

Relationships Between Federal and State Income Taxes

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1. Purpose

- 1.1. The purpose of this outline is to explain the nature of the relationships that exist between state and federal income taxes at both the individual and corporation level. It looks at the structural relationships as well as the administrative connections between the state and federal systems. It also examines the rationale supporting “conformity” between the two systems and the consequences of non-conformity for taxpayers and for states.

2. Prevalence of Personal and Corporation Income Taxes

- 2.1. Forty-one states and D.C. impose a broad-based personal income tax. In addition, New Hampshire and Tennessee impose a tax on income from interest and dividends only. Those states not imposing a personal income tax include Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.
- 2.2. Forty-six states and D.C. impose a tax at the corporate or business entity level that uses net income as at least part of the base. Those states that do not have such a tax include Nevada, South Dakota, Washington and Wyoming.
- 2.3. In 2003, state personal income tax collections totaled about \$182 billion or roughly one-third of total state tax collections of \$549 billion. Corporation income tax collections amounted to just over 5 percent of the total or \$28.4 billion. For comparison purposes, federal income taxes in FY 2003 were \$793.7 billion at the individual level and \$131.8 billion at the corporate level.¹
- 2.4. Unlike the sales and use tax, local governments do not make extensive use of the income tax. Local income taxes are generally limited to Pennsylvania, Ohio, Indiana, and Kentucky and selected larger cities in certain states like New York and Missouri. Most local income taxes are imposed primarily on wage income.

3. Structural Relationships

- 3.1. State income taxes, for both individuals and corporations, are heavily reliant on the structure of the federal income tax, and to a large degree, conform to many features of the federal tax base such as definitions of items of income and deduction as well as the treatment of various types of transactions.

¹ Data from U.S. Bureau of the Census and U.S. Treasury Department Monthly Treasury Statement.

3.2. Individual Income Taxes. Thirty-seven of the 42 states² with a broad-based individual income tax conform to the federal tax base in some fashion in that they base the calculation of state tax on a federal “starting point,” meaning that the first entry on the state return is a computed federal number to which various “addition and subtraction modifications³” are made.

3.2.1. As shown in Table I, 27 states use federal adjusted gross income (AGI) as the state starting point, and 10 states begin the state calculation with federal taxable income. In the five states that do not use a federal starting point – Alabama, Arkansas, Mississippi, New Jersey and Pennsylvania – the various items of income used to develop the state base are commonly defined with reference to the Internal Revenue Code.⁴

3.2.2. Most states also base state deductions on the federal tax. Of the 34 states that allow itemized deductions, computation of state deductions generally follows federal law. The most common modification is to “add back” or eliminate the deduction for state income taxes paid.⁵

3.2.3. Conformity to the federal tax is prevalent in other areas as well. For example, all but three states (New Jersey, Massachusetts and Pennsylvania) generally follow federal treatment of Individual Retirement Arrangements.⁶

3.2.4. Unless a state uses federal taxable income as a starting point, it usually sets its own standard deduction and personal exemption amounts. [See Table II.] These are generally lower than the comparable federal provisions, given the lower personal income tax rates.

3.2.5. In short, then, the computation of state individual income taxes generally proceeds in this fashion:

² The District of Columbia is treated as a state for purposes of this analysis since its personal and corporate income taxes operate identical to those of a state government.

³ The modifications are designed to do three things: (a) subtract items in the federal base that the state cannot constitutionally tax (e.g. interest on federal obligations); (b) add items to the state base that the federal government is constitutionally prohibited from taxing (e.g., interest on state/local obligations); and (c) providing special treatment of certain types of income as the state may choose.

⁴ As recently as 2001, North Dakota, Rhode Island and Vermont computed the state income tax as a percentage of the federal tax. The prospect of annual reductions in federal liability that were beyond their control and the magnitude of which was not certain caused each of the states change their tax to one based on taxable income or AGI. This allowed them to establish their own rate structure and stabilize their revenue stream.

