



*For the Blue Ribbon Tax
Structure Commission
September 29, 2009*

Moving the Vermont Income Tax from Taxable Income to Adjusted Gross Income

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Defining Income for Tax Purposes

Gross Income

Defining Income for Tax Purposes

Adjusted Gross Income

Other
income

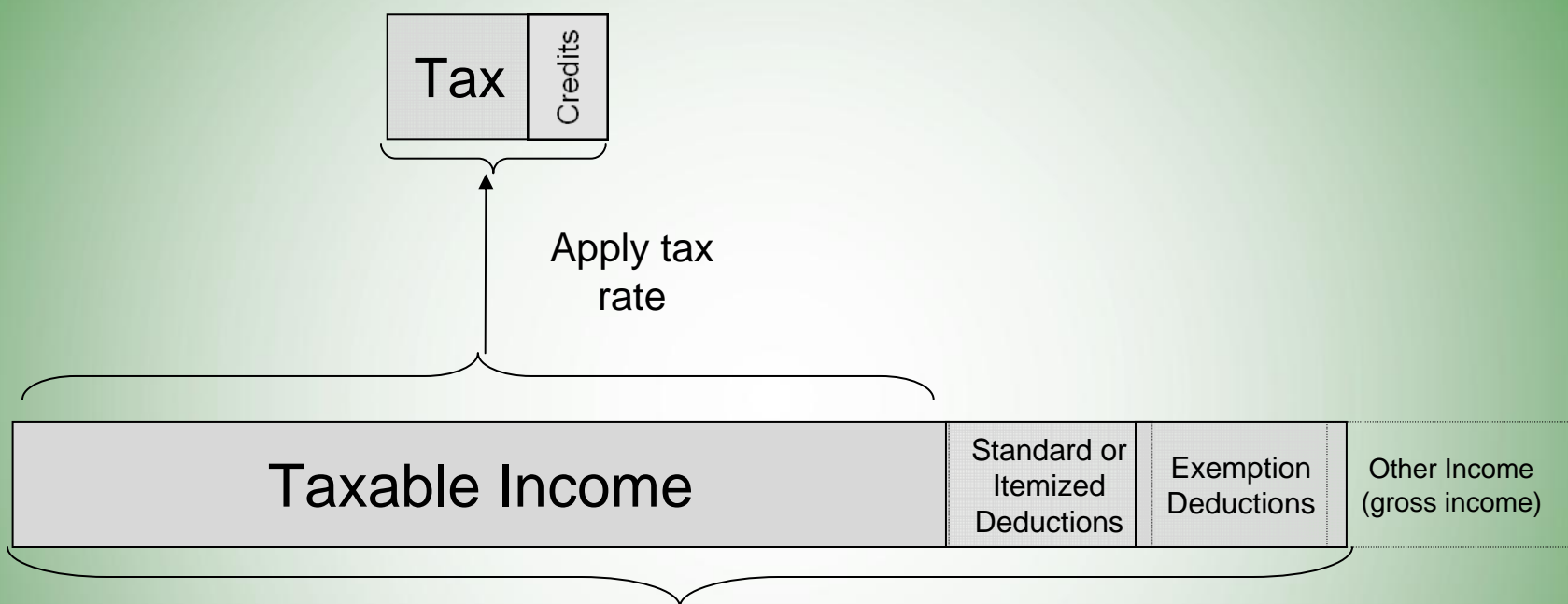
Defining Income for Tax Purposes

Taxable Income	Std. or Itemized Ded'ns.	Exemption Deductions	Other income
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	Baseline:	
	Recalculated 2006	
	tax with 2009 leg	
Income Class	changes	2006 tax paid
Under 25,000	14,232,498	14,545,901
25,000 - 49,999	54,938,993	55,916,280
50,000 - 74,999	64,597,841	65,800,322
75,000 - 99,999	62,039,789	63,366,075
100,000 - 124,999	42,954,241	43,826,206
125,000 - 149,999	28,622,989	29,020,633
150,000 - 199,999	35,449,639	36,484,272
200,000 - 299,999	39,549,620	40,634,674
300,000 - 499,999	36,343,803	36,274,855
500,000 - 999,999	34,049,533	32,903,559
1,000,000 - 4,999,999	48,426,240	44,219,798
5,000,000 +	42,917,547	32,479,498
Total	504,122,733	495,472,073

