
/4	\$60	\$22	\$38			/4	\$117	\$44	\$73		
TOTAL	\$252	\$41	\$210	175.80	\$390	TOTAL	\$512	\$72	\$440	370.39	\$387
78/1	\$46	\$3	\$43			91/1	\$114	\$5	\$109		
/2	\$43	\$1	\$42			/2	\$151	\$2	\$149		
/3	\$42	\$6	\$36			/3	\$147	\$16	\$131		
/4	\$50	\$25	\$25			/4	\$120	\$35	\$86		
TOTAL	\$181	\$36	\$146	187.62	\$253	TOTAL	\$532	\$57	\$475	387.35	\$400
79/1	\$43	\$10	\$33			92/1	\$117	\$5	\$112		
/2	\$42	\$1	\$41			/2	\$154	\$2	\$152		
/3	\$42	\$15	\$27			/3	\$150	\$15	\$135		
/4	\$47	\$31	\$16			/4	\$121	\$34	\$87		
TOTAL	\$174	\$57	\$117	205.22	\$186	TOTAL	\$542	\$55	\$486	405.09	\$391

TABLE 26
1988 TAX ALTERNATIVE TWO
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3100	1.17	28281141.00	-61444490.96	11505727.51	8295.00	16031015.29	23199403.58	8920079.40
\$0 TO \$10000	59403	22.42	270128023.00	338555016.00	56644579.29	85667.00	167031150.00	202316548.83	188501300.20
\$10001 TO \$20000	54784	20.68	728576580.00	851035482.08	404898280.60	98951.00	192938850.00	216241954.99	174005920.40
\$20001 TO \$30000	39411	14.88	891007933.00	1030107863.38	623992788.56	88043.00	171646333.31	194628692.21	119972065.00
\$30001 TO \$40000	31031	11.71	1030650179.00	1150799371.58	764557341.66	81746.00	159257939.75	191698072.93	79069707.80
\$40001 TO \$50000	23954	9.04	1032909499.00	1142649829.79	799475004.57	69458.00	135255859.46	178033078.14	48153836.10
\$50001 TO \$60000	17163	6.48	882968616.00	998647869.19	718014053.73	51769.00	100765961.63	163584738.02	25302837.20
\$60001 TO \$70000	12206	4.61	742422172.00	844152753.33	625583999.21	38244.00	74256265.58	128844532.84	14164300.00
\$70001 TO \$80000	8524	3.22	588115204.00	688799061.32	522169281.65	27190.00	52566559.84	102377161.71	7935050.00
\$80001 TO \$90000	5672	2.14	432324512.00	528886838.01	411022653.00	17968.00	34313376.56	76079694.81	4994400.00
\$90001 TO \$100000	3549	1.34	282732742.00	381335884.95	301526506.32	11218.00	20913480.42	54197458.58	2602100.00
\$100001 TO \$150000	5427	2.05	473620536.00	748821667.34	614044733.23	17285.00	29172404.62	98084229.49	3845000.00
\$150001 TO \$200000	470	0.18	47369847.00	101944043.67	90063530.18	1404.00	906224.67	10364538.82	322800.00
\$200001 TO \$300000	49	0.02	4666366.00	18125790.20	16787484.76	116.00	8474.81	1277530.62	15200.00
\$300001 TO \$400000	95	0.04	15666462.00	46314279.44	42683468.92	339.00	0.00	3489810.52	47100.00
OVER \$400000	83	0.03	17633031.00	85184874.61	81601792.58	256.00	0.00	3467582.03	42900.00
TOTAL	264921	100	7469072843.00	8893916334.10	6084571225.77	597949.00	1155063895.95	1647885028.16	677894596.10

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	972072.33	241851.04	952116.26	13567.82
\$0 TO \$10000	4911733.32	108083.62	3692978.82	37470.19
\$10001 TO \$20000	29287030.43	849348.23	26274323.13	234957.70
\$20001 TO \$30000	42994516.14	3006364.63	40318484.26	484075.52
\$30001 TO \$40000	50012330.48	5997923.94	47901413.64	669000.41
\$40001 TO \$50000	50634865.30	9001474.60	48807081.38	766785.45
\$50001 TO \$60000	45311118.80	10591465.47	43852614.64	757167.45
\$60001 TO \$70000	40883976.47	10406263.18	39478360.87	852135.39
\$70001 TO \$80000	36916400.99	9775562.15	35699709.32	856265.07
\$80001 TO \$90000	31083418.35	8564669.69	30223628.41	684473.50
\$90001 TO \$100000	23861775.68	6935813.05	23322764.78	471942.64
\$100001 TO \$150000	51072372.14	15162504.26	50255547.89	874205.83
\$150001 TO \$200000	7696761.81	2110076.07	7633238.68	98691.36
\$200001 TO \$300000	860059.27	216817.24	855962.40	8676.17
\$300001 TO \$400000	4575422.69	1266656.87	4559285.32	38550.91
OVER \$400000	7365341.55	2027675.23	7352912.93	39507.82
TOTAL	428439195.76	86262549.26	411180422.73	6887553.23

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	3100	1.17	9122.95	-19878.52	3711.53	2.68	5171.30	7483.68	4340.67
\$0 TO \$10000	59403	22.42	4547.38	5726.77	953.56	1.44	2811.83	3405.83	3295.25
\$10001 TO \$20000	54784	20.68	13299.08	15570.76	7390.81	1.81	3521.81	3947.17	3591.75
\$20001 TO \$30000	39411	14.88	22608.10	26192.07	15832.96	2.23	4355.29	4938.44	3992.81
\$30001 TO \$40000	31031	11.71	33213.57	37138.13	24638.50	2.63	5132.22	6177.63	4274.73
\$40001 TO \$50000	23954	9.04	43120.54	47765.65	33375.43	2.90	5646.48	7432.29	4502.04
\$50001 TO \$60000	17163	6.48	51446.05	58264.17	41835.00	3.02	5871.12	9531.24	4674.46
\$60001 TO \$70000	12206	4.61	60824.36	69255.29	51252.17	3.13	6083.59	10555.84	4701.06
\$70001 TO \$80000	8524	3.22	68995.21	80939.96	61258.71	3.19	6166.89	12010.46	4740.17
\$80001 TO \$90000	5672	2.14	76220.82	93376.91	72465.21	3.17	6049.61	13413.20	4806.93
\$90001 TO \$100000	3549	1.34	79665.47	107539.73	84960.98	3.16	5892.78	15271.19	4881.99
\$100001 TO \$150000	5427	2.05	87271.15	138031.64	113146.26	3.19	5375.42	18073.38	5099.47
\$150001 TO \$200000	470	0.18	100786.91	216902.22	191624.53	2.99	1928.14	22052.21	4966.15
\$200001 TO \$300000	49	0.02	95231.96	369918.17	342601.73	2.37	172.96	26072.05	5066.67
\$300001 TO \$400000	95	0.04	164910.13	487518.73	449299.67	3.57	0.00	36734.85	5887.50
OVER \$400000	83	0.03	212446.16	1026323.79	983154.13	3.08	0.00	41778.10	4766.67
TOTAL	264921	100	28193.59	33654.15	22967.49	2.26	4360.03	6220.29	3777.50

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	313.57	78.02	307.13	4.38
\$0 TO \$10000	82.68	1.82	62.17	0.63
\$10001 TO \$20000	534.59	15.50	479.60	4.29
\$20001 TO \$30000	1090.93	76.28	1023.03	12.28
\$30001 TO \$40000	1611.69	193.29	1543.66	21.56
\$40001 TO \$50000	2113.84	375.78	2037.53	32.01
\$50001 TO \$60000	2640.05	617.11	2555.07	44.12
\$60001 TO \$70000	3349.50	852.55	3234.34	69.81
\$70001 TO \$80000	4330.88	1146.83	4188.14	100.45
\$80001 TO \$90000	5480.15	1509.99	5328.57	120.68
\$90001 TO \$100000	6723.52	1954.30	6571.64	132.98
\$100001 TO \$150000	9410.79	2793.90	9260.28	161.08
\$150001 TO \$200000	16376.09	4489.52	16240.93	209.98
\$200001 TO \$300000	17552.23	4424.84	17468.62	177.06
\$300001 TO \$400000	48162.34	13333.23	47992.48	405.80
OVER \$400000	88739.05	24429.82	88589.31	476.96
TOTAL	1617.23	325.62	1552.09	26.00

TABLE 27
1989 TAX ALTERNATIVE TWO
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY SUM	ADJ GROSS INCOME SUM	TAXABLE INCOME SUM	NUMBER OF EXEMPTIONS SUM	VALUE OF EXEMPTIONS SUM	ITEMIZED DEDUCTIONS SUM	STANDARD DEDUCTIONS SUM
LOSS	3006	1.12	28070529.00	-64487886.75	12527197.24	8114.00	16054655.29	23485964.55	9031311.99
\$0 TO \$10000	56662	21.11	257635640.00	324767512.55	49707681.10	82012.00	164004000.00	201516525.51	189252971.03
\$10001 TO \$20000	54308	20.24	720811102.00	844326250.27	390899175.82	97269.00	194522000.00	221137337.87	180274961.14
\$20001 TO \$30000	39735	14.81	897217379.00	1038269296.78	622409739.02	87008.00	173964000.00	199618758.65	126400873.11
\$30001 TO \$40000	31588	11.77	1055289336.00	1174989188.46	777546279.07	81557.00	162894000.00	196678224.06	84411576.09
\$40001 TO \$50000	24634	9.18	1062494637.00	1175937775.50	818647183.43	70535.00	140867549.44	183764348.07	52882562.28
\$50001 TO \$60000	17785	6.63	913542735.00	1035260965.56	739312225.99	53447.00	106743931.55	170569901.29	28633225.61
\$60001 TO \$70000	13042	4.86	791237713.00	903171006.17	666591012.64	40429.00	80564991.87	139267945.76	16448045.34
\$70001 TO \$80000	9356	3.49	643333916.00	757004148.90	571722995.34	29782.00	59048005.95	112581320.48	9607889.88
\$80001 TO \$90000	6338	2.38	486846827.00	595002856.86	460538317.14	20259.00	39829895.91	85622644.16	5926512.73
\$90001 TO \$100000	4223	1.57	333768399.00	456522662.61	360691218.15	13467.00	26015499.13	63676806.25	3515644.80
\$100001 TO \$150000	6717	2.50	592160693.00	933514844.65	763689792.71	21486.00	37687267.22	122155700.73	5090035.56
\$150001 TO \$200000	658	0.25	67581334.00	143041504.29	125800597.83	1992.00	1608859.59	14703346.82	472561.20
\$200001 TO \$300000	78	0.03	6477017.00	32038015.94	30026468.92	183.00	0.00	1916347.02	39757.20
\$300001 TO \$400000	90	0.03	13946040.00	45523451.28	42368441.86	311.00	346.64	3013562.78	45938.50
OVER \$400000	80	0.03	15339488.00	76761347.92	71342843.07	264.00	0.00	5300104.85	40911.40
TOTAL	268350	100	7885752785.00	9471642938.98	6503820169.33	608112.00	1203805002.59	1744014638.84	711074730.90

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	1081575.60	278966.99	1060568.93	14367.79
\$0 TO \$10000	4426568.31	104804.75	3240924.70	35337.05
\$10001 TO \$20000	28474209.89	810030.50	25360323.15	223626.97
\$20001 TO \$30000	43094391.17	3036755.28	40259220.93	484825.70
\$30001 TO \$40000	50874466.40	6238092.11	48640215.71	676183.42
\$40001 TO \$50000	51784155.23	9229498.56	49812111.33	770911.93
\$50001 TO \$60000	46587502.19	10861459.61	44997382.98	771571.41
\$60001 TO \$70000	43413919.92	11066291.84	41835452.94	895708.56
\$70001 TO \$80000	40300429.48	10662287.51	33884676.81	936339.68
\$80001 TO \$90000	34803555.86	9575037.72	33776067.66	764989.03
\$90001 TO \$100000	28723799.22	8332613.20	28035205.67	560911.27
\$100001 TO \$150000	64599783.92	19086128.72	63505695.72	1114595.30
\$150001 TO \$200000	10937780.48	3019728.49	10840637.68	141997.84
\$200001 TO \$300000	1949921.60	532499.81	1941540.40	18455.30
\$300001 TO \$400000	4520717.03	1242162.15	4504690.63	33575.76
OVER \$400000	6690870.40	1849596.67	6678165.20	34938.32
TOTAL	462283646.70	95925953.89	443372883.43	7478335.37

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AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	3006	1.12	9338.17	-21510.30	4167.40	2.70	5340.87	7813.03	4542.91
\$0 TO \$10000	56662	21.11	4546.89	5759.00	877.27	1.45	2894.43	3556.47	3447.67
\$10001 TO \$20000	54308	20.24	13272.65	15582.86	7197.82	1.79	3581.83	4071.91	3734.02
\$20001 TO \$30000	39735	14.81	22580.03	26186.52	15664.02	2.19	4378.10	5023.75	4137.37
\$30001 TO \$40000	31588	11.77	33407.92	37257.48	24615.24	2.58	5156.83	6226.36	4618.99
\$40001 TO \$50000	24634	9.18	43131.23	47798.46	33232.41	2.86	5718.42	7459.79	4652.70
\$50001 TO \$60000	17785	6.63	51365.91	58281.88	41569.43	3.01	6001.91	9590.66	4865.46
\$60001 TO \$70000	13042	4.86	60668.43	69330.70	51111.10	3.10	6177.35	10601.74	4902.55
\$70001 TO \$80000	9356	3.49	68761.64	81058.37	61107.63	3.18	6311.24	12033.06	4955.07
\$80001 TO \$90000	6388	2.38	76212.72	93304.51	72094.29	3.17	6235.11	13403.67	5026.73
\$90001 TO \$100000	4223	1.57	79035.85	108155.10	85411.13	3.19	6160.43	15078.57	5109.95
\$100001 TO \$150000	6717	2.50	88158.51	139060.75	113694.92	3.20	5610.73	18186.05	5374.91
\$150001 TO \$200000	658	0.25	102707.19	217388.30	191186.32	3.03	2445.08	22353.87	5081.30
\$200001 TO \$300000	78	0.03	83038.68	410743.79	384954.73	2.31	0.00	24568.55	4969.65
\$300001 TO \$400000	90	0.03	154956.00	505816.13	470760.47	3.46	3.85	33487.36	6569.79
OVER \$400000	80	0.03	191743.60	959516.85	891785.54	3.30	0.00	66251.31	5830.20
TOTAL	268350	100	29386.07	35380.50	24236.33	2.27	4485.95	6499.03	3950.44

	TAX LIABILITY PTD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PTD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
AGI GROUP				
LD55	359.81	92.80	352.82	4.78
\$0 TO \$10000	78.12	1.85	57.20	0.62
\$10001 TO \$20000	524.68	14.92	466.97	4.12
\$20001 TO \$30000	1084.54	76.43	1013.19	12.20
\$30001 TO \$40000	1610.54	197.48	1539.83	21.41
\$40001 TO \$50000	2102.14	374.67	2022.09	31.29
\$50001 TO \$60000	2619.48	610.71	2530.07	43.38
\$60001 TO \$70000	3328.78	848.51	3207.75	68.68
\$70001 TO \$80000	4307.44	1139.62	4156.12	100.08
\$80001 TO \$90000	5448.27	1498.91	5287.42	119.75
\$90001 TO \$100000	6801.75	1973.15	6638.69	132.82
\$100001 TO \$150000	9617.36	2341.47	9454.67	165.94
\$150001 TO \$200000	16622.77	4539.25	16475.13	215.80
\$200001 TO \$300000	24998.99	6326.92	24891.54	236.61
\$300001 TO \$400000	50230.19	13801.00	50052.12	373.06
OVER \$400000	83635.83	23119.96	83477.06	436.73
TOTAL	1722.69	357.47	1652.22	27.87