⁵ In several states such as Illinois, Indiana, Michigan, New Jersey and Pennsylvania, the personal income tax is essentially a flat tax in which itemized deductions are not allowed. The only deductions from the base are generally a personal exemption allowance and possibly a standard deduction. For further discussion, see “Individual Income Tax Provisions in the States,” Information Paper No. 4, Wisconsin Legislative Fiscal Bureau, January 2001.

⁶ David Baer, “State Taxation of Social Security and Pensions in 2000,” Issue Brief No. 55, AARP Public Policy Institute, Washington, D.C., 2001.

Federal Tax Base

Plus or Minus: State modifications

Minus: State personal exemptions

Minus: State standard deduction or itemized deductions (based on federal)

Equals: State taxable income

Multiplied by: State Tax Rates

Equals: Tentative State Tax Liability

Minus: State Tax Credits

Equals: Final State Liability

3.2.6. Federal tax base plus/minus state modifications less state personal exemptions less state standard deduction or state itemized deductions (based on federal itemized deductions) yielding state taxable income that is then run through state income tax rate brackets.

3.3. **Corporation Income Taxes.** There is also a substantial degree of conformity between state corporation income taxes and the federal corporate income tax, albeit the degree of similarity has declined in recent years as many states have refrained from adopting certain recent federal tax law changes. [See below.]

3.3.1. Of the 46 states that levy a tax based on corporate income, all of them effectively use federal taxable income as the starting point for state tax computations.⁷ This conformity to federal taxable income may be by statutory adoption of the Internal Revenue Code provisions by reference, identification of federal taxable income as the state starting point, or a presumption that beginning with federal taxable income reflects entire net income for tax purposes (New Jersey.)⁸

3.3.2. As with the personal income tax, certain modifications are made to federal taxable income in order to arrive at state taxable income. Generally, the corporate modifications are driven by constitutional considerations or areas of nonconformity with federal law.⁹

3.4. **Types of Conformity.** State conformity with the federal tax code can be broken into two categories – rolling conformity and fixed-date conformity.

⁷ About 60 percent of the states start with Line 28 of Form 1120 (taxable income before net operating losses), and the remainder start with Line 30 which includes net operating losses.

⁸ Compiled from information available through Commerce Clearing House, Inc. Available upon request.

⁹ Taxpayers would also modify their taxable income to deal with a category of income called “nonbusiness income,” but the issue of non-business income is not relevant to this discussion.

- 3.4.1. Under rolling conformity, stat law is written such that the state code is tied to the federal code on an automatic or current law basis, and additional state legislative action is not necessary to incorporate new enactments at the federal level. Instead, a state enactment would be necessary to not incorporate federal changes at the state level.
 - 3.4.2. Under fixed date conformity, state law is tied to the federal code as of a particular date. State legislation is necessary to incorporate new federal provisions when enacted. States with this type of conformity commonly consider legislation updating their code references annually.
 - 3.4.3. As shown in Table I, twenty states have a rolling conformity date for personal income taxes (designated as having “Current” conformity in the table.) Seventeen states have fixed-date conformity, and five states do not incorporate a federal starting point that is tied to the federal code for individual income tax purposes.
 - 3.4.4. At the corporate level, 20 states use fixed date conformity, and 26 incorporate some form of rolling or automatic conformity into the state tax law.
- 3.5. **Recent Federal Changes.** Since 2001, Congress has enacted several tax law changes that have reduced the degree of conformity, particularly on the corporation income tax side. The most important of the federal changes were the bonus depreciation provisions enacted in 2002 as part of the Job Creation and Worker Assistance Act and extended and expanded in the Jobs and Growth Tax Relief Reconciliation Act in 2003.¹⁰
- 3.5.1. The effect of these Acts was to reduce the tax base (corporate base in particular), since the deduction for depreciation (increased under these bills) is taken prior to the computation of taxable income. Moreover, the change occurred at a time when states were experiencing serious fiscal difficulties due to a recession and what is commonly called the “burst of the Internet bubble.”¹¹ The choice presented to states was to conform to the federal base or to protect their revenue base by not conforming to the bonus depreciation provisions. Protection of the revenue base was determined by most states to be paramount, given the balanced budget requirements facing them.
 - 3.5.2. Prior to the enactment of bonus depreciation, all but two states conformed to federal depreciation allowances. Only 12 states maintained their conformity after the bonus depreciation provisions. Twenty-nine states chose not to conform to either the 2002 or the 2003 Acts, and four states conformed to one, but not the