2009 Legislation changes as fully implemented in Tax Year 2010

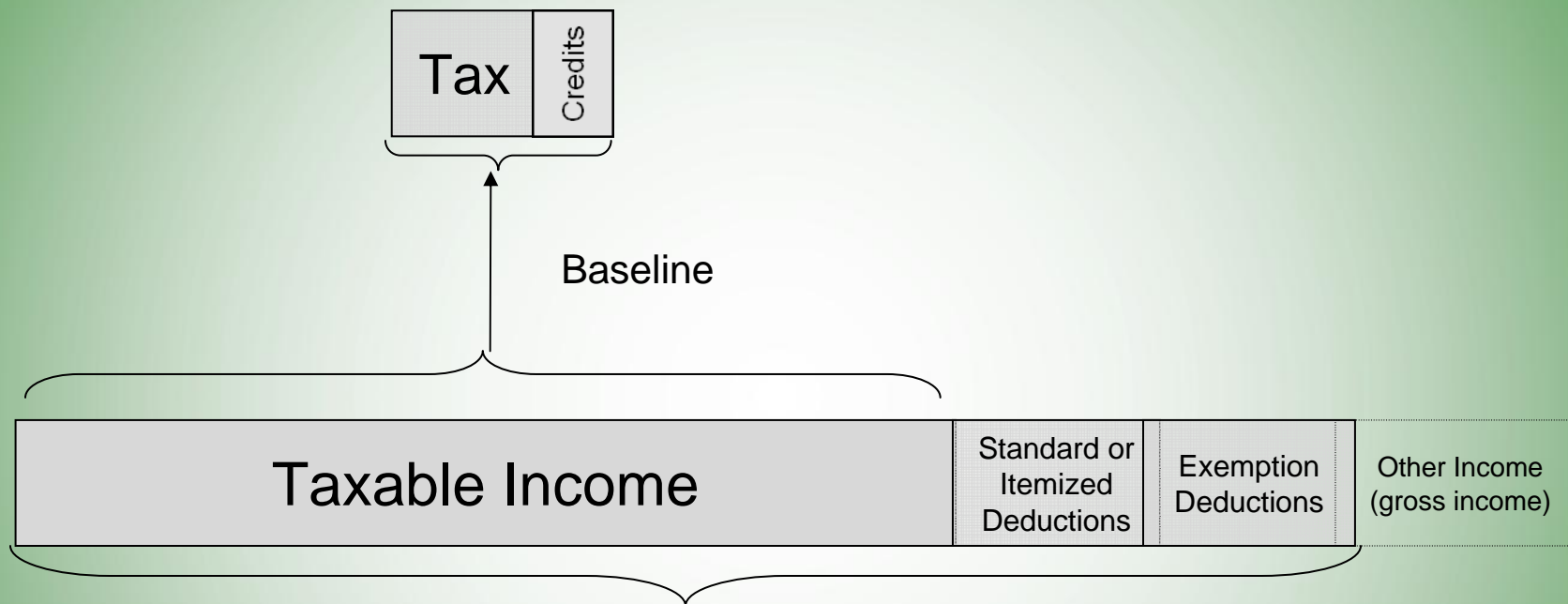
- Capital gains treatment (increased taxable income)
- State and Local Tax Deduction (increased taxable income)
- Decrease rates (decrease tax revenue)



Income Class	Baseline	Scenario 1 Apply lower rate to AGI	Change in tax
Under 25,000	14,232,498	33,101,720	18,869,222
25,000 - 49,999	54,938,993	69,232,118	14,293,125
50,000 - 74,999	64,597,841	75,941,452	11,343,611
75,000 - 99,999	62,039,789	69,140,841	7,101,052
100,000 - 124,999	42,954,241	43,601,890	647,649
125,000 - 149,999	28,622,989	27,988,370	-634,619
150,000 - 199,999	35,449,639	34,555,623	-894,016
200,000 - 299,999	39,549,620	37,167,256	-2,382,364
300,000 - 499,999	36,343,803	32,222,672	-4,121,131
500,000 - 999,999	34,049,533	29,732,203	-4,317,330
1,000,000 - 4,999,999	48,426,240	41,122,289	-7,303,951
5,000,000 +	42,917,547	34,618,779	-8,298,768