TABLE 28
1990 TAX ALTERNATIVE TWO
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS	TAXABLE	NUMBER OF	VALUE OF	ITEMIZED	STANDARD
			SUM	INCOME	INCOME	EXEMPTIONS	EXEMPTIONS	DEDUCTIONS	DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	SUM
LOSS	2925	1.09	26365568.00	-59283482.17	11337997.98	7950.00	16496112.09	22824015.78	9373639.40
\$0 TO \$10000	53944	20.14	244905721.00	308713792.33	43056718.50	77609.00	162308222.67	199670764.38	183244312.37
\$10001 TO \$20000	52742	19.70	703208749.00	821126187.45	370647855.45	93055.00	194619196.80	220867731.34	136756467.60
\$20001 TO \$30000	39408	14.72	893115999.00	1028639440.14	609644898.11	84237.00	176173376.40	201989236.29	131116493.43
\$30001 TO \$40000	31554	11.78	1062534280.00	1173442339.22	770072221.35	80088.00	167362366.65	198689943.63	83535178.35
\$40001 TO \$50000	24721	9.23	1067862265.00	1177443432.09	812942509.28	69872.00	145995525.29	186123844.48	57146337.87
\$50001 TO \$60000	18138	6.77	932249695.00	1056722125.05	750862451.92	53910.00	112595198.69	174443488.61	31564743.03
\$60001 TO \$70000	13563	5.06	822511897.00	939857608.90	690064852.08	41827.00	87163767.72	144311044.92	18607355.21
\$70001 TO \$80000	10073	3.76	695422872.00	814731935.87	611876117.07	31954.00	66362692.92	121867843.56	11260025.10
\$80001 TO \$90000	6963	2.60	532100419.00	649054524.68	500150049.99	22062.00	45426453.02	93618955.43	6936209.03
\$90001 TO \$100000	4660	1.74	370013362.00	504648932.17	397286463.18	14755.00	29914591.71	70727157.77	4049718.98
\$100001 TO \$150000	7947	2.97	701929743.00	1102871983.44	898160155.21	25661.00	47835041.27	144969873.56	6519336.20
\$150001 TO \$200000	853	0.32	89488808.00	186064265.47	163004905.63	2641.00	2735090.69	19093869.16	726619.36
\$200001 TO \$300000	109	0.04	9900570.00	42186195.84	39206127.93	274.00	6330.58	2840137.33	104252.06
\$300001 TO \$400000	108	0.04	15989348.00	53490334.51	49940619.07	357.00	105.66	3378409.78	109430.25
OVER \$400000	74	0.03	14865666.00	74469794.42	70193242.72	240.00	2091.60	4170232.80	76103.10
TOTAL	257782	100	8182464762.00	9874179409.39	6788447185.41	606492.00	1254996363.75	1809586546.80	741175271.40

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	935737.03	237853.17	914902.90	13259.14
\$0 TO \$10000	3867320.11	91723.07	2803078.17	31091.48
\$10001 TO \$20000	27017331.22	776745.83	24041674.48	219664.31
\$20001 TO \$30000	42134371.87	2964518.40	39372827.47	475261.97
\$30001 TO \$40000	50271861.26	6217708.86	48085139.38	686035.78
\$40001 TO \$50000	51135570.89	9024039.79	49196957.12	769675.23
\$50001 TO \$60000	46956525.11	10923974.29	45368966.05	772112.68
\$60001 TO \$70000	44689728.52	11381565.29	43083899.04	919119.20
\$70001 TO \$80000	42861356.97	11342896.44	41352998.73	992969.58
\$80001 TO \$90000	37718007.15	10369219.70	36598827.91	838679.04
\$90001 TO \$100000	31496523.63	9155554.43	30739304.68	620917.48
\$100001 TO \$150000	76448228.01	22721651.02	75141594.41	1331737.20
\$150001 TO \$200000	14654285.71	4063208.42	14522477.31	194269.12
\$200001 TO \$300000	2595321.11	662832.66	2583517.51	21328.04
\$300001 TO \$400000	5380987.03	1444756.99	5361381.83	44341.04
OVER \$400000	6537864.88	1807322.83	6527723.28	22444.83
TOTAL	484703020.51	103185571.19	465695470.27	7952906.10

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2925	1.09	9013.87	-20309.52	3876.24	2.72	5639.70	7303.08	4792.25
\$0 TO \$10000	53944	20.14	4540.00	5749.72	798.17	1.44	3008.83	3701.45	3599.04
\$10001 TO \$20000	52742	19.70	13332.99	15603.35	7027.57	1.76	3690.02	4187.70	3868.23
\$20001 TO \$30000	39408	14.72	22663.32	26149.41	15470.03	2.14	4470.50	5125.59	4274.52
\$30001 TO \$40000	31554	11.78	33673.52	37239.13	24404.90	2.54	5304.00	6296.82	4572.15
\$40001 TO \$50000	24721	9.23	43196.56	47687.15	32884.69	2.83	5905.73	7523.93	4300.03
\$50001 TO \$60000	18138	6.77	51397.60	58337.32	41397.20	2.97	6207.70	9617.57	5051.93
\$60001 TO \$70000	13563	5.06	60643.80	69377.55	50878.48	3.08	6426.58	10640.05	5036.87
\$70001 TO \$80000	10073	3.76	69038.31	81043.66	60744.18	3.17	6588.20	12098.47	5179.40
\$80001 TO \$90000	6963	2.60	76418.27	93375.70	71829.68	3.17	6523.98	13445.20	5244.90
\$90001 TO \$100000	4660	1.74	79402.01	108317.01	85254.61	3.17	6419.44	15177.50	5314.59
\$100001 TO \$150000	7947	2.97	83326.38	138813.34	113018.77	3.23	6019.26	18242.09	5596.47
\$150001 TO \$200000	853	0.32	104910.68	218129.27	191096.02	3.10	3206.44	22384.37	5382.37
\$200001 TO \$300000	109	0.04	90830.92	387029.32	359689.25	2.51	58.08	26056.31	5436.95
\$300001 TO \$400000	108	0.04	148049.52	495280.88	462413.14	3.31	0.98	31281.57	6437.07
OVER \$400000	74	0.03	200384.68	1020134.17	948557.33	3.26	28.26	56354.50	5354.05
TOTAL	267782	100	30556.44	36956.06	25350.65	2.26	4636.63	6757.47	4117.53

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	319.91	81.32	312.79	4.53
\$0 TO \$10000	71.69	1.70	51.96	0.58
\$10001 TO \$20000	512.25	14.73	455.84	4.16
\$20001 TO \$30000	1069.18	75.23	999.11	12.06
\$30001 TO \$40000	1593.20	197.05	1523.90	21.74
\$40001 TO \$50000	2068.51	365.04	1990.09	31.13
\$50001 TO \$60000	2588.85	602.27	2501.32	42.57
\$60001 TO \$70000	3294.97	839.16	3176.58	67.77
\$70001 TO \$80000	4255.07	1126.07	4105.33	98.58
\$80001 TO \$90000	5416.92	1489.19	5256.19	120.45
\$90001 TO \$100000	6758.91	1964.71	6596.42	133.24
\$100001 TO \$150000	9619.76	2859.15	9455.34	167.58
\$150001 TO \$200000	17179.70	4763.43	17025.18	227.75
\$200001 TO \$300000	23810.29	6081.03	23702.00	195.67
\$300001 TO \$400000	49823.95	13377.38	49642.42	410.57
OVER \$400000	88376.55	24423.28	88215.18	303.31
TOTAL	1810.07	385.33	1739.08	29.70

TABLE 29
1991 TAX ALTERNATIVE TWO
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2826	1.05	26151717.00	-58930891.94	11872666.66	7702.00	16712452.69	22704079.67	9613325.57
\$0 TO \$10000	51193	19.07	233394604.00	292786918.06	36408507.86	74429.00	162795057.60	198011904.68	188677056.95
\$10001 TO \$20000	51365	19.14	686318284.00	799113086.17	348699801.46	90083.00	197027867.60	223647139.26	190566584.05
\$20001 TO \$30000	39219	14.61	889736338.00	1022530539.62	595998716.60	82853.00	181193279.00	205168826.57	136473268.16
\$30001 TO \$40000	31792	11.85	1071210898.00	1181316606.58	768577005.95	79365.00	173430339.69	202247836.33	93983364.12
\$40001 TO \$50000	25107	9.35	1086818833.00	1197238525.45	821357692.71	69920.00	152772111.14	190643103.37	62066212.91
\$50001 TO \$60000	18680	6.96	959615727.00	1087936586.28	767582659.23	55022.00	120208567.00	180798508.82	35065388.29
\$60001 TO \$70000	14172	5.28	862239297.00	983541884.84	717558041.14	43674.00	95213638.27	151635463.79	21077462.14
\$70001 TO \$80000	10701	3.99	734716610.00	866083961.40	647604945.86	33882.00	73706630.40	129320745.22	13229483.90
\$80001 TO \$90000	7572	2.82	576125158.00	705032371.02	541238140.72	23906.00	51677673.59	101179027.58	8368573.74
\$90001 TO \$100000	5223	1.95	412975522.00	565674142.95	443513266.89	16559.00	35189173.36	79515744.94	4880433.00
\$100001 TO \$150000	9204	3.43	813480190.00	1285842525.18	1043039035.46	29707.00	58979616.15	170026335.97	8268331.12
\$150001 TO \$200000	1073	0.40	113944305.00	231801267.08	201633784.26	3371.00	4370942.86	24230939.96	901382.44
\$200001 TO \$300000	143	0.05	15670147.00	52588873.08	48697808.45	349.00	15526.73	3690737.90	134231.32
\$300001 TO \$400000	44	0.02	7005312.00	22124906.06	20646225.25	142.00	0.00	1412280.81	68730.50
OVER \$400000	79	0.03	15733671.00	86653603.57	82178076.31	251.00	0.00	4360327.26	53014.80
TOTAL	268393	100	8505137113.00	10321334905	7096606274.75	611215.00	1323292876.09	1888595502.14	773432893.01

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
LOSS	1055593.14	278322.34	1036789.11	13723.65
\$0 TO \$10000	3318606.65	85968.51	2377186.88	30487.72
\$10001 TO \$20000	25390554.73	712001.77	22560363.53	206268.59
\$20001 TO \$30000	41266377.95	2928040.45	38549653.04	474539.08
\$30001 TO \$40000	50123231.75	6218385.55	47962929.83	673221.00
\$40001 TO \$50000	51450103.85	9080924.39	49523561.14	766299.12
\$50001 TO \$60000	47732058.89	11083139.22	46125932.31	781126.32
\$60001 TO \$70000	46114937.63	11757638.98	44471054.74	940522.03
\$70001 TO \$80000	44953432.37	11896045.57	43375319.88	1039349.89
\$80001 TO \$90000	40541161.56	11128119.07	39329356.27	899276.75
\$90001 TO \$100000	35248918.10	10234790.70	34401929.92	686964.56
\$100001 TO \$150000	88626082.71	26207406.44	87113010.71	1527391.51
\$150001 TO \$200000	18197218.12	5130469.02	18027938.12	249363.57
\$200001 TO \$300000	3254277.01	833662.44	3237082.21	30080.96
\$300001 TO \$400000	2007614.02	505826.92	2000226.42	9389.03
OVER \$400000	7109793.94	1966911.04	7097705.14	32630.82
TOTAL	506389962.42	110047652.39	487190039.25	8360634.58

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2826	1.05	9253.97	-20904.89	4201.23	2.73	5913.82	8034.00	5009.81
\$0 TO \$10000	51193	19.07	4559.11	5746.33	711.20	1.45	3180.03	3867.95	3768.72
\$10001 TO \$20000	51365	19.14	13361.59	15592.75	6788.67	1.75	3835.84	4354.08	4028.64
\$20001 TO \$30000	39219	14.61	22686.37	26124.95	15196.68	2.11	4620.04	5231.36	4435.99
\$30001 TO \$40000	31792	11.85	33694.35	37213.85	24175.17	2.50	5455.16	6361.66	4733.01
\$40001 TO \$50000	25107	9.35	43287.48	47742.49	32714.29	2.78	6084.84	7593.23	4972.06
\$50001 TO \$60000	18680	6.96	51371.29	58309.39	41091.15	2.95	6435.15	9678.72	5250.10
\$60001 TO \$70000	14172	5.28	60841.05	69473.89	50632.09	3.08	6718.43	10699.65	5311.86
\$70001 TO \$80000	10701	3.99	68658.69	81094.00	60518.17	3.17	6887.83	12084.92	5373.47
\$80001 TO \$90000	7572	2.82	76086.26	93245.92	71478.89	3.16	6824.84	13362.26	5491.19
\$90001 TO \$100000	5223	1.95	79068.64	108345.94	84915.43	3.17	6737.35	15224.15	5564.92
\$100001 TO \$150000	9204	3.43	88383.33	139735.11	113324.54	3.23	6408.04	18473.15	5839.57
\$150001 TO \$200000	1073	0.40	106192.27	216031.00	187915.92	3.14	4073.57	22582.42	5704.95
\$200001 TO \$300000	143	0.05	109581.45	367754.36	340544.12	2.44	108.58	25809.36	6103.70
\$300001 TO \$400000	44	0.02	159211.64	502838.77	469232.39	3.23	0.00	32097.29	6873.05
OVER \$400000	79	0.03	199160.39	1096881.06	1040228.81	3.18	0.00	55194.02	5801.48
TOTAL	268393	100	31689.12	38541.35	26441.10	2.28	4930.43	7036.68	4308.41

AGI GROUP	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	373.53	98.49	366.88	4.86
\$0 TO \$10000	64.83	1.68	46.44	0.60
\$10001 TO \$20000	494.32	13.86	439.22	4.02
\$20001 TO \$30000	1052.20	74.66	982.93	12.10
\$30001 TO \$40000	1576.60	195.60	1508.65	21.18
\$40001 TO \$50000	2049.23	361.69	1972.50	30.52
\$50001 TO \$60000	2555.25	593.32	2465.27	41.82
\$60001 TO \$70000	3253.95	829.64	3137.95	66.36
\$70001 TO \$80000	4200.86	1111.68	4053.39	97.13
\$80001 TO \$90000	5354.09	1469.64	5194.05	118.76
\$90001 TO \$100000	6748.79	1959.56	6586.62	131.53
\$100001 TO \$150000	9629.08	2847.39	9464.69	165.95
\$150001 TO \$200000	16959.20	4781.42	16801.43	232.40
\$200001 TO \$300000	22757.18	5829.81	22636.94	210.36
\$300001 TO \$400000	45627.59	11496.07	45459.69	213.39
OVER \$400000	89997.39	24897.61	89844.37	413.05
TOTAL	1886.75	410.02	1815.21	31.15