¹⁰ Public Law 107-147 and P.L. 108-27, respectively.

¹¹ From the 2nd quarter of 2002 through the 2nd quarter of 2003, total state tax receipts were about 6 percent below the prior year. Research of data back to World War II did not yield another 12-month period in which tax receipts fell below the prior year.

other.¹² In short, we went from nearly total conformity to one in which two-thirds of the states deviate from federal rules.

3.5.3. There has been a similar, but not as large, movement to decouple from other recent changes affecting the federal, and consequently, state tax base. Twelve states have chosen to not to conform to the expansion of the Section 179 expensing provisions available to small businesses.¹³ While states are still making their choices, it seems that at least 1/2 of the states are likely to not conform to the recently enacted Sec. 199 deduction for Qualified Production Activity Income.¹⁴

3.5.4. The tax law changes at the individual level, particularly the Economic Growth and Tax Relief Reconciliation Act of 2001, have not had as profound an effect since the bulk of the federal revenue impacts were associated with the marginal tax rate reductions and the child tax credit, neither of which have an impact on states from a conformity standpoint.

3.5.5. The congressional passage of the 2001, 2002 and 2003 tax bills demonstrates a strong natural tension in federal-state conformity relationships. The federal government often uses tax cuts (particularly depreciation changes) to combat economic slowdowns and promote investment. States are forced to consider not conforming to such changes because of revenue and balanced budget considerations.

4. Compliance Relationships

4.1. States also rely extensively on the Internal Revenue Service and its activities as a part of and a complement to their enforcement and compliance programs.¹⁵

4.2. With respect to the corporation income tax, states are extremely reliant on federal determinations of taxable income. While states devote substantial resources to the audit of corporation tax returns, their audit activities are focused primarily on verifying the apportionment of income across states, examining the taxpayer's treatment of certain types of transactions, and determining the membership of the unitary group if the state employs combined reporting.

¹² Commerce Clearinghouse, Inc., "Special Report: Corporate Income Tax and 'Bonus' Depreciation," December 4, 2003.

¹³ FTA compilation based on data from Commerce Clearing House, Inc.

¹⁴ Estimate based on information provided to the author by individual state tax agencies. Available on request.

¹⁵ Currently, all states but one have entered into an exchange of information agreement with the Internal Revenue Service under I.R.C. § 6103. Through the agreement, they can receive, at their option, a variety of reports and abstracts on a regular basis. Some of the information available includes revenue agent reports for businesses and individuals, adjustments based on information return matching programs, and extracts from both the business and individual master files and the information returns master file.

- 4.3. On the individual side, states also rely heavily on federal examinations and adjustments (particularly those involving the matching of information returns) as primary enforcement tools. In addition, states use federal income tax return data for a wide range of individual, independent enforcement programs.
- 4.4. If federal compliance efforts were to cease, equivalent compliance efforts simply are not within the reach of most individual states, particularly given that, on average, state personal and corporation income tax rates are roughly 20-25 percent of the federal tax rates.

5. Information Reporting

- 5.1. States are also reliant on the federal information reporting mechanisms for state income tax administration. To a very considerable degree, states simply mirror federal requirements [and forms, formats, etc.] for third-party information reporting. Seldom, does a state attempt to impose requirements in excess of the federal duties; some states do, however, rely only on federal information reports and do not require separate filings at the state level. Attempting to replicate these systems individually would likely result in non-uniformity and increased burdens on taxpayers, not to mention additional expense at the state level.
- 5.2. Moreover, states would likely encounter legal challenges to their ability to require certain entities that may not be physically present in a state to file information reports on transactions with residents of the state. Such reports are necessary for a full accounting of income and for insuring the taxpayer has the information necessary to prepare his/her return. Use of the federal reporting infrastructure eliminates the question.

