

EFFECT OF TAX CREDITS ON INDIVIDUAL INCOME TAX RATE

A Report Prepared for the
Revenue & Transportation Interim Committee

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February 16, 2012

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INTRODUCTION

An analysis of the effect of individual income tax credits on the average effective individual income tax rate was presented to the Revenue and Transportation Interim Committee meeting on September 9th. For that report, the analysis was limited to the subset of full year resident taxpayers with incomes greater than \$0 who claimed at least \$1 of tax credit in 2009. This report expands the analysis to include all full year resident taxpayers with incomes greater than \$0, and spans tax years 2005 through 2010.

INCOME, TAXES & CREDITS BY INCOME DECILE

Average Total Income by Income Decile						
Decile	2005	2006	2007	2008	2009	2010
1	\$2,727	\$2,875	\$2,744	\$2,896	\$2,924	\$3,122
2	7,255	7,690	7,675	7,980	8,043	8,535
3	12,076	12,837	13,033	13,443	13,364	14,031
4	17,326	18,371	18,857	19,333	19,127	19,938
5	23,372	24,811	25,565	26,095	25,706	26,777
6	31,162	33,002	34,129	34,647	34,014	35,489
7	41,246	43,754	45,404	45,914	45,082	47,049
8	54,471	57,641	60,078	60,662	59,656	62,131
9	72,999	77,408	80,845	81,484	80,319	83,430
10	178,827	196,810	202,925	193,934	176,224	189,826

Average Total Tax by Income Decile						
Decile	2005	2006	2007	2008	2009	2010
1	\$2	\$2	\$2	\$2	\$2	\$3
2	30	33	30	30	31	35
3	97	106	106	105	101	111
4	224	248	255	251	237	257
5	440	476	502	493	466	495
6	734	794	830	833	785	833
7	1,146	1,224	1,273	1,266	1,213	1,296
8	1,716	1,806	1,878	1,873	1,826	1,936
9	2,631	2,761	2,848	2,852	2,793	2,958
10	9,209	9,706	9,583	9,124	8,234	8,995

Average Total Credit by Income Decile						
Decile	2005	2006	2007	2008	2009	2010
1	\$54	\$52	\$61	\$64	\$69	\$69
2	52	51	47	50	52	52
3	47	43	41	44	43	43
4	33	31	31	30	30	28
5	27	29	32	28	29	32
6	29	35	41	36	38	44
7	40	50	61	51	56	65
8	62	76	95	78	84	95
9	93	116	151	124	132	147
10	884	1,091	1,365	1,094	815	981

EFFECTIVE TAX RATES BEFORE & AFTER CREDITS BY INCOME DECILE

Average Effective Tax Rate Before Credits by Income Decile						
Decile	2005	2006	2007	2008	2009	2010
1	0.6874%	0.1089%	0.0372%	0.5522%	0.0515%	0.4833%
2	0.3972%	0.3997%	0.3709%	0.3599%	0.3623%	0.3878%
3	0.7903%	0.8104%	0.7976%	0.7626%	0.7385%	0.7730%
4	1.2800%	1.3326%	1.3352%	1.2832%	1.2244%	1.2726%
5	1.8683%	1.9073%	1.9501%	1.8781%	1.8029%	1.8356%
6	2.3441%	2.3955%	2.4223%	2.3941%	2.2963%	2.3378%
7	2.7676%	2.7871%	2.7957%	2.7479%	2.6801%	2.7457%
8	3.1437%	3.1253%	3.1177%	3.0813%	3.0526%	3.1066%
9	3.5899%	3.5536%	3.5094%	3.4864%	3.4634%	3.5325%
10	4.5775%	4.4539%	4.3389%	4.3176%	4.3024%	4.3608%

Average Effective Tax Rate After Credits by Income Decile						
Decile	2005	2006	2007	2008	2009	2010
1	-94.4695%	-73.8509%	-568.1831%	-394.8612%	-461.7089%	-248.9494%
2	-0.3335%	-0.2814%	-0.2642%	-0.2905%	-0.3076%	-0.2409%
3	0.3878%	0.4692%	0.4788%	0.4293%	0.4109%	0.4602%
4	1.0888%	1.1583%	1.1676%	1.1237%	1.0649%	1.1282%
5	1.7524%	1.7879%	1.8246%	1.7708%	1.6892%	1.7169%
6	2.2498%	2.2883%	2.3020%	2.2892%	2.1832%	2.2146%
7	2.6719%	2.6728%	2.6626%	2.6379%	2.5553%	2.6084%
8	3.0304%	2.9947%	2.9599%	2.9526%	2.9118%	2.9535%
9	3.4638%	3.4040%	3.3233%	3.3351%	3.3001%	3.3566%
10	4.2937%	4.1312%	3.9368%	3.9987%	4.0079%	4.0402%

Average Percent Decrease in Tax Rate by Income Decile						
Decile	2005	2006	2007	2008	2009	2010
1	13842.29%	67935.56%	1527927.37%	71604.99%	895878.49%	51615.36%
2	183.96%	170.41%	171.23%	180.73%	184.92%	162.12%
3	50.93%	42.10%	39.97%	43.71%	44.36%	40.47%
4	14.94%	13.08%	12.55%	12.43%	13.03%	11.35%
5	6.20%	6.26%	6.44%	5.71%	6.31%	6.46%
6	4.03%	4.47%	4.97%	4.38%	4.93%	5.27%
7	3.46%	4.10%	4.76%	4.00%	4.66%	5.00%
8	3.60%	4.18%	5.06%	4.18%	4.61%	4.93%
9	3.51%	4.21%	5.30%	4.34%	4.71%	4.98%
10	6.20%	7.25%	9.27%	7.39%	6.85%	7.35%

EFFECTIVE TAX RATES—GRAPHICAL REPRESENTATION