TABLE 30
1992 TAX ALTERNATIVE TWO
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2782	1.03	25603313.00	-59702639.05	10093941.91	7712.00	17534219.64	23117590.28	10112748.75
\$0 TO \$10000	48792	18.13	223074635.00	278533905.75	31083547.41	71311.00	163121893.20	196487788.19	187724315.76
\$10001 TO \$20000	50190	18.65	676856501.00	781699606.62	330045403.10	87589.00	200352583.20	223917120.72	194515019.66
\$20001 TO \$30000	38976	14.48	888895439.00	1015967845.12	583680017.10	80948.00	185153768.80	207987386.91	142916341.15
\$30001 TO \$40000	32175	11.96	1106841949.00	1192468641.04	775128730.30	78924.00	180405355.49	205316610.90	99733008.05
\$40001 TO \$50000	25484	9.47	1115540797.00	1217226964.02	830492206.51	70076.00	160127424.80	194024120.63	66688582.03
\$50001 TO \$60000	18908	7.03	972929669.00	1100596817.88	772178558.60	54889.00	125429476.70	183563174.45	38343422.91
\$60001 TO \$70000	14503	5.39	880193746.00	1006003243.51	730736458.78	44089.00	100552474.48	156264946.87	23516550.80
\$70001 TO \$80000	11144	4.14	765860468.00	901551955.07	669984614.85	35168.00	80047845.52	135445269.78	14948299.33
\$80001 TO \$90000	8039	2.99	611409955.00	749701168.29	571757051.78	25269.00	57239380.77	109355337.09	9596233.60
\$90001 TO \$100000	5768	2.14	455260282.00	625050219.33	487649380.69	18361.00	40948603.67	88024673.89	6242568.00
\$100001 TO \$150000	10728	3.99	956129483.00	1494754712.25	1208526139.92	34613.00	72967216.34	197215927.20	10237601.20
\$150001 TO \$200000	1357	0.50	144745472.00	297047438.64	257914997.04	4346.00	6347380.72	30778660.88	1786368.80
\$200001 TO \$300000	170	0.06	16224039.00	62192474.87	57616008.24	449.00	45981.68	4302084.94	156614.40
\$300001 TO \$400000	28	0.01	4277365.00	13337617.96	12565041.78	99.00	0.00	727776.18	23720.00
OVER \$400000	85	0.03	18159817.00	82022574.16	77743067.26	307.00	0.00	4151506.90	60416.00
TOTAL	269129	100	8862002930.00	10764452545	7407193165.22	614150.00	1390273605.02	1960679975.81	806106810.44

	TAX LIABILITY PFD TAXABLE	PAID FROM FEURL TAX	TAX LIABILITY PFD NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	SUM	SUM	SUM	SUM
AGI GROUP				
LOSS	894306.50	228027.11	874955.29	12820.32
\$0 TO \$10000	2870655.80	89809.65	2039692.84	26601.64
\$10001 TO \$20000	24103632.47	899310.65	21393831.28	202443.26
\$20001 TO \$30000	40347063.75	2888106.27	37687002.60	467953.11
\$30001 TO \$40000	50629199.34	6472611.84	48480037.89	703030.23
\$40001 TO \$50000	51843461.61	9178522.55	49927476.56	782387.19
\$50001 TO \$60000	47634811.23	11035471.55	46047038.39	775903.75
\$60001 TO \$70000	46461027.29	11868295.57	44824693.94	946345.94
\$70001 TO \$80000	46400593.04	12292700.48	44769390.73	1081058.92
\$80001 TO \$90000	42543464.74	11658924.34	41269268.53	953038.43
\$90001 TO \$100000	38599128.25	11217342.28	37664612.27	766018.98
\$100001 TO \$150000	102849627.93	30572553.84	101088336.33	1783178.54
\$150001 TO \$200000	23850469.80	6638894.66	23631243.00	321607.53
\$200001 TO \$300000	4628336.61	1217256.26	4605649.41	39350.21
\$300001 TO \$400000	1380131.80	372734.36	1374979.80	6829.62
OVER \$400000	7368541.30	2039368.70	7354566.50	46239.76
TOTAL	532404451.46	118469930.11	513032775.37	8914867.92

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	ITEMIZED DEDUCTIONS	STANDARD DEDUCTIONS
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2782	1.03	9203.20	-21514.46	3628.30	2.77	6302.74	8309.70	5305.74
\$0 TO \$10000	48792	18.13	4571.95	5735.52	637.06	1.46	3343.21	4027.05	3931.40
\$10001 TO \$20000	50190	18.65	13485.88	15611.82	6575.92	1.75	3991.88	4461.39	4174.68
\$20001 TO \$30000	38976	14.48	22806.23	26120.78	14975.37	2.08	4750.46	5336.29	4575.67
\$30001 TO \$40000	32175	11.96	34400.68	37302.93	24091.03	2.45	5607.00	6381.25	4877.87
\$40001 TO \$50000	25484	9.47	43774.16	47822.53	32588.77	2.75	6283.45	7613.57	5128.31
\$50001 TO \$60000	18908	7.03	51455.98	58278.89	40838.72	2.90	6633.67	9708.23	5455.03
\$60001 TO \$70000	14503	5.39	60690.46	69451.38	50385.19	3.04	6933.22	10774.66	5521.61
\$70001 TO \$80000	11144	4.14	68724.02	81038.38	60120.66	3.16	7183.04	12154.10	5630.24
\$80001 TO \$90000	8039	2.99	76055.47	93409.07	71122.91	3.14	7120.21	13603.10	5698.48
\$90001 TO \$100000	5768	2.14	78928.62	108402.74	84543.93	3.18	7099.27	15260.87	5796.26
\$100001 TO \$150000	10728	3.99	89124.67	139384.06	112651.58	3.23	6801.57	18383.29	6072.12
\$150001 TO \$200000	1357	0.50	106665.79	218900.10	190062.64	3.20	4677.51	22681.40	5983.11
\$200001 TO \$300000	170	0.06	95435.52	365838.09	338905.93	2.64	270.48	25306.38	6264.58
\$300001 TO \$400000	28	0.01	152763.04	476343.50	448751.49	3.54	0.00	25992.01	7180.00
OVER \$400000	85	0.03	213644.91	964971.46	914624.32	3.61	0.00	48841.26	6041.60
TOTAL	269129	100	32928.46	40085.70	27522.84	2.28	5165.83	7285.28	4488.90

AGI GROUP	TAX LIABILITY PAID TAXABLE	PAID FROM FEDRL TAX	TAX LIABILITY PAID NONTAXABLE	LEAKAGE TO MUNICIPALITI- ES
	MEAN	MEAN	MEAN	MEAN
LOSS	321.46	81.97	314.51	4.61
\$0 TO \$10000	58.83	1.84	41.80	0.55
\$10001 TO \$20000	480.25	13.93	426.26	4.03
\$20001 TO \$30000	1035.18	74.10	966.93	12.01
\$30001 TO \$40000	1573.56	201.17	1506.76	21.85
\$40001 TO \$50000	2036.35	360.17	1959.17	30.70
\$50001 TO \$60000	2519.29	583.64	2435.32	41.04
\$60001 TO \$70000	3203.55	818.33	3090.72	65.25
\$70001 TO \$80000	4163.73	1103.08	4017.35	97.01
\$80001 TO \$90000	5292.13	1450.30	5133.63	118.55
\$90001 TO \$100000	6691.94	1944.75	6529.93	132.80
\$100001 TO \$150000	9587.03	2849.79	9422.85	166.22
\$150001 TO \$200000	17575.88	4892.33	17414.33	237.00
\$200001 TO \$300000	27225.51	7160.33	27092.06	231.47
\$300001 TO \$400000	49290.42	13311.94	49106.42	243.91
OVER \$400000	86638.72	23992.57	86524.31	544.00
TOTAL	1978.25	440.20	1906.27	33.12

Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 31
(PFD TAXABLE)
LIABILITY TO COLLECTIONS
TAX ALTERNATIVE TWO
MODERATE ECONOMIC SCENARIO

FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$96 (\$m real)
86				325.98	.
88/1	\$0	\$1	(\$1)		
/2	\$0	\$0	(\$0)		
/3	\$1	\$3	(\$1)		
/4	\$86	\$6	\$80		
TOTAL	\$87	\$9	\$78	338.66	\$75
89/1	\$114	\$5	\$109		
/2	\$150	\$2	\$148		
/3	\$146	\$16	\$130		
/4	\$125	\$36	\$88		
TOTAL	\$534	\$60	\$475	354.17	\$437
90/1	\$123	\$6	\$116		
/2	\$162	\$2	\$160		
/3	\$158	\$20	\$138		
/4	\$132	\$44	\$88		
TOTAL	\$574	\$72	\$502	370.39	\$442
91/1	\$129	\$5	\$124		
/2	\$170	\$2	\$168		
/3	\$165	\$16	\$150		
/4	\$138	\$35	\$103		
TOTAL	\$601	\$57	\$544	387.35	\$458
92/1	\$135	\$5	\$130		
/2	\$177	\$2	\$176		
/3	\$172	\$15	\$157		
/4	\$139	\$34	\$106		
TOTAL	\$623	\$55	\$568	405.09	\$457

ALTERNATIVE THREE: FLAT RATES/ FEDERAL TAX BASE,
NO EXCLUSIONS OR DEDUCTIONS,
HIGH PERSONAL EXEMPTION

A true flat tax has two attributes: (1) it applies the same rate of tax to everyone and to each component of the tax base; and (2) to arrive at the tax base there are no deductions from total income except personal exemptions and strictly defined business expenses.

To raise a certain amount of tax revenue it is necessary to make a trade-off between the size of the personal exemption and the marginal tax rate.(17)

"A higher exemption may be desirable to secure relief for those at the bottom of the income schedule and to increase progressiveness (with respect to average tax rates). But a higher exemption means that a higher marginal tax rate must be applied to maintain revenues."

Tax Base

As with the previous alternatives, this tax system is tied to the Federal tax law. In this case, however, it is piggybacked to the federal law only for its income inclusion elements. It is not tied to the federal law for exemptions, deductions or income exclusions. The advantage in being tied to the federal system is largely administrative, as discussed previously. The disadvantage is that federal changes can automatically affect state law and revenues dramatically.

The federal law has changed since the Alaska individual income tax was in effect. This proposal assumes that the changes adopted by the federal government will be referenced in Alaska Statute much as they were in 1978-1979, but only for income inclusions. This will result in the expansion of the adjusted gross income; and therefore, the tax base. The specifics of the changes resulting from tax reform at the federal level are available in a number of publications and we will not attempt to discuss those here. The provisions of the new law that we assume would be effective for this proposal are summarized below.

Income Inclusions and Exclusions

Included as total income are wages, salaries, tips, interest income, dividends, income tax refunds, alimony received, business income, capital gains, pensions, IRA and annuity distributions, rents, royalties, partnership, estates, trusts, farm income, unemployment insurance (which we were unable to include in our model), social security benefits and other income. The new Federal law eliminates the \$100 - \$200 exclusion of dividend income and treats the full amount of capital gain as ordinary income. The Alaska Permanent Fund Dividend is included as income.

New restrictions are now included in the Federal law which define passive and active participation in ventures and set limits for higher income taxpayers on offsetting losses of any kind. Passive losses cannot be used to offset other income except for \$25,000 in participatory rental losses. (Passive losses occur particularly in some partnership and rental activities.)

Income Adjustments

Under the new Federal law, only the Keogh plan contributions, savings withdrawal penalties and alimony paid adjustments from income remain. Eliminated is the Two Earner adjustment; while the IRA adjustment is phased out at higher income levels or eliminated if the employer covers the employee with a retirement plan. The moving expense and employee business expense adjustment are now deductions.

Treatment of the Alaska Permanent Fund Dividend

All of the alternatives presented include the Alaska Permanent Fund Dividend as taxable income. The 1988 low case Table 32 indicates a loss of \$14.4 million dollars in tax if the PFD is not taxable (\$399.8 million with PFD included - \$385.5 million with PFD excluded). The taxable income in the tables is with PFD not taxable. Children and other persons not required to file will not pay tax on the PFD. The estimates of the PFD are as follows:

1988	\$750
1989	\$800
1990	\$800
1991	\$800
1992	\$800

These are rounded values from the December 1986 Long Run Fiscal Model of the Department of Revenue.(18)

Nonresident Apportionment

Nonresident workers apportion their income by source state in this proposal. The apportionment ratio is obtained by dividing Alaska adjusted gross income (income earned in this state or attributable to investments in this state) by total adjusted gross income. The ratio obtained from Alaska to total income is used to adjust exemptions also.

Personal Exemption

The personal exemption in this alternative is set high both as a proxy for a subsistence amount and to respond to family size. The high personal exemption helps to make the effective rates of this proposal more progressive. The exemption value for taxpayer, spouse and dependents is \$3,000 each starting in 1988, and is inflation adjusted each year.

Tax Credits

We have not included any tax credits in these proposals. Summaries of the major tax credits effective in Alaska and profiles of the taxpayers and amounts credited have been published previously and are available from this office.(19)

Tax Rates

The tax rate in this alternative was designed to provide a revenue neutral tax compared to alternative one in 1988 only. That is, total revenues are approximately the same as the previous two cases. A six percent tax rate was used for all income. Progressive rates could also be applied to this tax base but it would be difficult to develop a revenue neutral (compared to the other alternatives) case with these rates.

ISSUES

Economic Efficiency

Proponents argue that because a flat tax lowers marginal rates, this reduces the incentive to alter decisions based on tax considerations. Personal, business and investment decisions would be primarily based on economic as opposed to tax considerations. In addition, the lower rates reduce the payoffs to time spent trying to avoid or in some cases evade taxes.

Income Elasticity

Michigan, one state with this type of tax, has found that tax revenues have tended to grow more than in proportion to the growth of income because of the fixed dollar value of exemptions in that state. This responsiveness was found to decrease over time as income rose relative to the value of exemptions. Because the exemption is indexed in this presentation, this source of elasticity is probably not a factor.

Equity

The key to vertical equity or adherence to ability to pay principles in this tax is the size of the personal exemption. The exemption combined with the flat rate determine the progressivity of the system.

In general this type of tax takes the view that income from all sources is equivalent in defining the tax base. Problems of equity arise when certain income flows are excluded from the tax base or are taxed at preferential rates. In Michigan, for instance, there is no subtraction of itemized or standardized deductions. There is however some allowance for tax credits which represents a deviation from this ideal.

The main concerns with a flat rate tax involve its incidence. It may distribute burdens from upper to middle income taxpayers.

Administration and Compliance

The structure of this tax is the simplest of the three presented. The tax base is typically federal adjusted gross income modified by a limited number of additions and subtractions. The use of federal AGI in defining the state tax base simplifies the filing process for individuals as well as the administrative costs involved in tax collection. The fact that deductions or adjustments are very limited means that auditing problems are greatly reduced.

Nonresident Taxpayers

This alternative captures the nonresident worker in the tax base fairly effectively. Alaskan employers submit payroll taxes regardless of the residence of the worker. The potential for avoiding estimated payments remains but is no worse or better for this alternative than any other.

The apportionment of nonresident (or part year resident) income seems fair and is consistent with practice generally used in other states.

Intergovernmental Effects

All state income taxes are deductible from Federal income. This causes a leakage of tax from the federal government to the State. The 1988 low case Table 32 below shows is that for every dollar of Alaska tax paid, the taxpayer pays only 80¢ while the Federal government leaks 20¢ of it to the State (\$81.6 million in Federal tax leakage / \$399.8 million in State tax liability).