6. Reasons for Conformity

- 6.1. States conform to the federal tax code primarily as a means to simplify matters for taxpayers and to promote compliance with the state income tax. Conformity is of benefit to both taxpayers and tax agencies.
- 6.2. Conformity makes it simpler for taxpayers to comply with state taxes because they do not have to deal with two separate sets of tax laws, rules and definitions and do not have to maintain two sets of accounts and books. Conformity reduces the complexity especially for firms and individuals operating on an interstate basis because it promotes one set of rules instead of potentially multiple sets.
- 6.3. Conformity also serves the interests of states in that the reduced complexity promotes voluntary compliance. Moreover, with conformity, states can rely on federal compliance efforts to also assist and complement their efforts. It also improves the ability of states and the IRS to undertake cooperative and joint efforts to improve tax administration and compliance.

7. Consequences of Nonconformity

- 7.1. Not conforming to federal law increases complexity for taxpayers and consequently reduces voluntary compliance. Certain types of nonconformity present greater complexity than others.
- 7.2. Nonconformity on issues that do not involve “timing” can be relatively straightforward from a compliance perspective. That is, such nonconformity generally involves either subtraction or addition of an amount that is probably easily known to the taxpayer, and there are no consequences for future years.¹⁶ Excluding a category of income entirely from taxation at the federal level, however, could present issues for states if the information reporting system providing taxpayers with the information necessary to comply with state law are also eliminated.
- 7.3. Not conforming to issues involving timing (e.g., deferral of income, depreciation, etc.) is quite a different manner. Not conforming to changes in depreciation, for example, requires a taxpayer to maintain two (or more) sets of asset accounts and to track the different federal and state basis in each asset and to recognize different amounts upon disposition. Tracking differences over time imposes significant burdens on taxpayers. Taxpayer accuracy in such matters can usually be verified only on audit, an expensive proposition for both taxpayers and tax agencies alike.
- 7.4. The complexity associated with timing issues makes it such that there are certain types of federal provisions that make it effectively impossible for states to not conform, particularly as it relates to individual income taxation. Individual Retirement Arrangements are an example. If, for example, IRA contributions are deductible or excluded at the federal level, but taxed at the state level, a taxpayer would have a different basis in the account when withdrawn and have differing amounts taxable at the federal and state level each year. The recordkeeping requirements would be substantial, and compliance would likely be stressed.¹⁷

8. Conclusion

- 8.1. Conformity between state and federal tax systems serves the interests of taxpayers, state tax agencies and the overall health of the intergovernmental fiscal system. It promotes simplification for the taxpayer and increases voluntary compliance with the tax law.
- 8.2. The interrelationships between federal and state systems are extensive. To a considerable degree, the federal tax base effectively defines the state tax base. In addition, states are heavily reliant on federal compliance and information reporting mechanisms for the administration of their income taxes.
- 8.3. As a result of these interrelationships, federal tax law changes can have both transitory and permanent structural and revenue impacts on state tax systems. At the same time, a

¹⁶ The issue is more complex for multistate taxpayers that must track state treatment in which they operate.

¹⁷ The Retirement Savings Accounts and Lifetime Savings Accounts proposed in the Administration’s FY 2006 budget present similar issues.

number of potential federal reforms under consideration could improve state tax systems and their administration.

- 8.4. State reliance on the federal income tax structure and its infrastructure is so extensive that we believe it is appropriate to operate from a premise that state income tax bases must necessarily follow federal income tax bases. Moreover, we believe that if the federal income tax is eliminated, it would not be possible for states to maintain and administer their own broad-based income tax over the long term. Without a federal tax to tie to, taxpayer costs and burdens of compliance are likely to prove too burdensome, not to mention the administrative issues and burdens states would face.

