

Significant Issues

TRD has provided the following rate table.

Current and Proposed Personal Income Tax Rates

<i>Current</i> Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.9	64,001	100,000	42,001	65,000	32,001	50,000	53,001	83,000
8.2	101,000	& above	65,001	& above	50,001	& above	83,001	& above

<i>Proposed</i> Tax Year 2003 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.7	64,001	& above	42,001	& above	32,001	& above	53,001	& above

<i>Proposed</i> Tax Year 2004 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	15,000	0	10,000	0	7,500	0	12,500
3.2	15,001	24,000	10,001	16,000	7,501	12,000	12,501	20,000
4.7	24,001	45,000	16,001	30,000	12,001	22,500	20,001	37,500
5.5	45,001	& above	30,001	& above	22,501	& above	37,501	& above

FISCAL IMPLICATIONS

The impacts of the capital gains deduction are evaluated under the proposed tax rates. If the tax rate changes are not adopted, the impacts of the capital gains provisions compared to present law tax rates would be larger. Further, capital gains realization levels have been suppressed by recent stock market performance. While a “bounce” back to the levels of the late 1990’s is not anticipated, it should be noted that realizations are notoriously volatile and difficult to forecast.

OTHER SUBSTANTIVE ISSUES

TRD has provided a table showing the benefits to taxpayer by income and filing status.

Table 2: Effects of Proposed Tax Reduction by Taxable Income and Filing Status						
Taxable Income and Filing Status	Tax Year 2003			Tax Year 2004		
	Present Law Liability*	Proposed Law Liability*	Change in Liability*	Present Law Liability*	Proposed Law Liability*	Change in Liability*
Married Filing Joint						
0 to 8,000	2.0	2.0		2.1	2.1	
8,001 to 16,000	9.4	9.4		10.0	7.5	(2.5)
16,001 to 24,000	18.2	18.2		19.6	14.0	(5.6)
24,001 to 40,000	76.2	76.2		81.4	60.3	(21.2)
40,001 to 64,000	159.2	159.1		169.3	126.0	(43.2)
64,001 to 100,000	165.9	164.5	(1.4)	175.7	128.4	(47.3)
100,001 and over	291.7	280.4	(11.3)	306.4	212.7	(93.7)
Total	722.5	709.8	(12.7)	764.4	551.0	(213.5)
Single						
0 to 5,500	5.6	5.6		5.9	5.3	(0.6)
5,500 to 11,000	19.5	19.5		20.9	15.2	(5.7)
11,000 to 16,000	27.9	27.9		29.8	22.3	(7.6)
16,000 to 26,000	57.1	57.1		60.8	45.2	(15.6)
26,000 to 42,000	47.2	47.2		50.0	36.7	(13.3)
42,000 to 65,000	27.2	26.3	(0.9)	28.7	20.4	(8.3)
65,000 and over	48.2	46.0	(2.2)	50.5	34.7	(15.9)
Total	232.7	229.5	(3.2)	246.8	179.8	(66.9)
Separate						
0 to 4,000	0.0	0.0	-	0.0	0.0	
4,000 to 8,000	0.1	0.1	-	0.1	0.1	
8,000 to 12,000	0.2	0.2	-	0.3	0.2	(0.1)
12,000 to 20,000	1.0	1.0	-	1.1	0.8	(0.3)
20,000 to 32,000	1.8	1.8	-	1.9	1.4	(0.5)
32,000 to 50,000	1.8	1.7	(0.0)	1.9	1.4	(0.5)
50,000 and over	6.3	6.0	(0.3)	6.6	4.5	(2.1)
Total	11.2	10.9	(0.3)	11.8	8.4	(3.4)
Head of Household						
0 to 7,000	1.7	1.7		1.8	1.8	
7,000 to 14,000	4.7	4.7		5.0	3.8	(1.2)
14,000 to 20,000	6.0	6.0		6.5	4.7	(1.7)
20,000 to 33,000	11.5	11.5		12.3	9.2	(3.1)
33,000 to 53,000	12.3	12.3		13.1	9.8	(3.3)
53,000 to 83,000	7.2	7.1	(0.1)	7.6	5.6	(2.0)
83,000 and over	10.3	9.9	(0.4)	10.8	7.5	(3.3)
Total	53.6	53.1	(0.5)	57.0	42.4	(14.6)

*\$Millions

Additionally, TRD has provided a table showing the benefits to taxpayers of the capital gains reduction.

**Estimated Distributional Impacts of the Capital Gains Proposal For Selected Years:
Tax Year 2003**

Adjusted Gross Income		Net Capital Gains	Increased De- ductions	Decreased Tax Liability
		(millions)	(millions)	(thousands)
\$0 or Less	\$10,000	\$22.3	\$0.0	\$0.0
\$10,000	\$20,000	\$15.0	\$0.0	\$0.0
\$20,000	\$30,000	\$17.9	\$0.0	\$0.0
\$30,000	\$50,000	\$45.0	\$0.0	\$0.0
\$50,000	\$75,000	\$70.1	\$0.0	\$0.0
\$75,000	\$100,000	\$70.1	\$1.9	\$129
\$100,000	\$150,000	\$104.6	\$4.9	\$349
\$150,000	\$200,000	\$69.5	\$4.5	\$314
\$200,000	Over	\$541.5	\$48.0	\$3,384
Total		\$956.1	\$59.3	\$4,176

Tax Year 2006

Adjusted Gross Income		Net Capital Gains	Increased Deductions	Decreased Tax Liability
		(millions)	(millions)	(thousands)
\$0 or Less	\$10,000	\$28.3	\$10.6	\$159
\$10,000	\$20,000	\$19.1	\$5.3	\$92.3
\$20,000	\$30,000	\$22.8	\$7.2	\$217
\$30,000	\$50,000	\$57.1	\$20.6	\$874
\$50,000	\$75,000	\$89.1	\$35.3	\$1,596
\$75,000	\$100,000	\$89.1	\$38.0	\$1,779
\$100,000	\$150,000	\$132.9	\$59.4	\$2,876
\$150,000	\$200,000	\$88.3	\$41.0	\$1,983
\$200,000	Over	\$688.0	\$336.2	\$16,267
Total		\$1,214.7	\$553.6	\$25,844