Since there are no deductions from this tax, leakage of tax from the State to local government under this alternative is zero. It has been argued that it undermines the ability of local government to levy taxes when they are not deductible from the taxes of higher level governments.

Inflation Effects

Inflation adjustment is present in the exemption amount of this tax alternative. Because the exemption is indexed, this alternative is less distorted by inflation than the previous cases.

TABLE 32
1988 TAX ALTERNATIVE THREE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDERAL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2878	1.19	26309170.00	-61678792.91	10925054.91	7805.00	23415000.00	674442.83	160267.36
\$0 TO \$10000	53355	22.06	248499609.00	305298080.85	99873230.57	78669.00	236007000.00	7499842.24	150853.93
\$10001 TO \$20000	49490	20.46	668214244.00	769719577.88	457938010.39	91714.00	275142000.00	30091066.41	1015019.60
\$20001 TO \$30000	36082	14.92	822338578.00	943559133.02	659139490.96	82151.00	246453000.00	41876832.22	3559527.46
\$30001 TO \$40000	28778	11.90	971451140.00	1072829850.36	806086558.39	77343.00	232029000.00	50465208.15	6857070.84
\$40001 TO \$50000	22390	9.26	973365388.00	1068241985.88	842143343.68	65702.00	197106000.00	52281835.36	10616593.85
\$50001 TO \$60000	15856	6.56	815676730.00	923230676.83	756425426.83	48533.00	145599000.00	46667980.61	11449069.15
\$60001 TO \$70000	11225	4.64	683752605.00	777522186.01	656118936.01	35348.00	106044000.00	40294811.16	10444835.94
\$70001 TO \$80000	7883	3.26	542298283.00	636844305.28	550116555.28	25290.00	75870000.00	33667458.32	9081740.13
\$80001 TO \$90000	5208	2.15	398926188.00	485165674.57	428142424.57	16585.00	49755000.00	26128240.47	7710371.74
\$90001 TO \$100000	3243	1.34	256764893.00	349859148.04	314495898.04	10278.00	30834000.00	19142228.88	5775457.18
\$100001 TO \$150000	4837	2.00	425160325.00	668888559.51	616058559.51	15373.00	46119000.00	37367793.57	11060776.36
\$150001 TO \$200000	412	0.17	40720223.00	91310515.75	87109765.75	1223.00	3669000.00	5258490.94	1417698.31
\$200001 TO \$300000	55	0.02	4709336.00	22032721.97	21593221.97	128.00	384000.00	1298923.32	333598.36
\$300001 TO \$400000	93	0.04	15285945.00	44902551.74	43875801.74	297.00	891000.00	2640693.10	710867.51
OVER \$400000	79	0.03	17348776.00	75394772.03	74511272.03	260.00	780000.00	4477066.32	1253578.57
TOTAL	241864	100	6910821433.00	8173120946.79	6424553550.62	556699.00	1670097000.00	399832913.97	81597931.30

	TAX LIABILITY PFD NON- TAXABLE
	SUM
AGI GROUP	
LOSS	655503.29
\$0 TO \$10000	5992393.83
\$10001 TO \$20000	27476280.62
\$20001 TO \$30000	39548369.46
\$30001 TO \$40000	48365193.50
\$40001 TO \$50000	50528600.62
\$50001 TO \$60000	45385525.61
\$60001 TO \$70000	39367136.16
\$70001 TO \$80000	33006993.32
\$80001 TO \$90000	25638545.47
\$90001 TO \$100000	18869753.88
\$100001 TO \$150000	36963513.57
\$150001 TO \$200000	5226585.94
\$200001 TO \$300000	1295593.32
\$300001 TO \$400000	2632548.10
OVER \$400000	4470676.32
TOTAL	385673213.04

AGI GROUP	N	PCIN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2878	1.19	9141.48	-21498.36	3796.06	2.71	8135.86	234.34	55.90
\$0 TO \$10000	53355	22.06	4657.48	5748.09	1871.86	1.47	4423.33	140.56	2.83
\$10001 TO \$20000	49490	20.46	13502.01	15587.05	9253.14	1.85	5559.55	608.02	20.51
\$20001 TO \$30000	36082	14.92	22790.83	26205.61	18267.82	2.28	6830.36	1160.60	98.65
\$30001 TO \$40000	28778	11.90	33756.73	37330.10	28010.51	2.69	8062.72	1753.60	238.27
\$40001 TO \$50000	22390	9.26	43473.22	47761.87	37612.48	2.93	8803.31	2335.05	474.17
\$50001 TO \$60000	15856	6.56	51442.78	58303.17	47705.94	3.06	9182.58	2943.24	722.07
\$60001 TO \$70000	11225	4.64	60913.37	69341.14	58451.58	3.15	9447.13	3589.74	930.50
\$70001 TO \$80000	7883	3.26	68793.39	80930.78	69785.18	3.21	9624.51	4270.89	1152.07
\$80001 TO \$90000	5208	2.15	76598.73	93283.15	82208.61	3.18	9553.57	5016.94	1480.49
\$90001 TO \$100000	3243	1.34	79175.11	107947.90	96976.84	3.17	9507.86	5902.63	1780.90
\$100001 TO \$150000	4837	2.00	87897.52	138371.65	127363.77	3.18	9534.63	7725.41	2286.70
\$150001 TO \$200000	412	0.17	98835.49	221627.47	211431.47	2.97	8905.34	12763.33	3441.02
\$200001 TO \$300000	55	0.02	85624.29	400594.94	392604.04	2.33	6981.82	23616.79	6065.42
\$300001 TO \$400000	93	0.04	164365.00	482823.14	471782.81	3.19	9580.65	28394.55	7643.74
OVER \$400000	79	0.03	219604.76	966599.64	943180.66	3.29	9873.42	56671.73	15868.08
TOTAL	241864	100	28573.17	33870.36	26562.67	2.30	6905.11	1653.13	337.37

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	227.76
\$0 TO \$10000	112.31
\$10001 TO \$20000	555.19
\$20001 TO \$30000	1096.07
\$30001 TO \$40000	1680.63
\$40001 TO \$50000	2256.75
\$50001 TO \$60000	2862.36
\$60001 TO \$70000	3507.09
\$70001 TO \$80000	4187.11
\$80001 TO \$90000	4932.52
\$90001 TO \$100000	5818.61
\$100001 TO \$150000	7641.83
\$150001 TO \$200000	12685.89
\$200001 TO \$300000	23556.24
\$300001 TO \$400000	28306.97
OVER \$400000	56590.84
TOTAL	1593.75

TABLE 33
1989 TAX ALTERNATIVE THREE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2727	1.14	24579758.00	-59527626.97	9809884.36	7470.00	23436378.00	606401.48	147025.76
\$0 TO \$10000	49750	20.81	232987396.00	286672325.82	88069777.42	73786.00	231496196.40	6739372.13	129076.45
\$10001 TO \$20000	48252	20.19	656298356.00	751585286.54	435955207.35	89031.00	279325859.40	28828415.35	978169.32
\$20001 TO \$30000	35369	14.80	812405077.00	923763680.84	635086366.03	79515.00	249470361.00	40511958.93	3452780.72
\$30001 TO \$40000	28712	12.01	985741252.00	1070678566.88	795541030.38	76053.00	238608682.20	49942245.23	6833744.51
\$40001 TO \$50000	22522	9.42	989322698.00	1074621071.55	837795094.35	65638.00	205932661.20	52137305.66	10516112.28
\$50001 TO \$60000	15948	6.67	819697745.00	928255468.79	753883625.99	48377.00	151777999.80	46599001.56	11417539.17
\$60001 TO \$70000	11568	4.84	704321793.00	801060959.06	670174890.26	36355.00	114060177.00	41228141.42	10701209.33
\$70001 TO \$80000	8326	3.48	572604837.00	673113198.20	577039540.20	26733.00	83872114.20	35366324.41	9547836.12
\$80001 TO \$90000	5626	2.35	431283215.00	523202734.79	458748457.79	17881.00	56099849.40	28031067.47	823388.00
\$90001 TO \$100000	3642	1.52	288673205.00	394794853.94	353060972.54	11567.00	36290305.80	21511402.35	6486727.52
\$100001 TO \$150000	5790	2.42	512296742.00	802432875.56	735564018.56	18561.00	58233281.40	44653105.11	13215558.18
\$150001 TO \$200000	541	0.23	56662960.00	119475168.33	113539133.13	1648.00	5170435.20	6858253.99	1867475.62
\$200001 TO \$300000	64	0.03	6216251.00	25806499.57	25266964.37	148.00	464335.20	1520529.86	335680.06
\$300001 TO \$400000	106	0.04	18829475.00	48952894.76	47668780.36	356.00	1116914.40	2870158.87	758239.78
OVER \$400000	90	0.04	17208477.00	94194971.63	93183887.43	285.00	894159.00	5598425.25	1515947.11
TOTAL	239033	100	7129129237.00	8459082929.26	663038730.47	553404.00	1736249709.59	413002139.01	86187062.92

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	SUM
LOSS	588593.06
\$0 TO \$10000	5284186.65
\$10001 TO \$20000	26157312.44
\$20001 TO \$30000	38105181.96
\$30001 TO \$40000	47732461.82
\$40001 TO \$50000	50267705.66
\$50001 TO \$60000	45233017.56
\$60001 TO \$70000	40210493.42
\$70001 TO \$80000	34622372.41
\$80001 TO \$90000	27524907.47
\$90001 TO \$100000	21183658.35
\$100001 TO \$150000	44133841.11
\$150001 TO \$200000	6812347.99
\$200001 TO \$300000	1516017.86
\$300001 TO \$400000	2860126.82
OVER \$400000	5591033.25
TOTAL	397823257.83

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2727	1.14	9013.48	-21885.16	3597.32	2.74	8594.20	222.37	53.91
\$0 TO \$10000	49750	20.81	4683.16	5787.85	1770.25	1.48	4653.19	135.46	2.59
\$10001 TO \$20000	48252	29.19	13601.47	15610.54	9034.97	1.85	5788.90	597.46	20.27
\$20001 TO \$30000	35369	14.80	22969.41	26168.20	17956.02	2.25	7053.36	1145.41	97.62
\$30001 TO \$40000	28712	12.01	34332.03	37342.30	27707.61	2.65	8310.42	1739.42	238.01
\$40001 TO \$50000	22522	9.42	43926.95	47771.55	37198.97	2.91	9143.62	2314.95	466.93
\$50001 TO \$60000	15948	6.67	51398.15	58278.22	47271.36	3.03	9517.06	2921.93	715.92
\$60001 TO \$70000	11568	4.84	60885.36	69343.92	57933.51	3.14	9859.97	3563.98	925.07
\$70001 TO \$80000	8326	3.48	68773.10	81019.88	69305.73	3.21	10073.52	4247.70	1146.76
\$80001 TO \$90000	5626	2.35	76658.94	93146.29	81540.79	3.18	9971.53	4982.42	1463.54
\$90001 TO \$100000	3642	1.52	79262.27	108489.93	96941.51	3.18	9964.39	5906.48	1781.09
\$100001 TO \$150000	5790	2.42	88479.58	138637.33	127040.42	3.21	10057.56	7712.11	2282.48
\$150001 TO \$200000	541	0.23	104737.45	220841.35	209869.01	3.05	9557.18	12677.05	3451.90
\$200001 TO \$300000	64	0.03	97128.92	403226.56	394796.32	2.31	7255.24	23758.28	6026.25
\$300001 TO \$400000	106	0.04	177636.56	461819.76	449705.48	3.36	10536.93	27076.97	7153.21
OVER \$400000	90	0.04	191205.30	1070397.40	1035376.53	3.17	9935.10	62204.72	16843.86
TOTAL	239033	100	29824.87	35468.60	27738.38	2.32	7263.64	1727.80	360.57

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	215.84
\$0 TO \$10000	106.21
\$10001 TO \$20000	542.10
\$20001 TO \$30000	1077.36
\$30001 TO \$40000	1662.46
\$40001 TO \$50000	2231.94
\$50001 TO \$60000	2836.28
\$60001 TO \$70000	3476.01
\$70001 TO \$80000	4158.34
\$80001 TO \$90000	4892.45
\$90001 TO \$100000	5816.49
\$100001 TO \$150000	7622.43
\$150001 TO \$200000	12592.14
\$200001 TO \$300000	23687.78
\$300001 TO \$400000	26982.33
OVER \$400000	62122.59
TOTAL	1664.30

TABLE 34
1990 TAX ALTERNATIVE THREE
LOW ECONOMIC SCENARIO

ACI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2622	1.13	25526126.00	-54911695.16	12631430.57	7222.00	23696104.20	776545.33	192545.25
\$0 TO \$10000	45296	19.52	209413184.00	260591560.84	75902800.74	67414.00	221192075.40	5831094.35	111926.72
\$10001 TO \$20000	44893	19.34	607363524.00	699222851.80	399182024.17	81794.00	268374293.40	26392802.87	871649.76
\$20001 TO \$30000	33958	14.63	775758196.00	888313489.07	605518798.37	74942.00	245892196.20	38606494.81	3302598.82
\$30001 TO \$40000	27907	12.03	956564806.00	1040705076.59	767305794.13	72648.00	238365352.80	48158601.82	6604134.27
\$40001 TO \$50000	22315	9.62	978808639.00	1064817448.92	823665500.45	64267.00	210866453.70	51253641.31	10246684.20
\$50001 TO \$60000	16087	6.93	828475374.00	936611011.46	754856127.46	48500.00	159133350.00	46660471.65	11467762.79
\$60001 TO \$70000	11938	5.14	724824159.00	826709341.16	686994825.26	37315.00	122434246.50	42265561.52	10950401.71
\$70001 TO \$80000	8778	3.78	604631162.00	710172238.27	605107864.37	28093.00	92175942.30	37088439.86	9992461.90
\$80001 TO \$90000	6192	2.67	471880182.00	576217347.26	502273509.56	19739.00	64765632.90	30653402.57	8972187.55
\$90001 TO \$100000	4132	1.78	328467845.00	444702445.62	395385348.32	13145.00	43130059.50	24054736.90	7299516.60
\$100001 TO \$150000	6952	3.00	609539110.00	964848535.81	880548585.81	22506.00	73844436.60	53461427.15	15818060.50
\$150001 TO \$200000	709	0.31	77427061.00	153190549.32	144821128.62	2237.00	7339820.70	8751043.72	2388607.89
\$200001 TO \$300000	79	0.03	8081215.00	27081756.16	26328898.36	198.00	649657.80	1515925.90	410426.81
\$300001 TO \$400000	110	0.05	17519133.00	53161612.12	51767442.92	372.00	1220569.20	3116462.58	830687.85
OVER \$400000	100	0.04	18918257.00	100847567.87	99679945.77	312.00	1023703.20	5949628.75	1677096.05
TOTAL	232068	100	7243137973.00	8692281137.11	6831970024.84	540704.00	1774103894.39	424726281.07	91136745.66

