

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
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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.

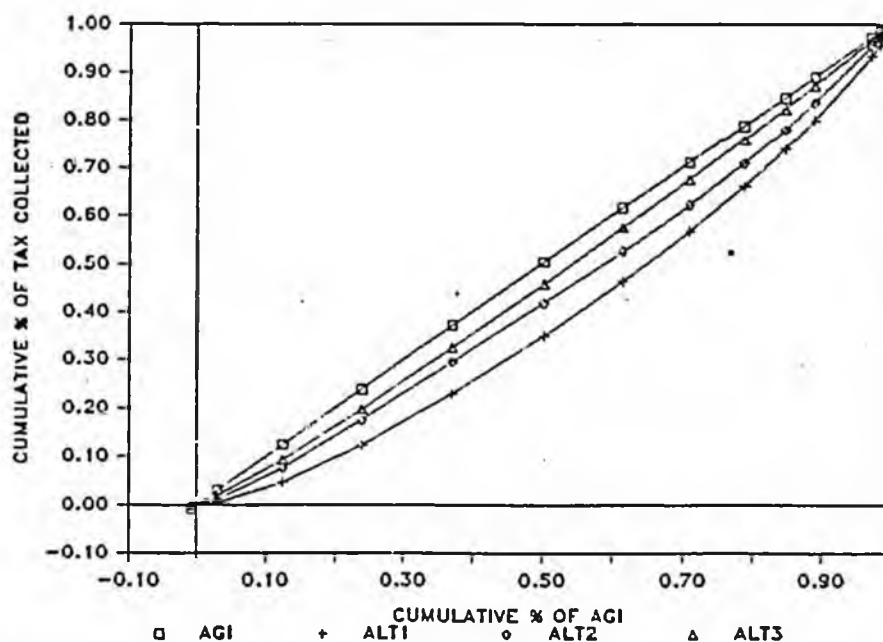
In a study of the tax capacity of the 50 states, the Advisory Commission on Intergovernmental Relations concludes that Alaska has a relatively low tax effort index (high additional tax capacity) for three tax types, personal income tax, general sales tax, and estate and gift tax.

<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.

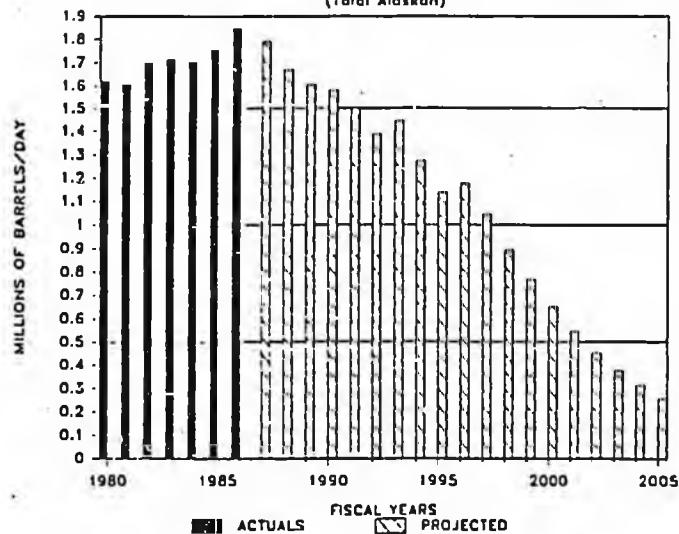
TABLE 1

PETROLEUM PRODUCTIONS PROJECTIONS
(Millions of Barrels/Day)

FISCAL YEAR	TOTAL ALASKAN
1980	1.621
1981	1.609
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)



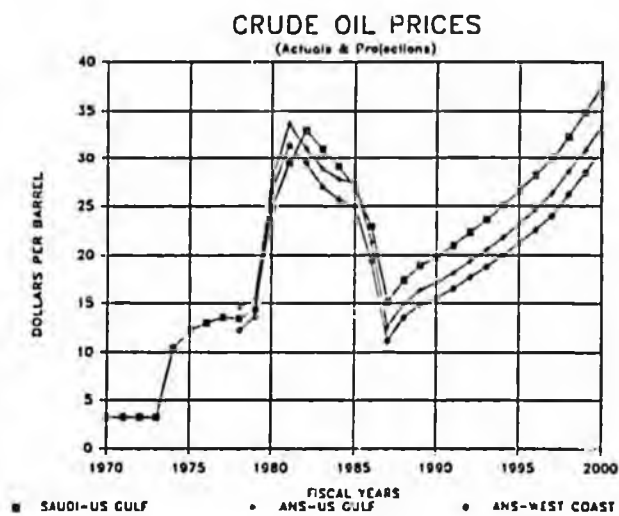
Alaska North Slope oil prices, meanwhile, have dropped from a high in 1981 of \$33.67 per barrel to a 1987 low of \$8.50 (the average is projected to be \$12.59 for the year). These prices have become extremely volatile and difficult to predict. Even if production wasn't declining, this volatility in 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	13.41		
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	25.48
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.

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.

