

HB

182

<TARGET><BILL>HB 182</BILL><SUBJECT>HB
182</SUBJECT><COMM>HFIN29</COMM></TARGET>

Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: HB 182
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB182-DOR-TAX-4-15-15
Title: INDIVIDUAL INCOME TAX AND TAX CREDITS
Sponsor: SEATON
Requester: House Finance Committee

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES								
Personal Services	1,250.0		3,400.0	6,000.0	6,300.0	6,600.0	6,900.0	
Travel	50.0		100.0	100.0	100.0	100.0	100.0	
Services	200.0		700.0	1,000.0	1,100.0	1,200.0	1,300.0	
Commodities	50.0		100.0	100.0	100.0	100.0	100.0	
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	1,550.0	0.0	4,300.0	7,200.0	7,600.0	8,000.0	8,400.0	

Fund Source (Operating Only)

1005 GF/Prgm	1,550.0		4,300.0	7,200.0	7,600.0	8,000.0	8,400.0
Total	1,550.0	0.0	4,300.0	7,200.0	7,600.0	8,000.0	8,400.0

Positions

Full-time	10.0		24.0	44.0	44.0	44.0	44.0
Part-time			16.0	16.0	16.0	16.0	16.0
Temporary							

Change in Revenues	285,000.0		655,000.0	680,000.0	695,000.0	710,000.0	725,000.0
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Estimated SUPPLEMENTAL (FY2015) cost: 250.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 14,000.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/16

Why this fiscal note differs from previous version:

Initial Version

Prepared By: <u>Ken Alper, Director</u>	Phone: (907)465-8221
Division: <u>Tax Division</u>	Date: 04/15/2015 11:00 AM
Approved By: <u>Jerry Burnett, Deputy Commissioner</u>	Date: 04/15/15
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB 182

Analysis

Bill Analysis

The bill establishes a personal income tax based on 15% of the taxpayer's federal tax liability. In addition, there is an additional tax that will be, in most cases, 10% of the taxpayer's long term capital gains. The tax is payable by both Alaska residents and non-residents on the portion of their income derived from income earned within the State. Like the federal income tax, it would be payable based on calendar year earnings.

To qualify as "from a source in the state," income is broadly defined to include regular compensation, as well as income and rents from property, business, and other assets within Alaska. Business income, including partnership income and earnings from subchapter-S corporations transacting business in Alaska will also be subject to this tax.

The bill provides for withholding of income by employers, with regular remittance to the state. Employers must also provide annual income statements analogous to the federal W-2. The annual tax return would be due at the same time as the federal return, currently April 15 with any extensions tied to the federal filing. Both payments and refund requests would be received with the annual filing.

In its first year of full implementation, the cost to the average Alaskan would be about \$900 per capita. As the impact would be proportionate to each household's federal tax, it would vary widely by income level and eligibility for various federal tax credits. Any impact would be partially mitigated because state individual income taxes are deductible from federal taxes, meaning Alaskans who itemize would reduce their federal tax liability by the amount of their state tax multiplied by their marginal federal tax rate.

Revenue Impact

The Tax Division has created an income tax revenue model based on aggregated federal income data for Alaska residents. We then account for incremental revenue based on the estimated income of out of state residents, partially offset by the out-of-state income of Alaskans.

The model assumes moderate underlying growth and inflation in the state economy, thus generating increasing nominal revenues from year to year. It also includes a coefficient that reduces the growth rate proportionally as the tax rate increases. A high enough tax rate would effectively begin shrinking the state's economy.

The bill would take effect on January 1, 2016, meaning that FY16 revenue would be for only the second half of the fiscal year, entirely in the form of withholding taxes. For FY17, the first full year, the revenue is estimated as follows: 15% tax at \$580 million (including estimated revenue from out of state residents) plus 10% capital gains tax at \$85 million for a total of \$665 million.

Implementation Cost

Adding an individual income tax, especially on a tight timeline, would be a significant challenge to the Tax Division. We are currently in the third and final phase of implementing the Tax Revenue Management System (TRMS), which is creating an integrated online tax application used by both taxpayers and administrators for the 24 tax types currently administered by the Division. We expect to engage FAST Enterprises, the TRMS contractor, to build an income tax module into TRMS. The timing works well with the expected wind-down of the TRMS project; FAST already has staff mobilized in Alaska who are well informed about our processes and have excellent working relations with our staff. FAST has built and currently maintains individual income tax systems for 17 other states, and is currently developing them in at least four others.

The initial need will be to engage a contractor to work with Department leadership to create an implementation plan with more refined estimates of staffing, space, supply, and equipment needs. The cost estimates in this fiscal note are a first attempt to anticipate the results of this analysis. The \$250.0 supplemental request will enable us to develop this plan.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

BILL NO. HB 182

Analysis Continued

The \$14,000.0 capital request reflects an estimate for our contract with FAST to add the income tax module as well as the Department's other short term implementation costs. This is a multi-year process and much of the actual spending will not occur until after we begin collecting revenues. The initial fast-track need will be to build and implement a tax withholding system, which will need to be in operation by January 1, 2016. In addition to the software development, this will require a rapid and robust outreach to the business community throughout Alaska, as well as integration with national accounting and tax software vendors in order to update programs such as TurboTax and QuickBooks to incorporate Alaska.

Once the withholding system is in place, the contractor and staff will begin building the tax return filing and examination modules, with their associated databases, communications, and integration with our existing imaging, accounting, and collections systems. The legislation creates an annual tax, meaning that the first tax returns will be filed in January of 2017, with a filing due date of April 15. Taxpayers who request and receive extensions would have filing deadlines in October of 2017.