	TAX LIABILITY PFD NON- TAXABLE
	SUM
AGI GROUP	
LOSS	757885.83
\$0 TO \$10000	4554168.04
\$10001 TO \$20000	23950921.45
\$20001 TO \$30000	36331127.90
\$30001 TO \$40000	46038347.65
\$40001 TO \$50000	49419930.03
\$50001 TO \$60000	45291367.65
\$60001 TO \$70000	41219689.52
\$70001 TO \$80000	36306471.86
\$80001 TO \$90000	30136410.57
\$90001 TO \$100000	23723120.90
\$100001 TO \$150000	52832915.15
\$150001 TO \$200000	8689267.72
\$200001 TO \$300000	1579733.90
\$300001 TO \$400000	3106046.58
OVER \$400000	5980796.75
TOTAL	409918201.49

AGI GROUP	N	PGTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
1055	2622	1.13	9735.36	-20990.71	4817.48	2.75	9037.42	296.17	73.43
\$0 TO \$10000	45296	19.32	4623.22	5778.60	1675.71	1.49	4883.26	128.73	2.47
\$10001 TO \$20000	44893	19.34	13529.14	15611.83	8891.85	1.82	5978.09	587.90	19.42
\$20001 TO \$30000	33958	14.63	22844.64	26213.99	17831.40	2.21	7241.07	1136.89	97.26
\$30001 TO \$40000	27907	12.03	34276.88	37342.75	27495.10	2.60	8541.42	1725.68	236.65
\$40001 TO \$50000	22315	9.62	43863.26	47773.23	36910.84	2.88	9449.54	2296.82	459.18
\$50001 TO \$60000	16087	6.93	51499.68	58301.34	46923.36	3.01	9892.05	2900.51	712.86
\$60001 TO \$70000	11938	5.14	60715.71	69348.99	57546.89	3.13	10255.84	3540.42	917.27
\$70001 TO \$80000	8778	3.78	68880.29	81005.16	68934.59	3.20	10500.79	4225.16	1138.35
\$80001 TO \$90000	6192	2.67	76208.04	93223.97	81116.52	3.19	10459.57	4956.94	1449.00
\$90001 TO \$100000	4132	1.78	79479.35	107650.07	95688.61	3.18	10438.06	5831.25	1766.58
\$100001 TO \$150000	6952	3.00	87678.24	138827.13	126661.19	3.24	10622.04	7690.08	2275.33
\$150001 TO \$200000	709	0.31	109206.01	216065.65	204261.11	3.16	10352.36	12342.80	3368.98
\$200001 TO \$300000	79	0.03	102293.86	342807.04	333277.19	2.51	8223.52	20075.01	5195.28
\$300001 TO \$400000	110	0.05	159264.85	483287.38	470613.12	3.38	11096.08	28331.48	7551.71
OVER \$400000	100	0.04	189182.57	1018662.30	996799.46	3.12	10237.03	59896.29	16770.96
TOTAL	232068	100	31211.27	37538.41	29439.52	2.33	7644.76	1830.18	392.72

AGI GROUP	TAX LIABILITY PD NON- TAXABLE
	MEAN
LOSS	289.05
\$0 TO \$10000	100.54
\$10001 TO \$20000	533.51
\$20001 TO \$30000	1069.88
\$30001 TO \$40000	1649.71
\$40001 TO \$50000	2214.65
\$50001 TO \$60000	2815.40
\$60001 TO \$70000	3452.81
\$70001 TO \$80000	4136.08
\$80001 TO \$90000	4866.99
\$90001 TO \$100000	5741.32
\$100001 TO \$150000	7599.67
\$150001 TO \$200000	12255.67
\$200001 TO \$300000	19996.63
\$300001 TO \$400000	28236.79
OVER \$400000	59807.97
TOTAL	1766.37

TABLE 35
1991 TAX ALTERNATIVE THREE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCIN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	HUNDR OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FLDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2419	1.07	22722616.00	-48966407.45	10987015.69	6664.00	22866849.60	676856.76	163825.43
\$0 TO \$10000	42107	18.55	193833384.00	241699360.09	67439334.42	62257.00	213628669.80	5197715.73	77522.32
\$10001 TO \$20000	42552	18.74	573637888.00	663765627.54	372797394.86	76780.00	263462892.00	24633228.14	807840.61
\$20001 TO \$30000	32974	14.53	751855460.00	861414298.61	581902572.85	71271.00	244559309.40	37084363.59	3177631.61
\$30001 TO \$40000	27248	12.00	933776569.00	1016421637.12	744495207.88	69442.00	238283278.80	46706478.58	6438839.68
\$40001 TO \$50000	21843	9.62	956248447.00	1042492481.52	801382007.08	61808.00	212087971.20	49852200.42	983293.86
\$50001 TO \$60000	16104	7.09	828050505.00	938350265.57	751251600.77	47990.00	164672886.00	46432584.05	11396083.00
\$60001 TO \$70000	12292	5.41	746748943.00	851055079.46	702341483.46	38192.00	131052028.80	43210889.01	11198499.43
\$70001 TO \$80000	9227	4.06	634749006.00	745792375.32	631632394.92	29334.00	100656687.60	38718023.70	1040472.79
\$80001 TO \$90000	6585	2.90	504345180.00	613002694.62	531339281.02	20956.00	71908418.40	32472244.86	9474439.52
\$90001 TO \$100000	4516	1.99	358621482.00	489577935.00	433180122.40	14463.00	49628338.20	26397799.34	7960894.27
\$100001 TO \$150000	7982	3.52	707583864.00	1107770863.76	1007460035.96	25739.00	88320801.60	1169474.16	18142930.98
\$150001 TO \$200000	917	0.40	95826032.00	202428533.36	191150630.36	2895.00	9933933.00	11549677.82	3153412.68
\$200001 TO \$300000	91	0.04	8526371.00	34485304.75	33650079.35	211.00	724025.40	2025676.76	503725.98
\$300001 TO \$400000	91	0.04	14471967.00	44541391.74	43349783.34	306.00	1050008.40	2609483.00	709369.36
OVER \$400000	82	0.04	18777337.00	81885809.63	80875477.03	259.00	888732.60	4859824.62	1295762.30
TOTAL	227050	100	7349775161.00	8885917250.63	6985234421.35	528567.00	1813724803.79	433596520.59	94817284.32

AGI GROUP	TAX LIABILITY PFD HHH- TAXABLE
	SUM
LOSS	659220.94
\$0 TO \$10000	4046360.07
\$10001 TO \$20000	22367843.69
\$20001 TO \$30000	34914154.37
\$30001 TO \$40000	44669712.47
\$40001 TO \$50000	48082920.42
\$50001 TO \$60000	45075096.05
\$60001 TO \$70000	42140489.01
\$70001 TO \$80000	37897943.70
\$80001 TO \$90000	31800356.86
\$90001 TO \$100000	25990807.34
\$100001 TO \$150000	60447602.16
\$150001 TO \$200000	11469037.82
\$200001 TO \$300000	2019004.76
\$300001 TO \$400000	2600987.00
OVER \$400000	4352528.62
TOTAL	419114065.28

AGI GROUP	N	PCIN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEURL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2419	1.07	9393.39	-20284.34	4541.97	2.75	9453.02	279.81	67.72
\$0 TO \$10000	42107	18.55	4603.35	5765.59	1601.62	1.48	5073.47	123.44	2.32
\$10001 TO \$20000	42552	18.74	13480.87	15631.26	8760.98	1.80	6191.55	578.90	18.98
\$20001 TO \$30000	32994	14.53	22787.64	26162.92	17636.62	2.16	7412.24	1123.97	96.31
\$30001 TO \$40000	27248	12.00	34269.55	37354.71	27322.93	2.55	8744.98	1714.13	236.31
\$40001 TO \$50000	21843	9.62	43778.26	47788.28	36688.28	2.83	9709.65	2282.30	452.65
\$50001 TO \$60000	16104	7.09	51418.93	58344.23	46650.00	2.98	10225.59	2883.30	707.66
\$60001 TO \$70000	12292	5.41	60750.81	69338.04	57138.10	3.11	10661.57	3515.37	911.04
\$70001 TO \$80000	9227	4.06	68792.58	80950.00	68454.80	3.18	10908.93	4196.17	1127.58
\$80001 TO \$90000	6585	2.90	76590.00	93246.53	80689.34	3.18	10920.03	4931.24	1438.79
\$90001 TO \$100000	4516	1.99	79411.31	108457.67	95921.20	3.20	10989.45	5845.39	1762.82
\$100001 TO \$150000	7982	3.52	88647.44	138853.20	126216.49	3.22	11065.00	7663.43	2272.99
\$150001 TO \$200000	917	0.40	104499.49	220750.85	208452.16	3.16	10333.05	12595.07	3438.84
\$200001 TO \$300000	91	0.04	93696.38	378959.39	369781.09	2.32	7956.32	22260.18	5590.40
\$300001 TO \$400000	91	0.04	159032.60	489465.84	476371.25	3.36	11538.55	28675.64	7795.17
OVER \$400000	82	0.04	228991.91	998607.43	936286.31	3.16	10838.20	59266.15	15301.98
TOTAL	227050	100	32370.73	39219.30	30765.18	2.33	7988.22	1909.70	417.61

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	272.52
\$0 TO \$10000	96.10
\$10001 TO \$20000	525.66
\$20001 TO \$30000	1058.20
\$30001 TO \$40000	1639.38
\$40001 TO \$50000	2201.30
\$50001 TO \$60000	2799.00
\$60001 TO \$70000	3428.29
\$70001 TO \$80000	4107.29
\$80001 TO \$90000	4841.36
\$90001 TO \$100000	5755.27
\$100001 TO \$150000	7572.99
\$150001 TO \$200000	12507.13
\$200001 TO \$300000	22186.87
\$300001 TO \$400000	28582.27
OVER \$400000	59177.18
TOTAL	1845.91

TABLE 36
1992 TAX ALTERNATIVE THREE
LOW ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDERAL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2264	1.03	21510055.00	-48921117.13	9130408.10	6330.00	22712040.00	563093.07	135264.50
\$0 TO \$10000	38392	17.35	173424469.00	218101755.25	57470317.42	56474.00	202628712.00	4445953.22	85154.95
\$10001 TO \$20000	39603	18.04	531457697.00	618621308.98	343148419.14	70168.00	251762784.00	22656168.33	730792.86
\$20001 TO \$30000	31514	14.35	715441887.00	822644758.59	550069431.56	66914.00	240087432.00	35042972.27	2992348.87
\$30001 TO \$40000	26099	11.89	884436553.00	969951668.68	704216004.82	65254.00	234131352.00	44172335.36	6045637.36
\$40001 TO \$50000	21295	9.70	925620350.00	1017112468.21	775788676.01	59416.00	213184608.00	48252359.64	9463318.93
\$50001 TO \$60000	16056	7.31	824716213.00	935551453.61	743421985.61	47366.00	169949208.00	45947975.14	11265020.14
\$60001 TO \$70000	12422	5.66	752396329.00	862414743.02	707250543.02	38291.00	137383108.00	43510424.58	11296425.56
\$70001 TO \$80000	9564	4.36	657913473.00	773528676.35	650079116.35	30524.00	109520112.00	39352138.98	10685663.71
\$80001 TO \$90000	7028	3.20	536363704.00	655823705.41	565534173.91	22269.00	79901172.00	34561810.43	30016937.31
\$90001 TO \$100000	4866	2.22	385216038.00	526313960.95	462990468.95	15613.00	56019444.00	28218532.14	8524256.47
\$100001 TO \$150000	9346	4.26	835105299.00	1304899322.58	1182252238.58	30255.00	108554940.00	71783246.31	21395299.61
\$150001 TO \$200000	1171	0.53	126341782.00	258367717.96	243296309.96	3716.00	13333008.00	14702032.60	4003960.49
\$200001 TO \$300000	143	0.07	13834587.00	50797706.62	49248642.62	378.00	1356264.00	2966486.56	773822.74
\$300001 TO \$400000	37	0.02	5966913.00	17275554.88	16825674.88	110.00	396880.00	1012852.49	283598.70
OVER \$400000	84	0.04	16066422.00	77910048.33	76798548.33	275.00	986700.06	4615400.90	1253467.45
TOTAL	219584	100	7405811671.00	9060393730.75	7137520959.23	513353.00	1841910563.99	442303832.01	98953979.66

	TAX LIABILITY PFD NON- TAXABLE
	SUM
AGI GROUP	
LOSS	547824.49
\$0 TO \$10000	3448219.05
\$10001 TO \$20000	20588905.15
\$20001 TO \$30000	33004165.89
\$30001 TO \$40000	42252960.29
\$40001 TO \$50000	46547320.56
\$50001 TO \$60000	44605319.14
\$60001 TO \$70000	42435032.58
\$70001 TO \$80000	39004746.98
\$80001 TO \$90000	33932050.43
\$90001 TO \$100000	27779428.14
\$100001 TO \$150000	70935134.31
\$150001 TO \$200000	14597778.60
\$200001 TO \$300000	2954918.56
\$300001 TO \$400000	1009540.49
OVER \$400000	4607912.90
TOTAL	428251257.55

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2264	1.03	9500.91	-21656.09	4032.87	2.80	10031.82	248.72	59.75
\$0 TO \$10000	38092	17.35	4552.78	5750.26	1508.72	1.48	5319.46	116.72	2.24
\$10001 TO \$20000	39603	18.04	13419.63	15652.98	8664.71	1.77	6357.16	572.08	18.45
\$20001 TO \$30000	31514	14.35	22702.35	26162.22	17454.76	2.12	7618.44	1111.95	96.95
\$30001 TO \$40000	26099	11.89	33887.76	37219.94	26982.49	2.50	8970.39	1692.49	231.76
\$40001 TO \$50000	21295	9.70	43466.56	47816.86	36430.56	2.79	10011.02	2265.90	444.39
\$50001 TO \$60000	16056	7.31	51364.98	58340.70	46301.82	2.95	10584.78	2861.73	701.61
\$60001 TO \$70000	12422	5.66	60569.66	69515.94	56935.32	3.08	11060.06	3502.69	909.39
\$70001 TO \$80000	9564	4.36	68790.62	81006.25	67971.47	3.19	11451.29	4166.89	1117.28
\$80001 TO \$90000	7028	3.20	76318.11	93462.12	80468.72	3.17	11368.98	4917.73	1425.30
\$90001 TO \$100000	4866	2.22	79164.82	108206.00	95148.06	3.21	11512.42	5799.12	1751.80
\$100001 TO \$150000	9346	4.26	89354.30	139680.94	126498.21	3.24	11615.12	7630.64	2289.24
\$150001 TO \$200000	1171	0.53	107892.21	220638.53	207767.98	3.17	11386.00	12555.15	3419.27
\$200001 TO \$300000	143	0.07	96745.36	355228.72	344396.10	2.64	9484.36	20744.66	5411.35
\$300001 TO \$400000	37	0.02	161267.92	466996.89	454747.97	2.97	10667.03	27374.39	7664.83
OVER \$400000	84	0.04	191266.93	927500.58	914260.43	3.27	11746.43	54945.25	14922.23
TOTAL	219584	100	33726.55	41346.55	32504.74	2.34	8388.18	2014.25	450.64

