

# Dual Income Tax System Options

Under the dual income tax system, a taxpayer could elect which system to use - the current system or flatter system

<b>Option</b>	<b>Current System</b>	<b>Flat system<sup>1</sup></b>	<b>Tax Commission Estimated Full Year Fiscal Impact FY 2008<sup>2</sup></b>
A	Top bracket rate from 7.0% to 6.9%	5.25% of federal adjusted gross income (AGI)	\$72M revenue reduction
B	Top bracket rate from 7.0% to 6.9%	5.30% of AGI Filing status credit (\$500 married / \$250 single, head of household, married filing separately)	\$101M revenue reduction
C	Expand brackets and reduce lower bracket rates as follows: <div style="text-align: right; margin-left: 100px;">                     \$0-\$1,999 (2.0%),                      \$2,000-\$3,999 (3.0%), \$4,000-\$5,999 (4.0%),                      \$6,000-\$7,999 (5.0%), \$8,000-\$9,999 (6.0%),                      \$10,000 and up (7.0%)      Single filers at                      1/2 these amounts                 </div>	5.25% of AGI	\$84M revenue reduction
D	Expand brackets and reduce lower bracket rates as follows: <div style="text-align: right; margin-left: 100px;">                     \$0-\$1,999 (2.0%),                      \$2,000-\$3,999 (3.0%), \$4,000-\$5,999 (4.0%),                      \$6,000-\$7,999 (5.0%), \$8,000-\$9,999 (6.0%),                      \$10,000 and up (7.0%)      Single filers at                      1/2 these amounts                 </div>	5.30% of AGI Filing status credit (\$500 married / \$250 single, head of household, married filing separately)	\$113M revenue reduction

1 Allows federally-required deductions (US interest, railroad retirement, native american income), deduction of prior year state refund included in AGI, and credit for tax paid on out of state income

2 Estimates based on February forecast assumptions, no adjustment for small reduction in existing credits for those selecting flat option, but likely less than \$1 million

# Dual Income Tax System Options

Under a dual income tax system, a taxpayer could elect which system to use - the current system or flatter system. This chart shows four potential dual income tax system options, with 2 different options to adjust the current system and 2 options for the new flat system.

		Flat System <sup>1</sup>	
		5.25% of federal adjusted gross income (AGI)	5.30% of AGI with a filing status credit (\$500 married / \$250 single, head of household, married filing separately)
Current System	Reduce Top Bracket Rate from 7.0% to 6.9%	Option A (\$72M <sup>2</sup> )	Option B (\$101M <sup>2</sup> )
	Expand brackets and reduce lower bracket rates as follows: \$0-\$1,999 (2.0%), \$2,000-\$3,999 (3.0%), \$4,000-\$5,999 (4.0%), \$6,000-\$7,999 (5.0%), \$8,000-\$9,999 (6.0%), \$10,000 and up (7.0%), Single filers at 1/2 these amounts	Option C (\$84M <sup>2</sup> )	Option D (\$113M <sup>2</sup> )

<sup>1</sup> Allows federally-required deductions (US interest, railroad retirement, native american income), deduction of prior year income included in AGI, and credit for tax paid on out of state income

<sup>2</sup> Estimates based on February forecast assumptions, no adjustment for small reduction in existing credits for those selecting flat option, but likely less than \$1 million