The department envisions a gradual ramping up of the staff needed to collect and administer the tax. As part of our research into the potential costs, we spoke to tax administrators at the State of Montana, which has a population about 1/3 higher than Alaska's and uses FAST for its income tax. Montana's Revenue Department has 155 employees dedicated to their income tax, which scales back to about 120 for Alaska using a simple per-capital adjustment. We intend to implement an income tax with half this number, 60 employees including a substantial group of seasonal part-time imaging and data entry technicians. We expect the new staff to be roughly split between our Juneau and Anchorage offices.

We expect to replicate the online filing percentages of the Permanent Fund Division, currently at 83%. However, the 17% of paper filers will entail manual handling and data entry for approximately 75,000 out of 400,000 tax returns. In contrast, the Tax Division's largest current taxpayer base is the State Corporate Income Tax, with approximately 22,000 total filers half of whom file perfunctory reports indicating no tax liability due to their S-corporation status.

We do not expect to need full staffing until FY18. The eventual addition of 52 FTE's to the Tax division (44 full time plus 16 part time imaging and data entry technicians) would increase the staff of the Tax Division by approximately 45%. However, throughout the six-year period covered by this fiscal note, we anticipate total implementation costs, operating plus capital, to equal approximately 1% of additional state revenue.

An initial analysis of the staff needs within the Tax Division to implement a personal income tax is as follows

Title	FY16	FY17	FY18+
Audit Supervisor	2	2	2
Tax Auditor	4	9	18
Tax Technician	2	6	10
Income Tax Specialist	1	2	2
Appeals Officer	0	1	5
Accounting Technician	0	2	4
Admin Assistant	1	2	3
Total FT	10	24	44
Imaging Operators & Office Assistants	0	16	16
Total PT	0	16	16

Alaska State Legislature

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REPRESENTATIVE PAUL SEATON
Rep.Paul.Seaton@akleg.gov

Sponsor Statement

HB 182

HB 182, *Individual Income Tax*, establishes a tax on residents and nonresidents who have income from a source within the state. The tax is equal to 15% of the taxpayer's total federal income tax due. Long term capital gains are additionally taxed by multiplying the taxpayer's long term capital gains for the calendar year by the lesser of:

- 10%; or
- The difference between the taxpayer's federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains.

HB 182 also repeals the political donation tax credit applied against the tax on individuals under the repealed Alaska Net Income Tax Act, which was not used but still on the books from the 1980's.

Taxpayers can elect to deduct their state income tax payments on their federal itemized deductions- schedule A. The individual income tax would apply to income earned by Sub-S corporations or limited liability corporations, which currently do not pay the 9.4% state corporate income tax.

The dire straits of the Alaska's budget caused by the precipitous oil price drop requires consideration of diversification of revenue sources. Alaska is the only State without a sales, income, or state property tax. The income tax will generate the greatest revenue in an equitable manner at the lowest administrative cost. Although it will not balance the budget alone, individual Alaskan contributions are a necessity for any potential fix along with additional cuts to expenditures.

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HB 182 Sectional Analysis Version: 29-LS0771\N

Please note that a sectional analysis of a bill or resolution should not be considered an authoritative interpretation of the measure itself. The legislation is the best statement of its contents.

Section 1 (page 1, line 5) – creates the Individual Income Tax within AS 43.

Section 43.22.010 (page 1, line 7) – Establishes that the tax will be imposed on both residents and nonresidents who have earned income from a source within Alaska for each calendar year or fraction of a calendar year. The tax is equal to 15% of the taxpayer's total federal income tax due on the amount of the taxpayer's income from sources within the state. Long term capital gains are additionally taxed by multiplying the taxpayer's long term capital gains for the calendar year by the lesser of:

- 10%; or
- The difference between the taxpayer's incremental federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains.

Currently the difference between the taxpayer's incremental federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains is between 10 -19.6%. Should the federal government change the rates on either, this could increase or decrease this difference. Based on in this section, a taxpayer's long term capital gains will be multiplied by no more than 10%. This section also defines *federal income tax due* and *long term capital gains* as that reported on a taxpayer's federal individual income tax return.

Section 43.22.020 (page 2, line 12) - Establishes how taxpayers will submit tax returns and make payments for the individual income tax. It clarifies that this tax is due and payable to the department at the same time and in the same manner as the tax payable to the U.S. IRS for federal taxes. The section also outlines procedures in case there are changes to the taxpayer's federal income tax return. Refunds will be paid by the department out of the general fund.

Section 43.22.030 (page 3, line 11) - Defines *income from sources in the state* as compensation for services rendered in the state; salary or wages earned in the state; income from real or tangible personal property located in the state; income from stocks, bonds, notes, bank deposits, and other intangible personal property having a taxable or business site in the state; rentals and royalties in the state; patents, copyrights, trade brands, franchises, etc.; and income of any nature from a source with a taxable or business site in the state.

The section also defines that income from a taxable or business site in the state includes: business facilities or property, business, farming, fishing, management or investment for intangible property, partnerships, limited liability companies, estate and trust businesses, corporations conducting business in the state, etc. It also clarifies that if a business, trade or profession is carried on both within and outside of Alaska, the income from the sources in Alaska shall be determined as provided in AS 43.19 "*Multistate Tax Compact*."

Long term capital gains shall be reported from all property regardless of the location of the property.