AGI GROUP	TAX LIABILITY PTD HIGH- TAXABLE
	MEAN
LOSS	241.97
\$0 TO \$10000	90.52
\$10001 TO \$20000	519.88
\$20001 TO \$30000	1047.29
\$30001 TO \$40000	1618.95
\$40001 TO \$50000	2185.83
\$50001 TO \$60000	2778.11
\$60001 TO \$70000	3416.12
\$70001 TO \$80000	4078.29
\$80001 TO \$90000	4828.12
\$90001 TO \$100000	5703.88
\$100001 TO \$150000	7589.89
\$150001 TO \$200000	12466.08
\$200001 TO \$300000	20663.77
\$300001 TO \$400000	27284.88
OVER \$400000	54856.11
TOTAL	1950.28

Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 37
(PFD TAXABLE)
LIABILITY TO COLLECTIONS
TAX ALTERNATIVE THREE
LOW ECONOMIC SCENARIO

-----USING HISTORICAL DATA-----											
FY/Q	GROSS RECEIPTS (\$m nom)	NET REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)	FY/Q	GROSS RECEIPTS (\$m nom)	NET REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)
86				325.98		86				325.98	
75/1	\$18	\$1	\$17			88/1	\$0	\$1	(\$1)		
/2	\$25	\$0	\$25			/2	\$0	\$0	(\$0)		
/3	\$27	\$2	\$25			/3	\$1	\$3	(\$1)		
/4	\$34	\$14	\$21			/4	\$80	\$6	\$74		
TOTAL	\$104	\$16	\$87	105.16	\$184	TOTAL	\$81	\$9	\$72	338.66	\$69
76/1	\$36	\$2	\$34			89/1	\$106	\$5	\$101		
/2	\$46	\$1	\$45			/2	\$140	\$2	\$138		
/3	\$47	\$13	\$34			/3	\$136	\$16	\$120		
/4	\$50	\$16	\$34			/4	\$113	\$36	\$76		
TOTAL	\$178	\$31	\$147	166.17	\$288	TOTAL	\$495	\$60	\$435	354.17	\$401
77/1	\$53	\$3	\$50			90/1	\$110	\$6	\$103		
/2	\$62	\$1	\$61			/2	\$145	\$2	\$143		
/3	\$77	\$15	\$63			/3	\$141	\$20	\$121		
/4	\$60	\$22	\$38			/4	\$116	\$44	\$72		
TOTAL	\$252	\$41	\$211	175.80	\$390	TOTAL	\$511	\$72	\$439	370.39	\$386
78/1	\$46	\$3	\$43			91/1	\$113	\$5	\$108		
/2	\$43	\$1	\$42			/2	\$149	\$2	\$147		
/3	\$42	\$6	\$36			/3	\$145	\$16	\$129		
/4	\$50	\$25	\$25			/4	\$119	\$35	\$84		
TOTAL	\$181	\$36	\$146	187.62	\$253	TOTAL	\$525	\$57	\$468	387.35	\$394
79/1	\$43	\$10	\$33			92/1	\$115	\$5	\$110		
/2	\$42	\$1	\$41			/2	\$152	\$2	\$150		
/3	\$42	\$15	\$27			/3	\$148	\$15	\$132		
/4	\$47	\$31	\$16			/4	\$119	\$34	\$86		
TOTAL	\$174	\$57	\$117	205.22	\$186	TOTAL	\$534	\$55	\$478	405.09	\$385

TABLE 38
1988 TAX ALTERNATIVE THREE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3100	1.17	28281141.00	-61444490.96	13050612.80	8295.00	24885000.00	802867.07	192509.44
\$0 TO \$10000	59403	22.42	270128023.00	338555016.00	112263277.23	85667.00	257001000.00	8426346.28	156500.08
\$10001 TO \$20000	54784	20.68	728576580.00	851035482.08	513731088.97	98951.00	296853000.00	33682409.78	1117048.92
\$20001 TO \$30000	39411	14.88	891007933.00	1030107863.38	725125986.45	88043.00	264129000.00	46011697.89	3284640.59
\$30001 TO \$40000	31031	11.71	1030650179.00	1150799371.58	868683323.79	81746.00	245238000.00	54352999.43	7342828.55
\$40001 TO \$50000	23956	9.04	1037909499.00	1142649829.99	903678937.79	69458.00	208374000.00	56073826.01	11329421.42
\$50001 TO \$60000	17163	6.48	882968616.00	998647869.19	820618869.19	51769.00	155307000.00	50611612.15	12440614.93
\$60001 TO \$70000	12208	4.61	742422172.00	844152753.33	712851753.33	38244.00	114732000.00	43774065.20	11356004.34
\$70001 TO \$80000	8524	3.22	588115204.00	688799061.32	595524561.32	27190.00	81570000.00	36442563.68	953284.13
\$80001 TO \$90000	5672	2.14	432324512.00	528886838.01	467107838.01	17968.00	53904000.00	28503290.28	8394351.80
\$90001 TO \$100000	3549	1.34	282732742.00	381335884.95	342742384.95	11218.00	33654000.00	20861993.10	6307408.58
\$100001 TO \$150000	5427	2.05	473620536.00	748821667.34	689442667.34	17285.00	51855000.00	41819080.04	12371937.27
\$150001 TO \$200000	470	0.18	47369847.00	101944043.67	97122293.67	1404.00	4212000.00	5863922.62	1574844.83
\$200001 TO \$300000	49	0.02	4666366.00	18125990.20	17725490.20	116.00	348000.00	1066679.41	263407.07
\$300001 TO \$400000	95	0.04	15666462.00	46314279.44	45156279.44	339.00	1017000.00	2717836.77	753060.43
OVER \$400000	83	0.03	17633031.00	85186874.61	84301374.61	256.00	768000.00	5065012.48	1353182.02
TOTAL	264921	100	7469072843.00	8893916334.10	7009126739.06	597949.00	1793847000.00	436076202.17	88691044.41

AG. GROUP	TAX LIABILITY IFD NON- TAXABLE
	SUM
LOSS	783036.77
\$0 TO \$10000	6735796.63
\$10001 TO \$20000	30823865.34
\$20001 TO \$30000	43507559.19
\$30001 TO \$40000	52120999.43
\$40001 TO \$50000	54220736.27
\$50001 TO \$60000	49237132.15
\$60001 TO \$70000	42771105.20
\$70001 TO \$80000	35731473.68
\$80001 TO \$90000	28026470.28
\$90001 TO \$100000	20564543.10
\$100001 TO \$150000	41366560.04
\$150001 TO \$200000	5827337.62
\$200001 TO \$300000	1063529.41
\$300001 TO \$400000	2709376.77
OVER \$400000	5058082.48
TOTAL	420547604.34

AGI GROUP	N	PCTN	WAGE & SALARY MEAN	ADJ GROSS INCOME MEAN	TAXABLE INCOME MEAN	NUMBER OF EXEMPTIONS MEAN	VALUE OF EXEMPTIONS MEAN	TAX LIABILITY PFD TAXABLE MEAN	PAID FROM FEDRL TAX MEAN
LOSS	3160	1.17	9122.95	-19878.52	4209.88	2.68	8027.42	258.99	62.10
\$0 TO \$10000	59403	22.42	4547.38	5726.77	1889.86	1.44	4326.40	141.85	2.63
\$10001 TO \$20000	54784	20.68	13299.08	15570.76	9377.39	1.81	5418.61	614.82	20.39
\$20001 TO \$30000	39411	14.88	22608.10	26192.07	18399.08	2.23	6701.91	1167.48	93.57
\$30001 TO \$40000	31031	11.71	33213.57	37138.13	27994.05	2.63	7903.00	1751.57	236.63
\$40001 TO \$50000	23954	9.04	43120.54	47765.65	37725.60	2.90	8398.92	2340.90	472.97
\$50001 TO \$60000	17163	6.48	51446.05	58264.17	47813.25	3.02	9048.94	2948.88	724.85
\$60001 TO \$70000	12206	4.61	60824.36	69255.29	58401.75	3.13	9399.64	3586.27	930.36
\$70001 TO \$80000	8524	3.22	68995.21	80939.96	69864.45	3.15	9569.45	4275.29	1155.95
\$80001 TO \$90000	5672	2.14	76220.82	93376.91	82353.29	3.17	9503.53	5025.26	1479.96
\$90001 TO \$100000	3549	1.34	79665.47	107539.73	96514.35	3.16	9482.67	5378.27	1777.24
\$100001 TO \$150000	5427	2.05	87271.15	138031.64	127039.37	3.19	9555.00	7705.75	2279.70
\$150001 TO \$200000	470	0.18	100786.91	216902.22	206643.18	2.99	8961.70	12476.43	3350.73
\$200001 TO \$300000	49	0.02	95231.96	369918.17	361744.70	2.37	7102.04	21768.97	5375.65
\$300001 TO \$400000	95	0.04	164910.13	487518.73	475329.25	3.57	10705.26	28608.81	7926.95
OVER \$400000	83	0.03	212446.16	1026323.79	1015679.21	3.08	9253.01	61024.25	16303.40
TOTAL	264921	100	28193.59	33654.15	26457.42	2.26	6771.25	1646.06	334.78

AGI GROUP	TAX LIABILITY PF3 NON- TAXABLE
	MEAN
LOSS	252.59
\$0 TO \$10000	113.39
\$10001 TO \$20000	562.64
\$20001 TO \$30000	1103.94
\$30001 TO \$40000	1679.64
\$40001 TO \$50000	2263.54
\$50001 TO \$60000	2868.80
\$60001 TO \$70000	3504.10
\$70001 TO \$80000	4191.87
\$80001 TO \$90000	4941.20
\$90001 TO \$100000	5794.46
\$100001 TO \$150000	7622.36
\$150001 TO \$200000	12398.59
\$200001 TO \$300000	21704.68
\$300001 TO \$400000	28519.76
OVER \$400000	60940.75
TOTAL	1587.45

TABLE 39
1989 TAX ALTERNATIVE THREE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	3006	1.12	28070529.00	-64487886.75	14005505.36	8114.00	25456863.60	860878.06	214771.75
\$0 TO \$10000	56662	21.11	257635640.00	324767512.55	101609692.50	82012.00	257304448.80	7761324.73	149267.74
\$10001 TO \$20000	54308	20.24	720811102.00	844326250.27	497945908.19	97269.00	305171760.60	32849617.72	1059389.00
\$20001 TO \$30000	39735	14.81	897217379.00	1038269296.78	722179079.67	87008.00	272978399.20	45930920.39	3394861.32
\$30001 TO \$40000	31588	11.77	1055289336.00	1174989186.46	879729725.79	81557.00	255876931.80	55169643.99	7535060.00
\$40001 TO \$50000	24634	9.18	1062496637.00	1175937775.50	921387941.12	70535.00	221296509.00	57297692.47	11523910.16
\$50001 TO \$60000	17785	6.63	913542735.00	1035260965.56	842592591.76	53447.00	167684617.80	52065875.51	12790933.05
\$60001 TO \$70000	13042	4.86	791237713.00	903171006.17	757484094.97	40429.00	126841944.60	46587461.70	12095129.78
\$70001 TO \$80000	9356	3.49	643333916.00	757004148.90	649899883.50	29782.00	93433046.80	39325449.01	10752217.5
\$80001 TO \$90000	6388	2.38	486846827.00	595002856.86	522019467.06	20259.00	63560586.60	31892560.02	9347484.76
\$90001 TO \$100000	4223	1.57	333768399.00	456522662.61	407971046.41	13467.00	42251365.80	24857030.78	7481700.80
\$100001 TO \$150000	6717	2.50	592160693.00	933514844.65	856114317.05	21486.00	67410176.40	51963539.02	15358197.96
\$150001 TO \$200000	658	0.25	67581334.00	143041504.29	135868603.49	1992.00	6249700.80	8207508.21	2212744.60
\$200001 TO \$300000	78	0.03	6477017.00	32033015.94	31378083.94	180.00	564732.00	1883397.04	494919.05
\$300001 TO \$400000	90	0.03	13946040.00	45523451.28	44406919.88	311.00	975731.40	2672863.19	735332.89
OVER \$400000	80	0.03	15339488.00	76761347.92	75314674.32	264.00	828273.60	4555984.46	1262938.77
TOTAL	268350	100	7885752785.00	9471642938.98	7660407534.96	608112.00	1907890588.79	464441766.29	96908859.12

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	SUM
LOSS	840330.32
\$0 TO \$10000	6096581.55
\$10001 TO \$20000	29876754.49
\$20001 TO \$30000	43330744.78
\$30001 TO \$40000	52783783.55
\$40001 TO \$50000	55283276.47
\$50001 TO \$60000	50555555.51
\$60001 TO \$70000	45449045.70
\$70001 TO \$80000	38993993.01
\$80001 TO \$90000	31321168.02
\$90001 TO \$100000	24478262.78
\$100001 TO \$150000	51366859.02
\$150001 TO \$200000	8152116.21
\$200001 TO \$300000	1882685.04
\$300001 TO \$400000	2664415.19
OVER \$400000	4548880.46
TOTAL	447624452.10

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEEDL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	3006	1.12	9338.17	-21510.30	4659.18	2.70	8468.68	286.39	71.45
\$0 TO \$10000	56662	21.11	4546.89	5759.00	1793.26	1.45	4541.04	136.98	2.63
\$10001 TO \$20000	54308	20.24	13272.65	15582.86	9168.92	1.79	5619.28	604.88	19.51
\$20001 TO \$30000	39735	14.81	22580.03	26186.52	18174.89	2.19	6869.99	1157.19	98.02
\$30001 TO \$40000	31588	11.77	33407.92	37257.48	27850.12	2.58	8100.45	1746.54	233.54
\$40001 TO \$50000	24634	9.18	43151.23	47798.46	37403.10	2.86	8983.35	2325.96	467.81
\$50001 TO \$60000	17785	6.63	51365.91	58281.88	47376.59	3.01	9428.43	2927.52	719.20
\$60001 TO \$70000	13042	4.86	60668.43	69330.70	58080.36	3.10	9725.65	3572.11	927.60
\$70001 TO \$80000	9356	3.49	68761.64	81058.37	69463.43	3.18	9936.97	4256.67	1149.23
\$80001 TO \$90000	6388	2.38	76212.72	93304.51	81718.76	3.17	9950.00	4992.57	1463.29
\$90001 TO \$100000	4223	1.57	79035.85	108155.10	96606.93	3.19	10005.06	5886.11	1771.66
\$100001 TO \$150000	6717	2.50	88158.51	139060.75	127454.86	3.20	10035.76	7736.87	2286.47
\$150001 TO \$200000	658	0.25	102707.19	217388.30	206487.24	3.03	9498.03	12473.42	3362.83
\$200001 TO \$300000	78	0.03	03038.68	410743.79	402283.13	2.31	7240.15	24210.22	6345.12
\$300001 TO \$400000	90	0.03	154956.00	505816.13	493410.22	3.46	10841.46	29698.48	8170.37
OVER \$400000	80	0.03	191743.60	959516.85	947683.43	3.30	10353.42	56949.81	15786.73
TOTAL	268350	100	29386.07	35380.50	27801.03	2.27	7109.71	1730.73	361.13

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	279.55
\$0 TO \$10000	107.60
\$10001 TO \$20000	550.14
\$20001 TO \$30000	1090.49
\$30001 TO \$40000	1671.01
\$40001 TO \$50000	2244.19
\$50001 TO \$60000	2842.60
\$60001 TO \$70000	3484.82
\$70001 TO \$80000	4167.81
\$80001 TO \$90000	4903.13
\$90001 TO \$100000	5796.42
\$100001 TO \$150000	7647.29
\$150001 TO \$200000	12389.23
\$200001 TO \$300000	24136.99
\$300001 TO \$400000	29604.61
OVER \$400000	56861.01
TOTAL	1668.06