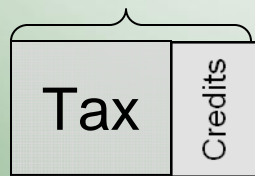
Total	504,122,733	528,425,213	24,302,480
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Current law rates	Scenario rates
3.55%	2.5%
6.80%	4.5%
7.80%	5.5%
8.80%	6.0%
8.95%	6.5%

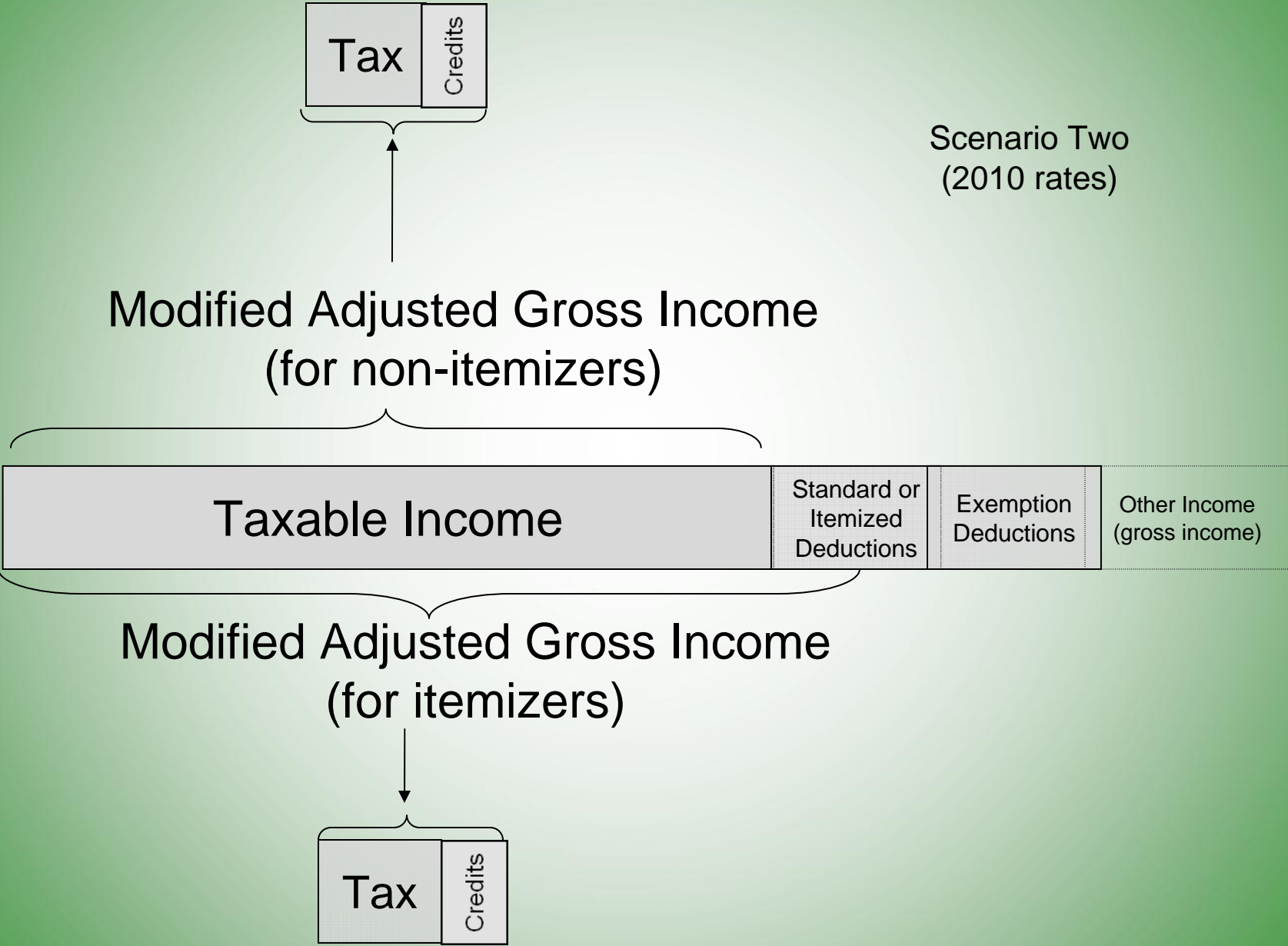


Adjusted Gross Income

Scenario One
(lower rate)