TABLE 3

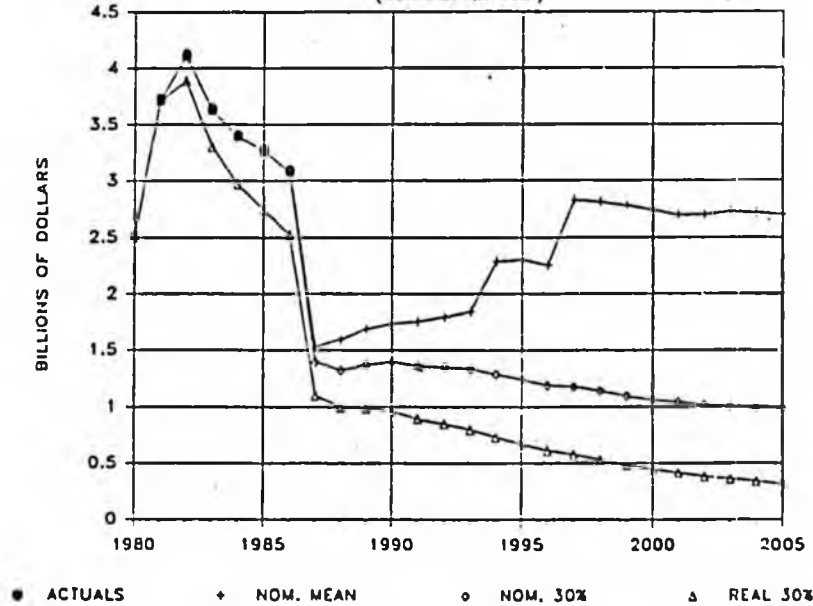
GENERAL FUND UNRESTRICTED REVENUE PROJECTIONS
(Nominal vs. Real)

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 TO 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 (rates) (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	0
Alaska	2.0 - 8.0(1)	1,122(1)	6,710(1)	1,941	3,882	1,161	0
Arizona	1.0 - 7.0(1)	1,000	25,000	15,000(1)	30,000	0(1)	0
Arkansas	1.0 - 11.0(1)	1,000(1)	11,000(1)	2,000	4,000	1,000	0
California	1.0 - 8.0(1)(2)	1,400	16,100	1,200	2,400	1,200	0
Colorado	1.2 - 6.75(1)	1,000	40,000	1,000	2,000	1,000	0(1)
Connecticut	1.0 - 6.0(1)	1,000(1)	7,000(1)	1,500	3,000	1,500	0
Delaware	2.25 - 11.0(1)	1,500(1)	30,000(1)	1,000	2,000	1,000	0
Florida	2.0 - 5.5(1)(3)	1,000	5,000	1,000(1)	2,000(1)	1,000(1)	0
Illinois	2.25	Flat rate	1,000	2,000	1,000	1,000	0
Indiana	1.0	Flat rate	1,000	2,000	1,000	1,000	0
Iowa	0.5 - 11.0(1)(4)	1,021	76,725	20	40	11(1)	0
Kansas	2.0 - 9.0(1)	1,000(1)	25,000(1)	1,000	2,000	1,000	0(1)
Kentucky	2.0 - 6.0(1)	1,000	8,000	20	40	20(1)	0
Louisiana	2.0 - 6.0(1)	10,000	50,000	4,500(1)	9,000(1)	1,500	0
Maine	1.0 - 10.0(1)	2,000(1)	25,000(1)	1,000	2,000	1,000	0
Massachusetts	2.0 - 7.0(1)	1,000	1,000	0	0	0	0
Michigan	1.0 - 11.0(1)(5)	1,000(1)	Flat rate	2,200	4,400(1)	1,100	0
Minnesota	1.0 - 9.0(1)(6)	100	16,200	70(1)	140(1)	70(1)	0(1)
Mississippi	1.0 - 5.0(1)	5,000	10,000	6,000	9,000	1,500	0
Missouri	1.5 - 6.0(1)	1,000	9,000	1,200	2,400	1,200	0
Montana	2.0 - 11.0(1)	1,000	41,000	1,000	2,000	1,000	0
Nebraska	10% of U.S. tax						0
New Jersey	2.0 - 11.0(1)	20,000	50,000	1,000	2,000	1,000	0
New Mexico	1.8 - 8.5(1)	5,200(1)	41,600(1)	2,000	4,000	2,000	0
New York	2.0 - 11.0(1)(7)	1,000	26,000	650	1,300	650	0
North Carolina	1.0 - 7.0(1)	2,000	10,000	1,000	2,000	1,000	0
North Dakota	2.0 - 9.0(1)	1,000	50,000	1,000(1)	2,000(1)	1,000(1)	0(1)
Ohio	0.815 - 8.5(1)(8)	5,000	100,000	1,000(1)	2,000(1)	1,000(1)	0
Oklahoma	0.5 - 6.0(1)	1,000	7,500	1,000	2,000	1,000	0
Oregon	4.0 - 10.0(1)	500	5,000	61(1)	120(1)	61(1)	0
Pennsylvania	2.25	Flat rate					0
Rhode Island	2.25(1) of U.S. tax						0
South Carolina	2.0 - 7.0(1)	4,000	12,000	1,000(1)	2,000(1)	1,000(1)	0
Texas	2.75 - 7.75(1)	150(1)	2,500(1)	150(1)	1,500(1)	150(1)	0
Vermont	24% of U.S. tax(1)						0
Virginia	2.0 - 6.5(1)(9)	1,000	11,000	600	1,200	600	0
West Virginia	2.1 - 11.0(1)	1,000(1)	11,000(1)	620	1,240	620	0
Wisconsin	1.0 - 7.9(1)	7,500	10,000				0(1)
Wyo. of Col.	2.0 - 11.0(1)	1,000	25,000	500(1)	1,000(1)	500(1)	0

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 automatic 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 investments 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 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 \$500 to \$5,000.