TABLE 40
1990 TAX ALTERNATIVE THREE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCEN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY FID TAXABLE	PAID FROM FIDEL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2925	1.09	26365568.00	-59283482.17	12785719.14	7950.00	26084745.00	787526.79	192237.23
\$0 TO \$10000	53944	20.14	244905721.00	308713792.33	92333065.77	77609.00	254642889.90	7075103.24	133716.20
\$10001 TO \$20000	52742	19.70	703208749.00	821126187.45	478190844.15	93055.00	305322760.50	31520753.19	1022498.69
\$20001 TO \$30000	39408	14.72	893115999.00	1028639440.14	710315166.03	84237.00	276390020.70	45200539.41	3848250.88
\$30001 TO \$40000	31554	11.78	1062534280.00	1173442339.22	871851394.21	80088.00	262776736.80	54660124.73	7491232.92
\$40001 TO \$50000	24721	9.23	1067862265.00	1177443432.09	915177720.65	69872.00	229257019.20	56909383.24	11317667.49
\$50001 TO \$60000	18138	6.77	932249695.00	1056722125.05	854613776.65	53910.00	176884101.00	52803274.60	12963983.69
\$60001 TO \$70000	13563	5.06	822511897.00	939857603.90	783153088.70	41827.00	137238569.70	43166001.32	12439144.91
\$70001 TO \$80000	10073	3.76	695422872.00	814731935.87	695239337.97	31954.00	104844269.40	42606056.28	11493425.54
\$80001 TO \$90000	6963	2.60	532100419.00	649054524.68	566389491.68	22062.00	72387628.20	34606313.50	10117572.39
\$90001 TO \$100000	4660	1.74	370013362.00	504648932.17	449283663.87	14755.00	48412630.50	27374571.83	8244947.66
\$100001 TO \$150000	7947	2.97	701929743.00	1102871983.44	1006764962.94	25661.00	84196307.10	61121721.78	18150384.29
\$150001 TO \$200000	853	0.32	89488808.00	126064265.47	176168480.37	2641.00	8665385.10	10643932.32	2872000.80
\$200001 TO \$300000	109	0.04	9900570.00	42186195.84	41153574.44	274.00	899021.60	2477230.47	627972.21
\$300001 TO \$400000	108	0.04	15989348.00	53490334.51	52147781.81	357.00	1171352.70	3139138.91	844963.32
OVER \$400000	74	0.03	14865466.00	74469794.72	73576011.52	240.00	787464.00	4421136.69	1725183.64
TOTAL	267782	100	182464762.00	9874179409.39	7779144079.85	606492.00	1989960901.19	483512308.79	103035387.44

	TAX LIABILITY PFD NON- TAXABLE
	SUM
AGI GROUP	
LOSS	767143.15
\$0 TO \$10000	5539983.95
\$10001 TO \$20000	28691450.65
\$20001 TO \$30000	42618909.96
\$30001 TO \$40000	52311083.65
\$40001 TO \$50000	54910663.24
\$50001 TO \$60000	51276826.60
\$60001 TO \$70000	46939185.32
\$70001 TO \$80000	41714360.28
\$80001 TO \$90000	33983369.50
\$90001 TO \$100000	26957019.83
\$100001 TO \$150000	60405897.78
\$150001 TO \$200000	10570108.82
\$200001 TO \$300000	2469214.47
\$300001 TO \$400000	3128366.91
OVER \$400000	4414960.69
TOTAL	466748644.79

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FLORL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LO55	2925	1.09	9013.87	-20309.52	4371.19	2.72	8917.86	269.24	65.72
\$0 TO \$10000	53944	20.14	4540.00	5749.72	1711.65	1.44	4720.50	131.16	2.48
\$10001 TO \$20000	52742	19.70	13332.99	15603.35	9066.60	1.76	5788.99	597.64	19.39
\$20001 TO \$30000	39408	14.72	22663.32	26149.41	18024.64	2.14	7013.55	1146.99	97.65
\$30001 TO \$40000	31554	11.78	33673.52	37239.13	27430.46	2.54	8327.84	1732.27	237.41
\$40001 TO \$50000	24721	9.23	43196.56	47687.15	37020.25	2.83	9273.78	2302.07	457.82
\$50001 TO \$60000	18138	6.77	51397.60	58337.32	47117.31	2.97	9752.13	2911.20	714.74
\$60001 TO \$70000	13563	5.06	60643.80	69377.55	57741.88	3.08	10118.60	3551.28	920.82
\$70001 TO \$80000	10073	3.76	69038.31	81043.66	69020.09	3.17	10408.45	4229.73	1141.01
\$80001 TO \$90000	6963	2.60	76418.27	93375.70	81342.74	3.17	10396.04	4970.03	1453.05
\$90001 TO \$100000	4660	1.74	79402.01	108317.01	96412.80	3.17	10388.98	5874.37	1769.30
\$100001 TO \$150000	7947	2.97	88326.38	138813.34	126684.91	3.23	10594.73	7691.17	2283.93
\$150001 TO \$200000	853	0.32	104910.68	218129.27	206528.11	3.10	10158.72	12478.23	3366.94
\$200001 TO \$300000	109	0.04	90830.92	387029.32	377555.73	2.51	8247.90	22726.89	5761.21
\$300001 TO \$400000	108	0.04	148049.52	495280.88	482849.83	3.31	10545.86	29066.10	7823.73
OVER \$400000	74	0.03	200884.68	1020134.17	994270.43	3.24	10641.41	59745.09	16556.60
TOTAL	267782	100	30556.44	36956.06	29050.29	2.26	7431.27	1805.62	384.77

AGI GROUP	TAX LIABILITY FID NON- TAXABLE
	MEAN
LOSS	262.27
\$0 TO \$10000	102.70
\$10001 TO \$20000	544.00
\$20001 TO \$30000	1081.48
\$30001 TO \$40000	1657.83
\$40001 TO \$50000	2221.22
\$50001 TO \$60000	2827.64
\$60001 TO \$70000	3464.51
\$70001 TO \$80000	4141.21
\$80001 TO \$90000	4880.56
\$90001 TO \$100000	5784.77
\$100001 TO \$150000	7601.09
\$150001 TO \$200000	12391.69
\$200001 TO \$300000	22653.34
\$300001 TO \$400000	28970.99
OVER \$400000	59656.23
TOTAL	1743.02

TABLE 41
1991 TAX ALTERNATIVE THREE
MODERATE ECONOMIC SCENARIO

AGI GROUP	N	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY	PAID FROM FEDERAL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2826	1.05	26151717.00	-58930891.94	13232457.15	7702.00	26428642.80	812253.74	206797.43
\$0 TO \$10000	51193	19.07	233394604.00	292786918.06	82582252.75	74429.00	255395670.60	6357076.19	122147.60
\$10001 TO \$20000	51365	19.14	686318284.00	799113086.17	456133304.79	90083.00	309110806.20	30075759.46	960092.44
\$20001 TO \$30000	39219	14.61	889736838.00	1022530539.62	697377972.92	82853.00	284301784.20	44376178.30	3799309.46
\$30001 TO \$40000	31792	11.85	107121089.00	1181316606.58	870469704.91	79365.00	272333061.00	54562460.60	7476603.34
\$40001 TO \$50000	25107	9.35	1086818833.00	1197238525.45	924169008.81	89920.00	239923488.00	57457212.53	11392342.50
\$50001 TO \$60000	18680	6.96	959615727.00	1087936586.28	873345010.88	55022.00	188802490.80	53960604.65	13257555.05
\$60001 TO \$70000	14172	5.28	862239297.00	983541884.84	813410134.24	43674.00	149862963.60	50030000.05	12930124.62
\$70001 TO \$80000	10701	3.99	734716610.00	866083961.40	734339276.20	33882.00	116262694.80	45002452.57	12033321.85
\$80001 TO \$90000	7572	2.82	576125158.00	705032371.02	611844727.42	23906.00	82031048.40	37386667.65	10876714.54
\$90001 TO \$100000	5223	1.95	412975522.00	565674142.95	501083315.95	16559.00	56820552.60	30532038.96	9204619.46
\$100001 TO \$150000	9204	3.43	813480190.00	1285842525.18	1170104913.78	29707.00	101926599.80	71035590.83	20994394.11
\$150001 TO \$200000	1073	0.40	113744305.00	231801267.08	21868417.68	3371.00	11567249.40	13214041.06	3616277.24
\$200001 TO \$300000	143	0.05	15670147.00	52588873.08	51206514.48	349.00	1197558.60	3083478.87	804547.83
\$300001 TO \$400000	44	0.02	7005312.00	22124906.06	21571247.26	142.00	487258.80	1298258.84	332590.66
OVER \$400000	79	0.03	15733671.00	86653603.57	85677122.17	251.00	861281.40	5147539.33	1478488.94
TOTAL	268393	100	8505137113.00	10321334905	8125220381.34	611215.00	2097323150.99	504331613.67	109547377.07

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	SUM
LOSS	793247.43
\$0 TO \$10000	4954935.17
\$10001 TO \$20000	27368298.29
\$20001 TO \$30000	41842678.38
\$30001 TO \$40000	52228182.29
\$40001 TO \$50000	55650140.53
\$50001 TO \$60000	52400700.65
\$60001 TO \$70000	48804608.05
\$70001 TO \$80000	44080356.57
\$80001 TO \$90000	36710683.65
\$90001 TO \$100000	30064998.96
\$100001 TO \$150000	70206294.83
\$150001 TO \$200000	13120105.06
\$200001 TO \$300000	3072390.87
\$300001 TO \$400000	1294274.84
OVER \$400000	5140627.33
TOTAL	487513222.88

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2826	1.05	9253.97	-20904.89	4682.40	2.73	9351.96	287.42	73.18
\$0 TO \$10000	51193	19.07	4559.11	5746.33	1613.16	1.45	4988.88	124.18	2.39
\$10001 TO \$20000	51365	19.14	13361.59	15592.75	6880.33	1.75	6017.93	585.53	18.69
\$20001 TO \$30000	39219	14.61	22686.37	26124.95	17781.64	2.11	7249.08	1131.50	96.87
\$30001 TO \$40000	31792	11.85	33694.35	37213.85	27380.15	2.50	8566.09	1716.23	235.17
\$40001 TO \$50000	25107	9.35	43287.48	47742.49	36809.22	2.78	9556.04	2288.49	453.77
\$50001 TO \$60000	18680	6.96	51371.29	58309.39	46752.94	2.95	10107.20	2888.68	709.72
\$60001 TO \$70000	14172	5.28	60841.05	69473.89	57395.58	3.08	10574.58	3530.20	915.90
\$70001 TO \$80000	10701	3.99	68658.69	81094.00	68623.43	3.17	10864.66	4205.44	1129.69
\$80001 TO \$90000	7572	2.82	76086.26	93245.92	80803.58	3.16	10833.47	4937.49	1436.44
\$90001 TO \$100000	5223	1.95	79068.64	108345.94	95937.84	3.17	10878.91	5845.69	1762.32
\$100001 TO \$150000	9204	3.43	88383.33	139735.11	127130.04	3.23	11075.25	7717.90	2281.01
\$150001 TO \$200000	1073	0.40	106192.27	216031.00	203791.63	3.14	10780.29	12315.04	3370.24
\$200001 TO \$300000	143	0.05	109581.45	367754.36	358087.51	2.44	8374.54	21562.79	5623.34
\$300001 TO \$400000	44	0.02	159211.64	502838.77	490255.62	3.23	11074.06	29505.88	7558.88
OVER \$400000	79	0.03	199160.39	1096881.06	1084520.53	3.18	10902.30	65158.73	18083.40
TOTAL	268393	100	31689.12	38541.35	30273.59	2.28	7814.37	1379.03	405.14

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	280.94
\$0 TO \$10000	96.79
\$10001 TO \$20000	532.82
\$20001 TO \$30000	1066.90
\$30001 TO \$40000	1642.81
\$40001 TO \$50000	2208.55
\$50001 TO \$60000	2805.18
\$60001 TO \$70000	3443.73
\$70001 TO \$80000	4117.41
\$80001 TO \$90000	4848.21
\$90001 TO \$100000	5756.27
\$100001 TO \$150000	7627.90
\$150001 TO \$200000	12227.50
\$200001 TO \$300000	21485.25
\$300001 TO \$400000	29415.34
OVER \$400000	65071.23
TOTAL	1816.42

TABLE 42
1992 TAX ALTERNATIVE THREE
MODERATE ECONOMIC SCENARIO

AGI GROUP	H	PCTH	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAYD FROM FEDRL TAX
			SUM	SUM	SUM	SUM	SUM	SUM	
LOSS	2782	1.03	25603313.00	-59702639.05	11455782.37	7712.00	27670656.00	705750.06	173310.50
\$0 TO \$10000	48792	18.13	223074635.00	278533905.75	74264960.12	71311.00	255863868.00	5737763.75	120369.43
\$10001 TO \$20000	50190	18.65	676856501.00	781699606.62	437070798.72	87589.00	314269332.00	28825677.70	925686.31
\$20001 TO \$30000	38976	14.48	888895439.00	1015967845.12	685925171.17	80948.00	290441424.00	43635169.17	3766836.16
\$30001 TO \$40000	32175	11.96	1106841949.00	1198468641.04	876834833.99	78924.00	283179312.00	54942236.59	7650592.62
\$40001 TO \$50000	25484	9.47	1115540797.00	1217226964.02	932556988.44	70076.00	251432688.00	57968586.39	11463229.55
\$50001 TO \$60000	18998	7.03	972929669.00	1100596817.88	877852717.88	54889.00	196941732.00	54233083.07	13325054.77
\$60001 TO \$70000	14503	5.39	880193746.00	1006003243.51	827274559.51	44089.00	158191332.00	50878617.57	13233723.88
\$70001 TO \$80000	11144	4.14	765860468.00	901551955.07	759264427.07	35168.00	126182784.00	46535497.62	12522147.69
\$80001 TO \$90000	8039	2.99	611409955.00	749701168.29	647265140.29	25269.00	90665172.00	39550340.42	11447838.10
\$90001 TO \$100000	5768	2.14	455260282.00	625050219.33	550579703.33	18361.00	65879268.00	33551118.20	10111182.61
\$100001 TO \$150000	10728	3.99	956129483.00	1494754712.25	1354509524.25	34613.00	124191444.00	82236379.45	24404431.93
\$150001 TO \$200000	1357	0.50	144745472.00	297047438.64	279447590.64	4346.00	15593448.00	16887239.44	4572845.90
\$200001 TO \$300000	170	0.06	16224039.00	62192474.87	60351062.87	449.00	1611012.00	3634887.77	947453.93
\$300001 TO \$400000	28	0.01	4277365.00	13337617.96	12937605.96	99.00	355212.00	778944.36	210569.82
OVER \$400000	85	0.03	18159817.00	82022574.16	80793058.16	307.00	1101516.00	4855263.49	1346759.61
TOTAL	269129	100	8862002930.00	10764452545	8468383924.77	614150.00	2203570199.99	524956755.05	116222039.81