Scenario Two
(2010 rates)



Income Class	Baseline	Scenario 2 -	Change in tax
Under 25,000	14,232,498	15,516,868	1,284,370
25,000 - 49,999	54,938,993	60,712,368	5,773,375
50,000 - 74,999	64,597,841	72,652,671	8,054,830
75,000 - 99,999	62,039,789	71,958,181	9,918,392
100,000 - 124,999	42,954,241	50,906,124	7,951,883
125,000 - 149,999	28,622,989	34,190,603	5,567,614
150,000 - 199,999	35,449,639	43,812,893	8,363,254
200,000 - 299,999	39,549,620	49,450,832	9,901,212
300,000 - 499,999	36,343,803	44,813,146	8,469,343
500,000 - 999,999	34,049,533	41,822,009	7,772,476
1,000,000 - 4,999,999	48,426,240	58,609,971	10,183,731
5,000,000 +	42,917,547	48,818,023	5,900,476
Total	504,122,733	593,263,689	89,140,956

From Current tax structure:
Only allow standard deductions (no itemized deductions)

Use 2010 rates

Income Class	Baseline	Scenario 2 - Reduce AGI by Exemptions and Standard Deduction	Change between Scenario One and Scenario Two
Under 25,000	14,232,498	15,516,868	-17,584,852
25,000 - 49,999	54,938,993	60,712,368	-8,519,750
50,000 - 74,999	64,597,841	72,652,671	-3,288,781
75,000 - 99,999	62,039,789	71,958,181	2,817,340
100,000 - 124,999	42,954,241	50,906,124	7,304,234
125,000 - 149,999	28,622,989	34,190,603	6,202,233
150,000 - 199,999	35,449,639	43,812,893	9,257,270
200,000 - 299,999	39,549,620	49,450,832	12,283,576
300,000 - 499,999	36,343,803	44,813,146	12,590,474
500,000 - 999,999	34,049,533	41,822,009	12,089,806
1,000,000 - 4,999,999	48,426,240	58,609,971	17,487,682
5,000,000 +	42,917,547	48,818,023	14,199,244
Total	504,122,733	593,263,689	64,838,476

From AGI:
Reduce Income by
Exemptions and
Standard Deduction

Fully restore 2010
rates

Income Class	Baseline: Recalculated 2006 tax with 2009 leg changes	Scenario 3 - Scenario Two with lower Rates	Change in tax from baseline	
Under 25,000	14,232,498	13,102,611	-1,129,887	
25,000 - 49,999	54,938,993	51,254,581	-3,684,412	
50,000 - 74,999	64,597,841	61,350,546	-3,247,295	
75,000 - 99,999	62,039,789	60,822,766	-1,217,023	
100,000 - 124,999	42,954,241	43,052,815	98,574	
125,000 - 149,999	28,622,989	28,933,844	310,855	
150,000 - 199,999	35,449,639	37,021,038	1,571,399	Standard deductions and personal exemptions same as federal 2008
200,000 - 299,999	39,549,620	41,688,806	2,139,186	
300,000 - 499,999	36,343,803	37,762,209	1,418,406	
500,000 - 999,999	34,049,533	35,105,425	1,055,892	
1,000,000 - 4,999,999	48,426,240	48,927,815	501,575	
5,000,000 +	42,917,547	40,972,632	-1,944,915	
Total	504,122,733	499,995,088	-4,127,645	Current law rates 3.55% 6.80% 7.80% 8.80% 8.95%
				Scenario rates 3.0% 5.8% 6.6% 7.5% 7.6%

Income Class	Baseline Tax Average	Scenario 3 Tax Average	Average Tax Difference
Under 25,000	227	202	-25
25,000 - 49,999	756	696	-60
50,000 - 74,999	1,531	1,448	-83
75,000 - 99,999	2,523	2,466	-57
100,000 - 124,999	3,791	3,789	-2
125,000 - 149,999	5,164	5,202	38
150,000 - 199,999	7,036	7,295	258
200,000 - 299,999	11,125	11,651	526
300,000 - 499,999	20,406	21,061	655
500,000 - 999,999	40,583	41,447	863
1,000,000 - 4,999,999	114,483	115,396	913
5,000,000 +	1,129,409	1,050,580	-78,829
Total	2,184	2,134	-51