Section 43.22.040 (page 4, line 19) - Establishes how taxes will be withheld by employers making payment of wages, salaries, or crew shares. The employer shall deduct and withhold the amount of tax, remit the tax to the department, provide a written statement to the employee by January 31 of the succeeding year showing the amount deducted and other necessary information. The department shall publish the rate of withholding required by this section. The terms "employee" and "employer" are defined.

Section 43.22.050 (page 5, line 17) – Establishes that the department shall provide all necessary forms and adopt regulations to implement this tax, including regulations for online filing and online payment of tax due.

Section 43.22.190 (page 5, line 22) - Definitions of the following terms: domiciled, individual, Internal Revenue Code, nonresident, resident, and taxpayer. Resident is defined as an individual who: lives in the state for the entire calendar year; claims to be a resident of Alaska on their federal tax forms; receives an Alaska permanent fund dividend; is registered to vote in Alaska; or has an Alaska resident fishing, hunting, or trapping license during the calendar year.

Section 2 (page 6, line 12) - Repeals the political donation tax credit applied against the tax on individuals under the repealed Alaska Net Income Tax Act, which was still on the books from the 1980's.

Section 3 (page 6, line 13) - States that this tax will be applied to income received on or after the effective date.

Section 4 (page 6, line 17) - Provides an effective date of January 1, 2016.

HB 182

Individual Income Tax

Presentation prepared by the Office of Rep. Paul Seaton

Slide: 1

Backup information

HB 182 proposes an Individual Income Tax as follows:

- 15% Federal Income Tax due
- Long Term Capital Gains- multiplying the number by the lesser of:
 - 10%; or
 - The difference between the taxpayer's federal income tax rate on ordinary income and the taxpayer's federal tax rate on long term capital gains. (Currently, 10% is the lesser of the 2 options; however if the Federal rates were ever changed, the lesser could be smaller than 10%).

The next 2 slides show examples from the Federal 1040 form and how to determine the capital gains tax rate.

For the year ending Dec. 31, 2014, or other tax year beginning 2014, ending 2014.

Your first name and initial Last name Your social security number

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

Home address (number and street, if you have a P.O. box, see instructions) Apt. no. **▲** Also state the ZIP(s) above and on this form as correct.

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

Foreign country name Foreign province/state/country Foreign postal code

Filing Status

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

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

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

5 Qualifying widow(er) with dependent child

Check only one box.

Exemptions

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

b Spouse

Dependents:

(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If child under age 17 qualifying for child tax credit (see instructions)

if more than four dependents, see instructions and check here

Income

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

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

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

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

9b Qualified dividends 9b

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

11 Alimony received 11

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

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

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

15a IRA distributions 15a b Taxable amount 15b

15b Pensions and annuities 15b b Taxable amount 15b

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

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

19 Unemployment compensation 19

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

21 Other income. List type and amount 21

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

Adjusted Gross Income

23 Educator expenses 23

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

25 Health savings account deduction. Attach Form 8889 25

26 Moving expenses. Attach Form 3903 26

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

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

29 Self-employed health insurance deduction 29

30 Penalty on early withdrawal of savings 30

31a Alimony paid b Recipient's SSN **▶** 31a

32 IRA deduction 32

33 Student loan interest deduction 33

34 Tuition and fees. Attach Form 8917 34

35 Domestic production activities deduction. Attach Form 8903 35

36 Add lines 23 through 35 36

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

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 112303 Form **1040** (2014)

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38

39a Check You were born before January 2, 1950. Blind. Total basis check here **▶** 39a

39b Spouse was born before January 2, 1950. Blind. Total basis check here **▶** 39b

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

40 **Itemized deductions** (from Schedule A) or your **standard deduction** (see instructions) 40

41 Subtract line 40 from line 38 41

42 **Exemptions.** If line 38 is \$152,525 or less, multiply \$2,000 by the number on line 42. Otherwise, see instructions 42

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

44 **Tax** (see instructions). Check if any from: a Form(s) 9874 b Form 4972 c 44

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

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

47 Add lines 44, 45, and 46 47

48 Foreign tax credit. Attach Form 1116 if required. 48

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

50 Education credits from Form 8863, line 19 50

51 Retirement savings contributions credit. Attach Form 6890 51

52 Child tax credit. Attach Schedule 6812, if required. 52

53 Residential energy credits. Attach Form 5695 53

54 Other credits from Form: a 3600 b 6801 c 54

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

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

Other Taxes

57 Self-employment tax. Attach Schedule SE 57

58 Unreported social security and Medicare tax from Form: a 4137 b 6919 58

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

60a Household employment taxes from Schedule H 60a

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

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

62 Taxes from: a Form 8856 b Form 8900 c Instructions; enter code(s) 62

63 Add lines 57 through 62. This is your **total tax** **▶** 63 **Federal Tax**

Payments

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

65 2014 estimated tax payments and amount applied from 2013 return 65

66a **Earned income credit (EIC)** 66a

66b Nonrefundable credit pay credits 66b

67 Additional child tax credit. Attach Schedule 6812 67

68 American opportunity credit from Form 8863, line a 68

69 Net premium tax credit. Attach Form 8962 69

70 Amount paid with request for extension to file 70

71 Excess social security and tier 1 RRTA tax withheld 71

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

73 Credit from Form: a 2438 b 2439 c 2439 d 73

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

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

Refund

76a Amount of the 75 you want **refunded to you**. If Form 8878 is attached, check here 76a

Direct deposit: See instructions.

b Routing number Type: Checking Savings

c Account number

77 Amount of the 75 you want **applied to your 2015 estimated tax** **▶** 77

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

79 Estimated tax penalty (see instructions) 79

Third Party Designee

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

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

Sign Here

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

Your signature Date Your occupation Daytime phone number

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

If the IRS asks you to identify a return preparer, enter the preparer's name and PTIN.

