

**Charts Prepared for the Informational Hearing:
Overview of the Tax Recommendations Proposed by the
Commission on the 21st Century Economy**

**Assembly Revenue & Taxation Committee
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Room 126, State Capitol**

**Jay Chamberlain, Director
Economic & Statistical Research Bureau
Franchise Tax Board**

Corporation Taxes at 2007 income levels and 2012 tax law	
<i>Preliminary Findings</i>	
	2007 (\$billions)
Current Law	
Corporation Tax (2012) /1	\$8.1
Proposed Law - BNRT	
Corporations	\$26.6
LLCs	\$8.1
Partnerships	\$5.6
Sole-Proprietorships	<u>\$2.6</u>
Total Revenue	<u>\$42.9</u>
Difference in Revenue	\$34.8
/1 Includes Franchise and Income Tax on C and S Corporations, LLC fee and minimum tax on all entities that pay the minimum tax.	

Source: Franchise Tax Board

Current Law compared to COTCE PIT Proposal - Revenue Impact at 2007 levels							
<i>Preliminary Findings</i>							
Income Range			Tax Current Law (\$ Mil)	Tax COTCE PIT Proposal (\$ Mil)	Change in Tax		Number of Returns with Tax Change (000's)
					Amount (\$ Mil)	Percentage	
First Quintile	zero	- 13,790	\$31	\$12	-\$19	-62.1%	630
Second Quintile	13,790	- 27,320	\$247	\$100	-\$147	-59.6%	1,684
Third Quintile	27,320	- 46,550	\$1,219	\$772	-\$447	-36.7%	2,408
Fourth Quintile	46,550	- 84,810	\$4,131	\$3,410	-\$721	-17.5%	2,877
Fifth Quintile	84,810	And Above	\$46,505	\$35,248	-\$11,258	-24.2%	3,007
Top 10%	129,590	And Above	\$41,350	\$30,860	-\$10,490	-25.4%	1,364
Top 1%	494,800	And Above	\$25,471	\$18,418	-\$7,053	-27.7%	190
Totals			\$52,134	\$39,542	-\$12,592	-27.8%	10,606

Source: Franchise Tax Board

Current Law compared with COTCE PIT Proposal
Returns with Tax Increases and Returns with Tax Decreases
Preliminary Findings

Income Range			Returns with Tax Decrease		Returns with Tax Increase	
			Returns (000's)	Amount (\$ Mils)	Returns (000's)	Amount (\$ Mils)
First Quintile	zero	- 13,790	461.8	-\$24.1	168.6	\$3.1
Second Quintile	13,790	- 27,320	1,194.3	-\$173.1	489.9	\$18.8
Third Quintile	27,320	- 46,550	1,486.9	-\$580.2	921.5	\$115.8
Fourth Quintile	46,550	- 84,810	1,700.2	-\$1,259.3	1,176.9	\$520.6
Fifth Quintile	84,810	And Above	2,356.8	-\$11,934.1	650.4	\$719.9
Top 10%	129,590	And Above	1,366.2	-\$10,755.0	188.6	\$337.1
Top 1%	494,800	And Above	187.6	-\$7,085.0	2.8	\$108.2
Totals			7,200.0	-13,970.8	3,407.3	\$1,378

Source: Franchise Tax Board

Current Law compared with COTCE PIT Proposal
Taxable Returns made Nontaxable and Nontaxable Returns made Taxable
Preliminary Findings

Income Range	Taxable Returns Made Nontaxable		Nontaxable Returns Made Taxable	
	Returns (000's)	Amount (\$ Mils)	Returns (000's)	Amount (\$ Mils)
First Quintile zero - 13,790	340.2	-\$15.4	88.7	\$0.3
Second Quintile 13,790 - 27,320	426.5	-\$32.0	422.5	\$11.7
Third Quintile 27,320 - 46,550	140.2	-\$14.3	657.9	\$58.1
Fourth Quintile 46,550 - 84,810	3.4	-\$1.3	368.0	\$186.3
Fifth Quintile 84,810 And Above	6.4	-\$10.7	29.4	\$59.1
Top 10% 129,590 And Above	4.5	-\$10.1	5.1	\$27.3
Top 1% 494,800 And Above	2.3	-\$6.0	0.2	\$9.4
Totals	916.7	-\$73.7	1,566.5	\$315.6