Shift to AGI by eliminating deductions and exemptions

Current tax system

Increases revenue

Regressive AGI system (Scenario One)

Large household deduction

Corrected AGI system (Scenarios Two and Three)

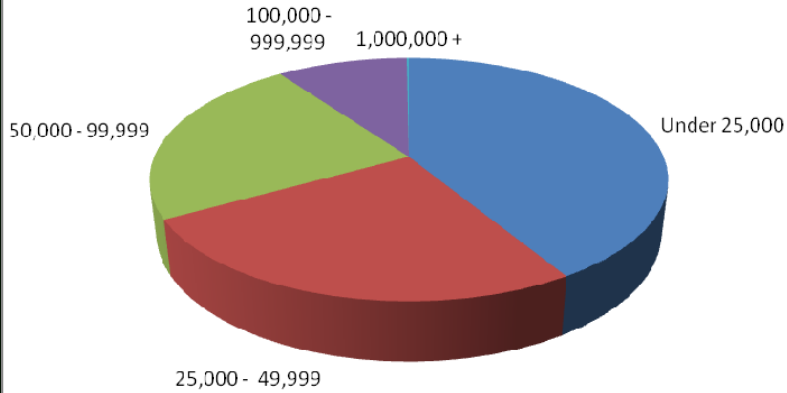
Change brackets, Restore individual exemptions and credits

Modified AGI system

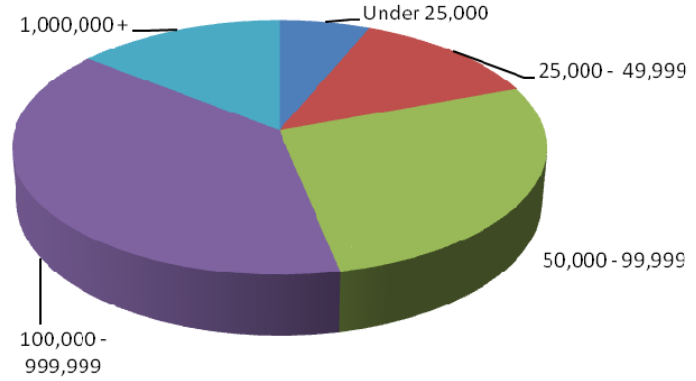
Greater progressivity → less progressivity

(Other scales representing other principles are possible)

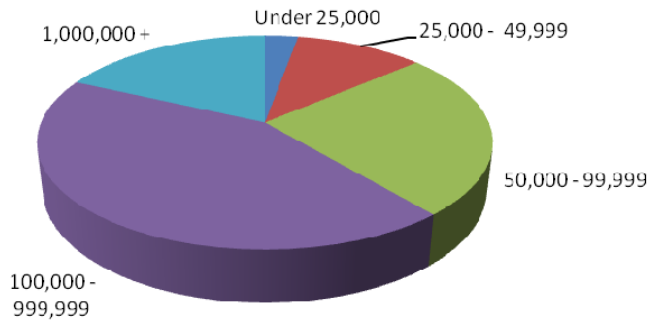
Number of returns by income class



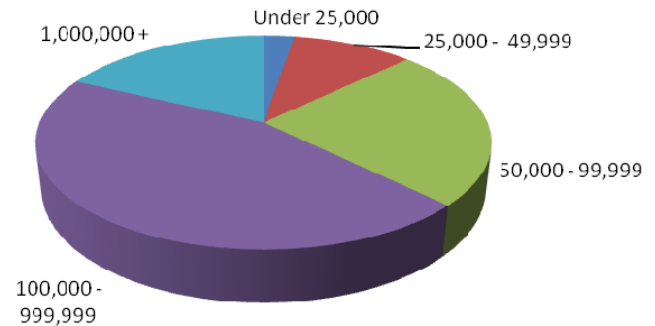
Tax Revenue - AGI (Scenario One)



Tax Revenue under current law (baseline)



Tax Revenue - AGI and Standard Deductions (Scenario Three)



Thanks to:

•Bill Smith

•Susan Mesner

•Sara Teachout