Paid Preparer Use Only

PTIN Preparer's name Preparer's signature Date Check If not employed Firm's EIN Firm's address Phone no.

www.irs.gov/form1040 Form **1040** (2014)

Slide:3

2015 federal income tax brackets

<u>Tax rate on ordinary income</u>	Single		<u>Tax rate on qualified dividends and long term capital gains</u>
	over	to	
10%	\$0	\$9,225	0% (10%-0%=10%)
15%	\$9,225	\$37,450	0% (15%-0%=15%)
25%	\$37,450	\$90,750	15% (25%-15%=10%)
28%	\$90,750	\$189,300	15% (28%-15%=13%)
33%	\$189,300	\$411,500	15% (33%-15%=18%)
35%	\$411,500	\$413,200	15% (35%-15%=20%)
39.60%	\$413,200		20% (39.6%-20%=19.6%)

Married filing jointly / Qualifying widow or widower			
	over	to	
10%	\$0	\$18,450	0%
15%	\$18,450	\$74,900	0%
25%	\$74,900	\$151,200	15%
28%	\$151,200	\$230,450	15%
33%	\$230,450	\$411,500	15%
35%	\$411,500	\$464,850	15%
39.60%	\$464,850		20%

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

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

The next slide shows:

Taxpayers can elect to
deduct their State Income Tax
on their

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

OMB No. 1545-0047 IRS Use Only - Do not write or stamp in this space.

For the year ending Dec. 31, 2014, or other tax year beginning 2014, ending 2014.

Your first name and initial Last name
 Your social security number

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

Home address (number and street, if you have a P.O. box, see instructions) Apt. no.
 Make sure the 5th digit above and on line 6c also correct.

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

Foreign country name Foreign province/state/country Foreign postal code

Filing Status

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

Exemptions

6a Yourself, if someone can claim you as a dependent, do not check box 6a.
 b Spouse
 c Dependents:
 (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If child under age 17, child's name here.

6b None checked on 6a and 6b
 No. of children on 6c enter:
 • Head with you
 • Did not live with you due to divorce or separation (see instructions)
 • Dependent on 6c not entered above

6c Total number of exemptions claimed

Income

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

Adjusted Gross Income

23 Educator expenses 23
 24 Certain business expenses of reservists, performing artists, and non-resident government officials. Attach Form 2106 or 2106-SZ 24
 25 Health savings account deduction. Attach Form 8889 25
 26 Moving expenses. Attach Form 3903 26
 27 Deductible part of self-employment tax. Attach Schedule SE 27
 28 Self-employed SEP, SIMPLE, and qualified plans 28
 29 Self-employed health insurance deduction 29
 30 Penalty on early withdrawal of savings 30
 31a Alimony paid b Recipient's SSN 31a
 32 IRA deduction 32
 33 Student loan interest deduction 33
 34 Tuition and fees. Attach Form 8917 34
 35 Domestic production activities deduction. Attach Form 8833 35
 36 Add lines 23 through 35 36
 37 Subtract line 36 from line 22. This is your adjusted gross income 37

Tax and Credits

38a Check You were born before January 2, 1950, blind. Total boxes checked 390
 b Spouse was born before January 2, 1950, blind. checked 390
 c If your spouse lives on a separate return or you were a dual-status alien, check here 390

Standard Deduction

40 Standard deduction (from Schedule A) or your standard deduction (see left margin) 40
 41 Subtract line 40 from line 38 41
 42 Exemptions. If the 6c is \$152,525 or less, multiply \$4,000 by the number on the 6c. Otherwise, see instructions 42
 43 Taxable income. Subtract line 42 from line 41. If line 42 is more than the 41, enter -0- 43
 44 Tax (see instructions). Check if any from: a Form(s) 9814 b Form 4972 c 44
 45 Alternative minimum tax (see instructions). Attach Form 6251 45
 46 Excess advance premium tax credit repayment. Attach Form 8962 46
 47 Add lines 44, 45, and 46 47
 48 Foreign tax credit. Attach Form 1116 if required 48
 49 Credit for child and dependent care expenses. Attach Form 2441 49
 50 Education credits from Form 8862, the 10 50
 51 Retirement savings contributions credit. Attach Form 8880 51
 52 Child tax credit. Attach Schedule 8812, if required 52
 53 Residential energy credits. Attach Form 5695 53
 54 Other credits from Form: a 3600 b 6801 c 54
 55 Add lines 48 through 54. These are your total credits 55
 56 Subtract line 55 from line 47. If line 55 is more than the 47, enter -0- 56

Other Taxes

57 Self-employment tax. Attach Schedule SE 57
 58 Unreported social security and Medicare tax from Form: a 4197 b 6919 58
 59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59
 60a Household employment taxes from Schedule H 60a
 b First-time homebuyer credit repayment. Attach Form 5405 if required 60b
 61 Health care individual responsibility (see instructions). Full-year coverage 61
 62 Taxes from: a Form 8856 b Form 8900 c Instructions; enter code(s) 62
 63 Add lines 57 through 62. This is your total tax 63