	TAX LIABILITY PTD NON- TAXABLE
	SUM
ACI GROUP	
1055	687346.94
\$0 TO \$10000	4455897.61
\$10001 TO \$20000	26224247.92
\$20001 TO \$30000	41155510.27
\$30001 TO \$40000	52610090.04
\$40001 TO \$50000	55953419.31
\$50001 TO \$60000	52671163.07
\$60001 TO \$70000	49636473.57
\$70001 TO \$80000	45555865.62
\$80001 TO \$90000	38835908.42
\$90001 TO \$100000	33034782.20
\$100001 TO \$150000	81270571.45
\$150001 TO \$200000	16766855.44
\$200001 TO \$300000	3621063.77
\$300001 TO \$400000	776256.36
OVER \$400000	4847583.49
TOTAL	503103035.48

AGI GROUP	N	PCTN	WAGE & SALARY	ADJ GROSS INCOME	TAXABLE INCOME	NUMBER OF EXEMPTIONS	VALUE OF EXEMPTIONS	TAX LIABILITY PFD TAXABLE	PAID FROM FEDRL TAX
			MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	
LOSS	2782	1.03	9203.20	-21514.46	4117.82	2.77	9946.32	253.76	62.30
\$0 TO \$10000	48792	18.13	4571.95	5735.52	1522.07	1.46	5243.97	117.60	2.47
\$10001 TO \$20000	50190	18.65	13485.88	15611.82	8708.32	1.75	6261.59	574.33	18.44
\$20001 TO \$30000	38976	14.48	22806.23	26120.78	17598.65	2.08	7451.80	1119.54	96.65
\$30001 TO \$40000	32175	11.96	34400.68	37302.93	27252.05	2.45	8801.22	1707.61	237.78
\$40001 TO \$50000	25484	9.47	43774.16	47822.53	36593.82	2.75	9866.30	2274.71	449.82
\$50001 TO \$60000	18908	7.03	51455.98	58278.89	46427.58	2.90	10415.79	2868.26	704.73
\$60001 TO \$70000	14503	5.39	60690.46	69451.38	57041.82	3.04	10907.49	3508.14	912.48
\$70001 TO \$80000	11144	4.14	68724.02	81038.38	68132.13	3.16	11322.93	4175.83	1123.67
\$80001 TO \$90000	8039	2.99	76055.47	93409.07	80515.63	3.14	11278.17	4919.81	1424.04
\$90001 TO \$100000	5768	2.14	78928.62	108402.74	95454.18	3.18	11421.51	5816.77	1752.98
\$100001 TO \$150000	10728	3.99	89124.67	139384.06	126259.28	3.23	11576.38	7665.58	2274.84
\$150001 TO \$200000	1357	0.50	106665.79	218900.10	205930.43	3.20	11491.12	12444.54	3369.82
\$200001 TO \$300000	170	0.06	95435.52	365838.09	355006.25	2.64	9476.54	21381.69	5573.29
\$300001 TO \$400000	28	0.01	152763.04	476343.50	462057.36	3.54	12686.14	27819.44	7520.35
OVER \$400000	85	0.03	213644.91	964971.46	950506.57	3.61	12959.01	57120.75	15844.23
TOTAL	269129	100	32928.46	40085.70	31465.89	2.28	8187.78	1950.58	431.85

AGI GROUP	TAX LIABILITY PFD NON- TAXABLE
	MEAN
LOSS	247.07
\$0 TO \$10000	91.32
\$10001 TO \$20000	522.50
\$20001 TO \$30000	1055.92
\$30001 TO \$40000	1635.12
\$40001 TO \$50000	2195.63
\$50001 TO \$60000	2785.65
\$60001 TO \$70000	3422.50
\$70001 TO \$80000	4087.93
\$80001 TO \$90000	4830.94
\$90001 TO \$100000	5727.25
\$100001 TO \$150000	7575.56
\$150001 TO \$200000	12355.83
\$200001 TO \$300000	21300.38
\$300001 TO \$400000	27723.44
OVER \$400000	57030.39
TOTAL	1887.95

Liability to Collections

The projected time pattern generated from 1970 - 1979 accounting data can be used to translate the projected tax year collections presented in the tables below into gross receipts (col. 2), refunds (col. 3), and net receipts (col. 4) by quarter and fiscal year. The U. S. Consumer Price Index (col. 5) is used to deflate or inflate the net receipts in nominal dollars to real 1986 dollars (col. 6) so we can compare estimated 1988 through 1992 projected fiscal year collections to actual collections from 1975 through 1979.

TABLE 43
(PFD TAXABLE)
LIABILITY TO COLLECTIONS
TAX ALTERNATIVE THREE
MODERATE ECONOMIC SCENARIO

FY/Q	GROSS RECEIPTS (\$m nom)	REFUNDS (\$m nom)	NET RECEIPTS (\$m nom)	CPI	NET REC \$86 (\$m real)
86				325.98	
88/1	\$0	\$1	(\$1)		
/2	\$0	\$0	(\$0)		
/3	\$1	\$3	(\$1)		
/4	\$87	\$6	\$82		
TOTAL	\$89	\$9	\$79	338.66	\$76
89/1	\$116	\$5	\$111		
/2	\$153	\$2	\$151		
/3	\$149	\$16	\$132		
/4	\$126	\$36	\$89		
TOTAL	\$543	\$60	\$483	354.17	\$445
90/1	\$123	\$6	\$117		
/2	\$163	\$2	\$161		
/3	\$158	\$20	\$138		
/4	\$132	\$44	\$88		
TOTAL	\$576	\$72	\$504	370.39	\$443
91/1	\$128	\$5	\$123		
/2	\$169	\$2	\$168		
/3	\$165	\$16	\$149		
/4	\$137	\$35	\$103		
TOTAL	\$600	\$57	\$543	387.35	\$457
92/1	\$134	\$5	\$129		
/2	\$177	\$2	\$175		
/3	\$172	\$15	\$157		
/4	\$139	\$34	\$105		
TOTAL	\$621	\$55	\$566	405.09	\$455

METHOD

General Description of the Modelling Process

Alaska repealed its individual income tax beginning with tax year 1979. Because no data on state tax collections is available after that time the first task of this analysis was the development of a data base. These data sources were examined:

1. Statistics of Income data for years 1964-81.
2. Federal tape data for years 77, 78 and 81 to 85.
3. State income tax tapes for years 76 - 79.

The second step in the analysis was to conveniently and accurately summarize the information in these data bases. Tax analysis needs to consider both the aggregate level of income and the distribution across income classes of that income. Income distributions are frequently analyzed with some variant of lognormal or Pareto frequency distributions. This analysis used the lognormal distribution to analyze and summarize the information in the various available data bases.

The third step in this study was to examine how the parameters describing these income distributions varied over time as economic conditions changed. These historical relationships were then used to forecast how the income distribution might look in future years given a forecast of key economic variables. In addition to the distribution a forecast of the number of joint and non-joint returns was developed, again based on historical relationships to key economic variables.

At this point the analysis can predict the number of returns likely to be received in future years and the distribution of these returns across income classes. In the next step we sampled returns from the most recent federal tape in proportion to the estimated frequencies with adjustments made to reflect probable relationships between state and federal filings. Each return selected in the sample has information on income, exemptions and deductions.

The predicted distribution and the sampled returns provides a characterization of the state income tax base in future years. Tax structures can be varied by changing rates, exemption amounts and deductions. Revenue impacts are determined by running different tax structures against this base of tax returns.

The inflation rates used to index tax structure elements were those in the Petroleum Revenue forecast produced in December 1986.(20)

Data Description, Limitations and Use

Statistics of Income Data

Source: Statistics of Income Individual Income Tax Returns Department of
the Treasury Internal Revenue Services

Period of Availability: 1964-81

Type of Information: For all returns and joint returns by adjusted gross
income class:

- Number of returns
- Adjusted Gross Income less deficit
- Salaries and wages - number of return and amount
- Total number of exemptions
- Total income tax - number of returns and amount

Description: This series of reports presents information based on a stratified sample of unaudited individual income tax returns filed by U.S. citizens and residents. Estimates in a given year's report are primarily based on returns for that income year but may reflect a small number of late filings from prior years. Data at the state level is based on the state address reported on the tax return.

Limitations:

The sample used to generate the reports is quite small and estimates are subject to some sampling error. While the sampling design insures that a minimum number of returns are selected from a small state like Alaska the presence of variation among possible samples needs to be recognized.

A second problem involves the level of detail presented in the reports. For instance about 80 percent of Federal Income tax paid by Alaskan residents in 1981 came from returns in two income classes \$30,000 to 50,000 and \$50,000 to 100,000. Given such broad groupings it is difficult to develop summary measures such as means or percentiles to characterize the returns in the income group. For tax estimating purposes it is important to know how returns are distributed within an income class and as a consequence this distribution needs to be estimated.

A final problem is that the data provides no information on persons earning income in Alaska but paying federal tax as a resident of another state.

Alaska Individual Income Tax Data

Source: Alaska Individual Income Tax Computer Tapes Department of Revenue, State of Alaska

Period of Availability: 1976-81, previous years lack complete information

Type of Information: For all returns:

Adjusted Gross Income Federal
Adjusted Gross Income Alaska
Taxable income
Total number of exemptions
Total income tax

Description: The Alaska individual income tax data was collected to help administer the individual income tax program. These tapes include returns from persons owing income tax to the State, regardless of residence. The tapes have information on individual income tax returns submitted during the transaction year, regardless of the tax year of the return.

We combined the records from the same tax year into data sets, assuming that late filers tended to resemble the other records. This assumption was made with all the return data bases and is discussed above in the section on the Federal Income Tax Tapes.

Limitations: The short time span of this data limited its usefulness. The data was collected primarily to account for refunds and payments; and therefore, the accuracy of the basic income information was never verified.

Use: This data was used in a 1977 match with the 1977 Federal data base, as described above. It was also used to develop an out-of-state filer data base. This was used in addition to records from the Statistics of Income and Federal Income Tax analysis as both these are limited to returns filed from Alaskan addresses.

The out-of-state filers are migrants (in or out), non-resident workers, Alaska residents temporarily out of state (such as students or patients), and Alaskans at military stations or with delegations representing the State in various locations (such as Washington D. C.). Non-residents and part-year residents apportion their income, deductions and exemptions based on either percentage of income earned in this state compared to elsewhere, the source of deduction expenditures, or site of property which is the basis for deductions. These records do not resemble the in-state filers and have to be modelled separately.

Federal Income Tax Tapes

Source: Federal Individual Income Tax Computer Tapes, Department of Treasury, Internal Revenue Service

Period of Availability: 1977-84, (1979 and 1980 non-available)

Type of Information: For all returns:
Most fields on the Form 1040 and attached schedules

Description: The Federal individual income tax data was collected to help administer the individual income tax program. The state receives these tapes under the federal information exchange program. These tapes include returns from persons submitting their returns from Alaskan addresses. The tapes have information on individual income tax returns submitted during the transaction year and the previous tax year. Before the data is used, all identifying information such as name, social security number, address and character codes was removed from the data set.

Use: The tape data was then used as a benchmark for testing the accuracy of the SOI sample data (see description above). This data was used in a 1977 match with the 1977 Alaska data base, described above.

This was done to identify characteristics of the two groups of taxpayers whose status on the federal tape is inaccurate for state tax purposes: (1) filers who would owe state income tax but do not appear on the federal tax tape, and (2) filers who appear on the federal tape but file no state tax return.

The first group is composed mostly on nonresidents who earn part (or all) of their income in Alaska but file their federal income tax return from an address in another state. This group can also contain both in-migrants and out-migrants, as well as residents temporarily living out of the state (such as students, elected federal officials and their staffs, and Alaskans serving in the military). This group has been significant enough that it was estimated and included in the study data.

The second group is composed mostly of nonresident military living in the state whose income is taxed by the federal government but was not taxed by the state under old law. It also includes people whose only source of income is interest on federal government obligations. This group is small and has relatively small average adjusted gross income, thus no adjustment was made for them.

The latest year of the federal data (1984) was used to estimate the income tax liability generated by different income tax structures. The method for this is described above (see the first page of the METHOD section of this report).

Limitations: The short time span of this data limited its usefulness. The data is compiled on the assumption that late filers from the previous year adequately represent late filers for the current year. This same assumption is made when the IRS compiles its Statistics of Income publications. Since the SOI data was used to estimate the income distribution used in this study, the assumption was maintained.

This assumption has two primary disadvantages. First, it only allows for one year of late filers, while state income tax data prior to 1979 shows that multiple year late and amended filing are plentiful. Second, this assumption implies that one year late filers have roughly the same characteristics year to year. Analysis of the data suggests that this has been a fairly reasonable approximation of the past; however, whether this will remain true in an economic downturn or with a change in tax law is not known.

Cash Flow Data

Source: Cash Flow Computer Tapes Department of Revenue, State of Alaska

Period of Availability: 1970-86, (1980 is missing)

Type of Information: For all receipts:
Tax type
Tax amount received
Tax submitter
Date received

Description: The Department of Revenue Cash Flow data is an accounting system used to keep track of all monies that flow through the department.

Use: This data was used to determine the time pattern of payment for each tax year. From this pattern, we can translate the liability information in quarterly gross collections.

PBA Reports

Source: Monthly Revenue Journal, Department of Administration, State of Alaska

Period of Availability: 1969-86

Type of Information: For each month:
Tax type
Tax total received
Tax total refunded

Description: The PBA system was the State's automated accounting system until very recently (1986).

Use: We were unable to use the data tapes but used summary reports on receipts and refunds of individual income taxes to estimate the time pattern of collections. No information on the individual, individual amounts or tax year was available from these summary reports. The total receipts were used to compare and verify Cash Flow System totals. The refund information was the only good information we had on outflows, and as noted before was not identifiable by tax year. It was used to estimate a relationship between refunds and prior tax year receipts and to develop a quarterly refund pattern.

FOOTNOTES

- (1) Petroleum Revenue, Alaska Department of Revenue, December 1986
- (2) Ibid.
- (3) 1982 Tax Capacity of the Fifty States, Advisory Commission on Intergovernmental Relations, May 1985.
- (4) Ibid.
- (5) Guide to the New Tax Reform Law, Price Waterhouse, October 1986.
- (6) Ibid. p. vii.
- (7) Ibid. p. ix.
- (8) Ibid.
- (9) See data description in the METHOD section of this report.
- (10) The Book of the States (1986-87 edition), The Council of State Governments, 1986.
- (11) "The Impact of Collapse of the World Oil Market on the Alaska Economy", Scott Goldsmith, Institute for Social and Economic Research, University of Alaska, March 1986.
- (12) Revenue Sourcebook, Alaska Department of Revenue, (January 1987).
- (13) Fuel, Conservation, & Individual Credits Relative to the Individual Income Tax, Alaska Department of Revenue, (January 1980 and July 1981).
- (14) Guide to the New Tax Reform Law, Price Waterhouse, October 1986.
- (15) Revenue Sourcebook, Alaska Department of Revenue, (January 1987).
- (16) Fuel, Conservation, & Individual Credits Relative to the Individual Income Tax, Alaska Department of Revenue, (January 1980 and July 1981).
- (17) Public Finance, Rosen, 1985.
- (18) Revenue Sourcebook, Alaska Department of Revenue, (January 1987).
- (19) Fuel, Conservation, & Individual Credits Relative to the Individual Income Tax, Alaska Department of Revenue, (January 1980 and July 1981).
- (20) Petroleum Revenue, Alaska Department of Revenue, December 1986