(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 Dakota as of December 31, 1986; South 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.

(13) 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 3.17 percent surtax.

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

(15) 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.

(16) 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.

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

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

(19) At taxpayers option, \$450 deduction plus \$20 credit per exemption.

(20) 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 available, with rates ranging from 4.5 percent to 17 percent, as per taxpayers deducting federal income taxes.

(21) If taxpayers have the option of paying 10 percent of adjusted gross income tax liability, the rate range is 1.0 percent to 11.0 percent.

(22) 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 NON-TAXABLE		LEAKAGE TO MUNICIPALITI- ES	
	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN	MEAN
1055	312.68	78.81			305.80		5.03	
50 TO \$10000	45.28	1.84			34.68		0.67	
\$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

AGE GROUP	TAX LIABILITY PFD TAXABLE		PAID FROM FEDERAL TAX		TAX LIABILITY PFD NON-TAXABLE		LEAKAGE TO MUNICIPALITI- ES	
	SUM	SUM	SUM	SUM	SUM	SUM	SUM	SUM
LOSS	1150245.11	300374.02	1130168.50	13983.55				
50 TO 510000	1721078.60	64146.62	1259468.76	18032.66				
510001 TO 520000	16649898.05	693021.09	12787220.68	168388.58				
520001 TO 530000	28294563.04	2176478.72	25998866.64	429967.78				
530001 TO 540000	60840369.17	537622.20	38322947.28	825167.34				
540001 TO 550000	66831681.59	856367.09	64362058.51	1037843.30				
550001 TO 560000	64972149.88	10500952.60	42918814.06	1032387.41				
560001 TO 570000	66125903.80	11190827.17	42428191.10	1003443.35				
570001 TO 580000	61294042.67	10823364.54	39962602.63	902539.06				
580001 TO 590000	36341465.11	9920639.54	35352120.62	760544.43				
590001 TO 5100000	30569051.64	8789922.35	29902313.22	574039.78				
5100001 TO 5150000	75393367.75	21869634.45	74146603.31	1336640.58				
5150001 TO 5200000	14821388.68	4105563.55	14683961.01	223447.27				
5200001 TO 5300000	3168456.60	812254.38	3153812.60	26615.02				
5300001 TO 5400000	6237269.25	1658120.39	6212209.25	57266.27				
OVER 5400000	13101479.29	3663414.20	13080135.29	50487.99				
TOTAL	643532190.05	100284580.71	425700512.86	8438994.56				

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

	TAX LIABILITY PFD TAXABLE		PAID FROM FEDRL TAX		TAX LIABILITY PFD NONTAXABLE		LEAKAGE TO MUNICIPALITI- ES	
	SUM	SUM	SUM	SUM	SUM	SUM	SUM	SUM
AGI GROUP								
1055	955445.47	265725.47	936766.80	13893.02				
50 TO 510000	1459624.03	52913.50	1057887.90	17518.77				
510001 TO 520000	13484920.13	461182.36	11769617.94	136692.18				
520001 TO 530000	27060631.31	2068864.05	24866765.51	408495.69				
530001 TO 540000	39802425.27	5287922.42	37380146.55	801481.07				
540001 TO 550000	45719368.98	8322320.52	43336429.70	1015949.52				
550001 TO 560000	45010846.44	1045556.45	62979672.25	1027277.66				
560001 TO 570000	45147499.37	11460365.85	43412174.48	1025604.76				
570001 TO 580000	43080121.84	11294176.62	61684343.39	943982.02				
580001 TO 590000	38419457.66	10502060.01	37369412.41	814657.32				
590001 TO 5100000	33664907.26	9596874.51	32914176.72	619610.48				
510001 TO 5150000	86134545.24	25112915.17	84701787.69	1568184.28				
5150001 TO 5200000	19749940.41	5492629.14	19570493.93	275021.67				
5200001 TO 5300000	4150277.79	1033242.99	4134433.79	27915.60				
5300001 TO 5400000	5311376.09	1441994.29	5290950.79	45592.12				
OVER 5400000	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 PFD TAXABLE	PAID FROM FLDRL TAX	TAX LIABILITY PFD 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	12731926.80
\$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	90.24	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	2005319.98	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	112595198.69	174443488.61	31564743.03
\$60001 TO \$70000	13563	5.06	822511897.00	939857608.90	690064852.08	41827.00	87163767.72	144311044.92	18607855.21
\$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	3215114.61	493588.74	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	5834.57
\$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.