Payments

64 Federal income tax withheld from Forms 981-2 and 1099 64
 65 2014 estimated tax payments and amount applied from 2013 return 65
 66a Earned income credit (EIC) 66a
 b Nonrefundable earned income credit 66b
 67 Additional child tax credit. Attach Schedule 8812 67
 68 American opportunity credit from Form 8863, line 4 68
 69 Nat. premium tax credit. Attach Form 8962 69
 70 Amount paid with request for extension to file 70
 71 Excess social security and tier 1 FICA tax withheld 71
 72 Credit for federal tax on fuels. Attach Form 4156 72
 73 Other tax paid: a state b local c foreign d 73
 74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments 74

Refund

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid 75
 76a Amount of line 75 you want refunded to you. If Form 8866 is attached, check here 76a
 b Routing number e Type Checking Savings
 c Account number 76b
 77 Amount of line 75 you want applied to your 2015 estimated tax 77

Amount You Owe

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

Third Party Designee

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

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

Sign Here

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

Your signature Date your occupation Daytime phone number

Spouse's signature Date spouse's occupation If the IRS sent you an identity protection PIN, enter it here (see instructions)

Paid Preparer Use Only

Preparer's name Preparer's signature Date

Check if self-employed
 I am a U.S. citizen
 Phone no.

State Income Tax Deduction Line 40

State Income Tax Refund Line 10

The Problem

The next 2 slides show:

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

State	Collections Per Capita	Rank	State	Collections Per Capita	Rank
U.S.	\$983		Mont.	\$1,035	20
Ala.	\$664	36	Nebr.	\$1,129	16
Alaska. (a)	\$0	--	Nev. (a)	\$0	--
Ariz.	\$516	41	N.H. (b)	\$75	42
Ark.	\$897	25	N.J.	\$1,363	7
Calif.	\$1,750	4	N.M.	\$595	38
Colo.	\$612	37	N.Y.	\$2,051	2
Conn.	\$2,174	1	N.C.	\$1,130	15
Del.	\$1,227	13	N.D.	\$901	24
Fla. (a)	\$0	--	Ohio	\$854	28
Ga.	\$881	27	Okla.	\$761	33
Hawaii	\$1,242	12	Ore.	\$1,599	6
Idaho	\$806	32	Pa.	\$844	30
Ill.	\$1,285	10	R.I.	\$1,036	19
Ind.	\$759	34	S.C.	\$707	35
Iowa	\$1,115	17	S.D. (a)	\$0	--
Kans.	\$1,023	21	Tenn. (b)	\$41	43
Ky.	\$849	29	Tex. (a)	\$0	--
La.	\$594	39	Utah	\$991	22
Maine	\$1,153	14	Vt.	\$1,059	18
Md.	\$1,302	9	Va.	\$1,326	8
Mass.	\$1,931	3	Wash. (a)	\$0	--
Mich.	\$833	31	W.Va.	\$968	23
Minn.	\$1,658	5	Wis.	\$1,261	11
Miss.	\$587	40	Wyo. (a)	\$0	--
Mo.	\$892	26			

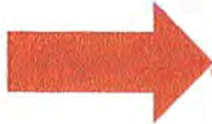


Table 13.
State Individual Income Tax Collections
Per Capita
Fiscal Year 2013



Table 1. State-Local Tax Burden by Rank Fiscal Year 2011							
	State-Local Tax Burden as Share of State Income	Rank	Taxes Paid to Home State	Taxes Paid to Other States	Total State-Local Tax Burden	Income	Income Rank
Alaska	7.0%	49	\$2,109	\$1,210	\$3,319	\$47,354	8



Chart from Tax Foundation website:
<http://taxfoundation.org/article/annual-state-local-tax-burden-ranking-fy-2011>

Why an Individual Income Tax?

The next 3 slides show:

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

5 Workers and Wages, Major and Selected Industry Categories

Alaska, 2013

Industry	Total		Nonresident			
	Workers	Wages (mil)	Workers	Percent	Wages (mil)	Percent
Agriculture, Forestry, Fishing and Hunting	2,340	\$53.5	1,172	50.1%	\$25.7	48.0%
Mining	22,193	\$2,151.1	7,509	33.8%	\$674.5	31.4%
Oil and Gas	4,581	\$790.2	1,248	27.2%	\$215.3	27.3%
Oilfield Services*	13,361	\$1,067.7	4,781	35.8%	\$367.7	34.4%
Utilities	2,641	\$189.6	200	7.6%	\$11.7	6.2%
Construction	26,801	\$1,220.4	5,602	20.9%	\$196.3	16.1%
Manufacturing	28,781	\$594.9	18,503	64.3%	\$274.5	46.1%
Seafood Processing	23,777	\$391.5	17,631	74.2%	\$257.2	65.7%
Wholesale Trade	7,550	\$343.9	759	10.1%	\$21.5	6.3%
Retail Trade	48,107	\$1,065.9	7,472	15.5%	\$83.0	7.8%
Transportation and Warehousing	24,760	\$1,167.8	6,142	24.8%	\$278.3	23.8%
Air Transportation	7,050	\$305.2	1,524	21.6%	\$52.7	17.3%
Information	7,365	\$378.4	737	10.0%	\$23.3	6.2%
Finance and Insurance	8,193	\$421.6	724	8.8%	\$17.9	4.2%
Real Estate and Rental and Leasing	7,072	\$210.5	785	11.1%	\$14.9	7.1%
Professional, Scientific and Technical Services	18,355	\$999.6	4,116	22.4%	\$201.7	20.2%
Management of Companies and Enterprises	2,618	\$176.7	511	19.5%	\$27.2	15.4%
Administrative Support/Waste Management and Remediation	17,901	\$506.9	4,266	23.8%	\$89.4	17.6%
Educational Services	2,795	\$67.2	621	22.2%	\$7.0	10.5%
Health Care and Social Assistance	50,975	\$2,051.9	5,219	10.2%	\$154.7	7.5%
Arts, Entertainment and Recreation	7,151	\$90.5	2,148	30.0%	\$19.4	21.4%
Accommodation and Food Services	41,757	\$589.6	12,336	29.5%	\$117.4	19.9%
Accommodation	11,985	\$186.4	5,198	43.4%	\$53.4	28.6%
Food Services and Drinking Places	29,527	\$401.9	7,056	23.9%	\$63.7	15.8%
Other Services	12,872	\$363.5	1,899	14.8%	\$39.9	11.0%
Other/Unknown	755	\$13.1	239	31.7%	\$2.5	19.3%
Local Government	50,171	\$1,776.4	3,407	6.8%	\$68.3	3.8%
State Government	28,312	\$1,324.4	1,924	6.8%	\$46.3	3.5%
Total	419,465	\$15,757.4	86,291	20.6%	\$2,395.4	15.2%