Source: Franchise Tax Board

PIT Proposal Distribution By Quintile
Preliminary Findings

2007	Top 1%	Top 10%	Top Quintile	4th Quintile	3rd Quintile	2nd Quintile	Bottom Quintile
Share of Income	25.2%	50.8%	65.1%	17.4%	10.0%	5.6%	2.0%
Current Law							
Share of Tax	48.1%	78.8%	89.0%	8.2%	2.3%	0.5%	0.1%
Average Taxes Paid	\$162,575	\$26,393	\$14,842	\$1,319	\$389	\$79	\$10
Proposed Law							
Share of Tax	46.6%	78.0%	89.1%	8.6%	2.0%	0.3%	0.0%
Average Taxes Paid	\$117,560	\$19,698	\$11,249	\$1,088	\$246	\$32	\$4
Average Change in Tax	-\$45,016	-\$6,696	-\$3,593	-\$230	-\$143	-\$47	-\$6

Source: Franchise Tax Board

Comparison of Current to Proposed Law for Median Income Taxpayers (2007 Levels)

Example	Filing Status	Income	Number of Dependents	Itemized Deductions	Special Credits	Tax, Current Law	Tax, Proposed Law	Percent Difference
1	Single	\$23,000	0	\$0	\$0	\$293	\$109	-63%
2	Joint	\$69,000	0	\$15,000	\$0	\$1,246	\$851	-32%
3	Joint	\$69,000	2	\$15,000	\$0	\$658	\$851	29%
4	Joint	\$69,000	2	\$15,000	\$500	\$158	\$851	438%
5	Single	\$23,000	0	\$0	\$60	\$233	\$109	-53%

Source: Franchise Tax Board

Notes

"Special Credits" does not include personal exemption or dependent exemption credits

Example 4 assumes a \$500 dependent care credit

Example 5 assumes a \$60 renter's credit

**Summary Comparison of Current Law to Proposed Law for
Representative Taxpayers (2007 Levels)**

Single, No Dependents

Tax Change (\$)					Tax Change (%)				
Income	Itemized Deductions /a				Income	Itemized Deductions /a			
	0	15,000	30,000	100,000		0	15,000	30,000	100,000
\$15,000	-\$67				\$15,000	-100%			
\$23,000	-\$184	\$109			\$23,000	-63%	/b		
\$50,000	-\$893	\$38	\$236		\$50,000	-44%	3%	75%	
\$69,000	-\$1,425	-\$357	\$249		\$69,000	-37%	-13%	18%	
\$100,000	-\$2,293	-\$1,225	-\$543		\$100,000	-34%	-22%	-13%	
\$250,000	-\$6,587	-\$6,047	-\$5,365	-\$3,405	\$250,000	-32%	-30%	-29%	-28%
\$1,000,000	-\$27,587	-\$27,587	-\$28,069	-\$28,590	\$1,000,000	-30%	-30%	-31%	-33%

Joint, No Dependents

Tax Change (\$)					Tax Change (%)				
Income	Itemized Deductions /a				Income	Itemized Deductions /a			
	0	15,000	30,000	100,000		0	15,000	30,000	100,000
\$15,000	\$0				\$15,000	0%			
\$23,000	\$0	\$0			\$23,000	0%	0%		
\$50,000	-\$418	-\$99	\$253		\$50,000	-56%	-23%	335%	
\$69,000	-\$873	-\$395	\$263		\$69,000	-51%	-32%	45%	
\$100,000	-\$1,786	-\$1,105	\$76		\$100,000	-44%	-33%	3%	
\$250,000	-\$5,986	-\$5,245	-\$3,850	-\$1,367	\$250,000	-33%	-30%	-24%	-15%
\$1,000,000	-\$27,174	-\$27,174	-\$27,174	-\$26,400	\$1,000,000	-31%	-31%	-31%	-32%

Joint, 2 Dependents

Tax Change (\$)					Tax Change (%)				
Income	Itemized Deductions /a				Income	Itemized Deductions /a			
	0	15,000	30,000	100,000		0	15,000	30,000	100,000
\$15,000	\$0				\$15,000	0%			
\$23,000	\$0	\$0			\$23,000	0%	0%		
\$50,000	\$170	\$329	\$329		\$50,000	107%	/b	/b	
\$69,000	-\$285	\$193	\$851		\$69,000	-25%	29%	/b	
\$100,000	-\$1,198	-\$517	\$664		\$100,000	-34%	-18%	41%	
\$250,000	-\$5,398	-\$4,657	-\$3,262	-\$779	\$250,000	-31%	-28%	-21%	-9%
\$1,000,000	-\$27,174	-\$27,174	-\$27,174	-\$26,400	\$1,000,000	-31%	-31%	-31%	-32%

/a Some taxpayers will claim the standard deduction rather than their itemized deductions. Itemized Deductions are phased out at high income levels.

/b Taxpayers not taxable under current law, but taxable under proposed law.