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

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, 2013 Nonresidents Working in Alaska report.

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

Table 15.
State Corporate Income Tax Rates
As of January 1, 2015
Tax Foundation: Facts & Figures 2015

State Rates Brackets State Rates Brackets

State	Rates	Brackets	State	Rates	Brackets	State	Rates	Brackets	State	Rates	Brackets
Ala.	6.50%	> \$0	La.	4.00%	> \$0	Calif.	8.84%	> \$0	Nebr.	5.58%	> \$0
Alaska	0.00%	> \$0		5.00%	> \$25,000	Colo.	4.63%	> \$0	Nev.	7.81%	> \$100,000
	2.00%	> \$25,000		6.00%	> \$50,000	Conn. (b)	9.00%	> \$0	N.H.	8.50%	> \$0
	3.00%	> \$49,000		7.00%	> \$100,000	Del. (c)	8.70%	> \$0	N.J. (f)	6.50%	> \$0
	4.00%	> \$74,000		8.00%	> \$200,000	Fla.	5.50%	> \$0		7.50%	> \$50,000
	5.00%	> \$99,000	Maine	3.50%	> \$0	Ga.	6.00%	> \$0		9.00%	> \$100,000
	6.00%	> \$124,000		7.93%	> \$25,000	Hawaii	4.40%	> \$0	N.M. (g)	4.80%	> \$0
	7.00%	> \$148,000		8.33%	> \$75,000		5.40%	> \$25,000		6.40%	> \$500,000
	8.00%	> \$173,000		8.93%	> \$250,000		6.40%	> \$100,000		6.90%	> \$1,000,000
	9.00%	> \$198,000	Md.	8.25%	> \$0	Idaho	7.40%	> \$0	N.Y.	7.10%	> \$0
	9.40%	> \$222,000	Mass.	8.00%	> \$0	Ill. (d)	7.75%	> \$0	N.C.	5.00%	> \$0
Ariz.	6.00%	> \$0	Mich.	6.00%	> \$0	Ind. (e)	7.00%	> \$0	N.D.	1.48%	> \$0
Ark. (a)	1.00%	> \$0	Minn.	9.80%	> \$0	Iowa	6.00%	> \$0		3.73%	> \$25,000
	2.00%	> \$3,000	Miss.	3.00%	> \$0		8.00%	> \$25,000		4.53%	> \$50,000
	3.00%	> \$6,000		4.00%	> \$5,000		10.00%	> \$100,000	Ohio	(c)	
	5.00%	> \$11,000		5.00%	> \$10,000	Kans.	4.00%	> \$0	Okla.	6.00%	> \$0
	6.00%	> \$25,000	Mo.	6.25%	> \$0		7.00%	> \$50,000	Ore.	6.60%	> \$0
	6.50%	> \$100,000	Mont.	6.75%	> \$0	Ky.	4.00%	> \$0		7.60%	> \$1,000,000
							5.00%	> \$50,000	Pa.	9.99%	> \$0
							6.00%	> \$100,000	R.I.	7.00%	> \$0

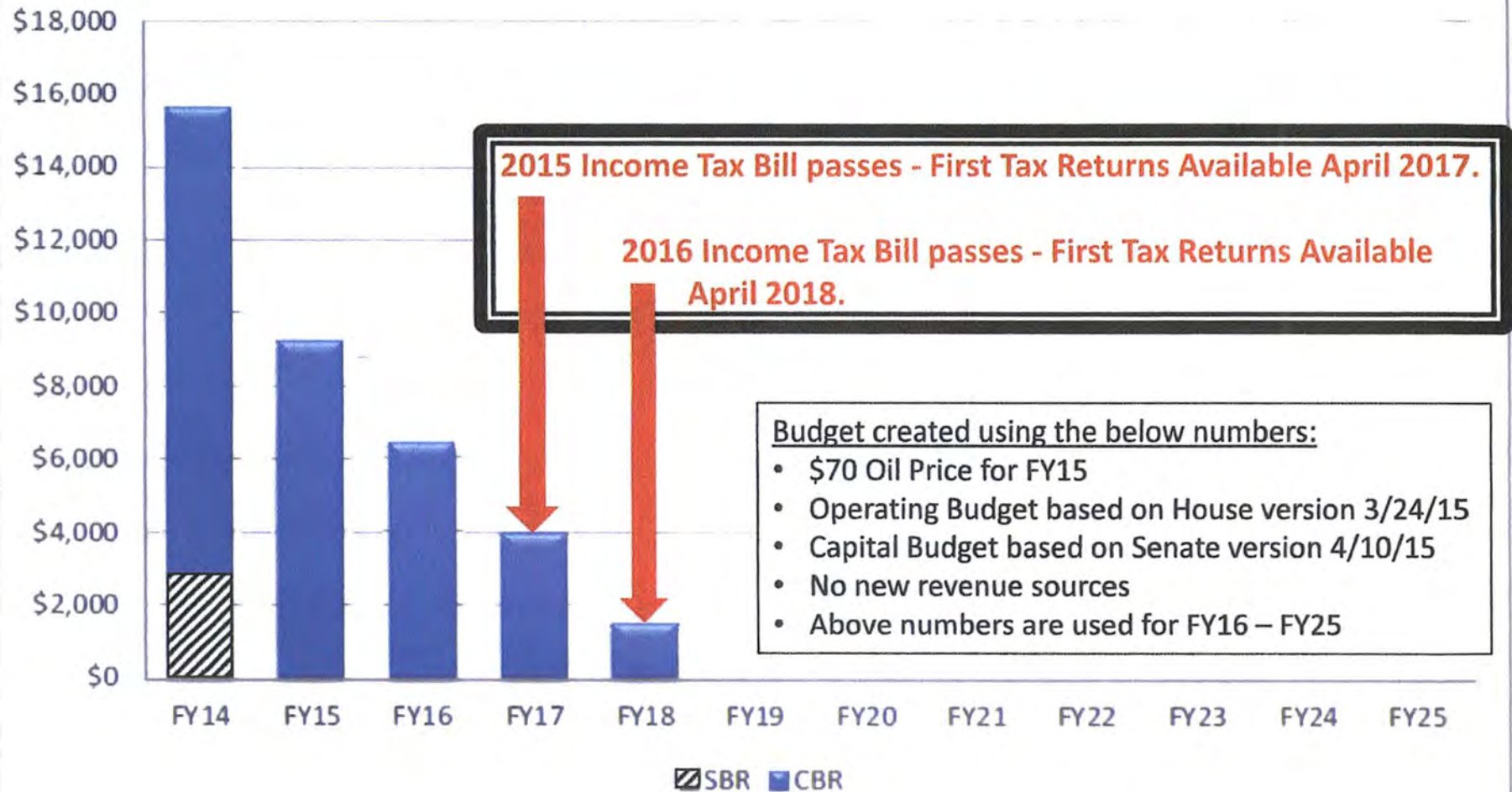
Resident is defined as an individual who:

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

The next 2 slides show:

- Fiscal Deficit concerns
- Estimated revenue from Individual Income Tax

Budget Reserves: Constitutional Budget Reserve (CBR) & Statutory Budget Reserve (SBR) (millions)



Graph prepared by David Teal, Legislative Finance 4/13/15.

Estimated Revenue*:

- | | |
|-------------------------------|---------------|
| • 15% Federal Liability | \$500 million |
| • 10% Long Term Capital Gains | \$ 85 million |
| • Nonresidents | \$ 70 million |
| • Total estimated revenue | \$655 million |

*Dept. of Revenue fiscal note estimates 4/15/15.

For the year Jan. 1-Dec. 31, 2014, or other tax year beginning , 2014, ending , 20 See separate instructions.

Your first name and initial Last name Your social security number

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

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

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

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

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

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

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

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

Tax and Credits

Standard Deduction for—

• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.

• All others: Single or Married filing separately, \$6,200 Married filing jointly or Qualifying widow(er), \$12,400 Head of household, \$9,100

38 Amount from line 37 (adjusted gross income)
39a Check: [] You were born before January 2, 1950, [] Blind. Total boxes checked 39a
b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
41 Subtract line 40 from line 38
42 Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-
44 Tax (see instructions). Check if any from: a [] Form(s) 8814 b [] Form 4972 c []
45 Alternative minimum tax (see instructions). Attach Form 6251
46 Excess advance premium tax credit repayment. Attach Form 8962
47 Add lines 44, 45, and 46
48 Foreign tax credit. Attach Form 1116 if required
49 Credit for child and dependent care expenses. Attach Form 2441
50 Education credits from Form 8863, line 19
51 Retirement savings contributions credit. Attach Form 8880
52 Child tax credit. Attach Schedule 8812, if required.
53 Residential energy credits. Attach Form 5695
54 Other credits from Form: a [] 3800 b [] 8801 c []
55 Add lines 48 through 54. These are your total credits
56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-

Other Taxes

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

Payments

If you have a qualifying child, attach Schedule EIC.

64 Federal income tax withheld from Forms W-2 and 1099
65 2014 estimated tax payments and amount applied from 2013 return
66a Earned income credit (EIC)
b Nontaxable combat pay election 66b
67 Additional child tax credit. Attach Schedule 8812
68 American opportunity credit from Form 8863, line 8
69 Net premium tax credit. Attach Form 8962
70 Amount paid with request for extension to file
71 Excess social security and tier 1 RRTA tax withheld
72 Credit for federal tax on fuels. Attach Form 4136
73 Credits from Form: a [] 2439 b [] Reserved c [] Reserved d []
74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments

Refund

Direct deposit? See instructions.

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid
76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here
b Routing number
c Type: [] Checking [] Savings
d Account number
77 Amount of line 75 you want applied to your 2015 estimated tax

Amount You Owe

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

Third Party Designee

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

Sign Here

Joint return? See instructions. Keep a copy for your records.

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

Paid Preparer Use Only

Print/Type preparer's name Preparer's signature Date Check [] if self-employed PTIN
Firm's name Firm's EIN
Firm's address Phone no.



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Taxes: What's New for 2015?

By Rande Spiegelman - January 14, 2015

Key Points

Tax changes in recent years included a new Medicare surtax for high-income earners, a new top rate for dividends and long-term capital gains, and the phase-out of itemized deductions for high earners.

If you're subject to higher taxes, it's even more important to take advantage of whatever tax breaks apply to you.

Learn more about this year's inflation adjustments and common tax breaks, including retirement plan contributions and charitable giving.

Although there are no major tax law changes this year, there are still inflation adjustments and other routine changes to consider. As always, it's not what you make but what you keep that counts—that's why it's important to take advantage of every tax break you're entitled to. Here are a number of items to consider as you plan for the year ahead.

Take advantage of federal income tax changes

To keep pace with inflation, the IRS has widened the federal income tax brackets and increased certain exemptions, deductions and credits¹ (see table below). For additional information, please visit the IRS website.

2015 federal income tax brackets

Tax rate on ordinary income	Single		Tax rate on qualified dividends and long term capital gains
	over	to	
10%	\$0	\$9,225	0%
15%	\$9,225	\$37,450	0%
25%	\$37,450	\$90,750	15%
28%	\$90,750	\$189,300	15%
33%	\$189,300	\$411,500	15%
35%	\$411,500	\$413,200	15%
39.60%	\$413,200		20%
	Married filing jointly / Qualifying widow or widower		
	over	to	
10%	\$0	\$18,450	0%
15%	\$18,450	\$74,900	0%
25%	\$74,900	\$151,200	15%
28%	\$151,200	\$230,450	15%
33%	\$230,450	\$411,500	15%
35%	\$411,500	\$464,850	15%
39.60%	\$464,850		20%

Source: IRS.

Payroll and Medicare taxes

California golden again — and we're

Seattle Times, The (WA) - November 30, 2014

Author: Danny Westneat, Seattle Times staff columnist

No matter how dysfunctional politics gets in this state, for many decades we've been able to say: At least we're no California.

The Golden State has long been the Gridlock State, especially when it comes to budget red ink. It's America's Greece.

Every bad state-budget decision we've made here lately — such as slashing our higher-education system — California did first, and worse.

California's "the liberal state that wants to spend on everything, and the libertarian state that won't pay for anything," wrote Businessweek last year about what made the state such a fiscal mess.

Vell, who is Greece now?

Washington state is the one heading into 2015 with big budget deficits — as much as \$5 billion, or 13 percent of the two-year budget, depending on if state lawmakers choose to follow both voter and court orders to spend more on schools.

California is looking sunny. After decades of mammoth deficits — in some years it was in arrears more money than the other 49 states combined — California is running a surplus for the second year in a row.

A more golden state: California tops nation in job growth," reads a typical headline. "California's budget: redemption song," says another.

California's story is the most surprising, but most states now have budget surpluses, thanks to an economy steadily gaining steam for a few years now.

So what in the world is wrong with us?

That bit above about liberal spending dreams colliding with libertarian tax fantasy? That applies now more to us than it does to long-suffering California.

First, what California did was get real. It got rid of some of its Tim Eyman-style, two-thirds budgeting constraints (California went Eyman 10 years before we did). It cut back on state spending. And then it raised taxes.

Those last two were pushed through by Gov. Jerry Brown. Remember Governor Moonbeam? It turns out he has a fiscal-hawk side, as well as the skill to sell a tax increase to voters. The combo erased a paralyzing 25 percent budget hole in only two years. Another word for this leadership, of a sort we mostly only read about from afar around here.

California still has far worse structural problems than we do — huge pension liabilities and big debts, to name two. But that means we have a lower bar that we're not clearing.

Some of California's black ink has flowed from a tax we don't have, and no, it's not the income tax. Like 41 other states, California taxes capital gains — profit from the sale of stocks and investments. It's volatile, so Brown joined it with a conservative policy that saves excess amounts from boom years in a rainy-day fund.

The Puget Sound area is so frothy with investment profits that a 5 percent tax on capital gains, with exemptions for the first \$10,000 and the sale of primary homes, would raise \$1.3 billion per biennium, the state estimates. Only 2 percent of the state's 3.1 million taxpayers could pay it.

Take, say, Amazon's Jeff Bezos. In the past two years he sold stock worth \$1.25 billion. Not a penny of those transactions went to our state's schools and services. If he lived in any of 41 other states, including neighboring Idaho (7.4 percent state capital-gains rate), Oregon (9.9 percent) or California (13.3 percent), he would have paid \$90 million or more. That's just from one taxpayer.

The point isn't to gouge the rich — it's only a 5 percent tax, and it falls just on gains. It's a way of raising money without hitting the poor and without messing around with the dreaded state income tax. It could also be used to reduce sales or other business taxes.

Plans like this were suggested in the last Legislature, but went nowhere. Why? Fear of Eyman. Power split between the parties. But mainly there's nobody bold in Olympia that the public trusts and will follow.

We can still say it, but the meaning is changing: We're no California.