Table I
STATE PERSONAL INCOME TAXES: FEDERAL STARTING POINTS
(as of January 1, 2005)

STATE	Relation to Internal Revenue Code	Tax Base
ALABAMA	---	---
ALASKA	no state income tax	
ARIZONA	1/1/04	federal adjusted gross income
ARKANSAS	---	---
CALIFORNIA	11/11/03	federal adjusted gross income
COLORADO	Current	federal taxable income
CONNECTICUT	Current	federal adjusted gross income
DELAWARE	Current	federal adjusted gross income
FLORIDA	no state income tax	
GEORGIA	1/1/04	federal adjusted gross income
HAWAII	12/31/03	federal taxable income
IDAHO	1/1/04	federal taxable income
ILLINOIS	Current	federal adjusted gross income
INDIANA	1/1/03	federal adjusted gross income
IOWA	1/1/04	federal adjusted gross income
KANSAS	Current	federal adjusted gross income
KENTUCKY	12/31/01	federal adjusted gross income
LOUISIANA	Current	federal adjusted gross income
MAINE	5/28/03	federal adjusted gross income
MARYLAND	Current	federal adjusted gross income
MASSACHUSETTS	Current	federal adjusted gross income
MICHIGAN	Current (a)	federal adjusted gross income
MINNESOTA	6/15/03	federal taxable income
MISSISSIPPI	---	---
MISSOURI	Current	federal adjusted gross income
MONTANA	Current	federal adjusted gross income
NEBRASKA	4/15/04	federal adjusted gross income
NEVADA	no state income tax	
NEW HAMPSHIRE	on interest & dividends only	
NEW JERSEY	---	---
NEW MEXICO	Current	federal adjusted gross income
NEW YORK	Current	federal adjusted gross income
NORTH CAROLINA	5/1/04	federal taxable income
NORTH DAKOTA	Current	federal taxable income
OHIO	Current	federal adjusted gross income
OKLAHOMA	Current	federal adjusted gross income
OREGON	Current	federal taxable income
PENNSYLVANIA	---	---
RHODE ISLAND	6/3/01	federal adjusted gross income
SOUTH CAROLINA	12/31/02	federal taxable income
SOUTH DAKOTA	no state income tax	
TENNESSEE	on interest & dividends only	
TEXAS	no state income tax	
UTAH	Current	federal taxable income
VERMONT	1/1/02	federal taxable income
VIRGINIA	12/31/03	federal adjusted gross income
WASHINGTON	no state income tax	
WEST VIRGINIA	1/1/04	federal adjusted gross income
WISCONSIN	12/31/02	federal adjusted gross income
WYOMING	no state income tax	
DIST. OF COLUMBIA	Current	federal adjusted gross income

Source: Compiled by the Federation of Tax Administrators from various sources.

--- state does not employ a federal starting point. Current indicates state has adopted IRC as currently in effect. Dates indicate state has adopted IRC as amended to that date.
(a) or 1/1/99, taxpayer's option.

Table II
STATE INDIVIDUAL INCOME TAXES
(Tax rates for tax year 2005 -- as of January 1, 2005)

	TAX RATE RANGE		Number of Brackets	INCOME BRACKETS		PERSONAL EXEMPTIONS			FEDERAL INCOME TAX DEDUCTIBLE
	Low	High		Lowest	Highest	Single	Married Dependents		
ALABAMA	2.0	- 5.0	3	500 (b)	- 3,000 (b)	1,500	3,000	300	*
ALASKA	No State Income Tax								
ARIZONA	2.87	- 5.04	5	10,000 (b)	- 150,000 (b)	2,100	4,200	2,300	
ARKANSAS (a)	1.0	- 7.0 (e)	6	3,299	- 27,500	20 (c)	40 (c)	20 (c)	
CALIFORNIA (a)	1.0	- 9.3	6	6,147 (b)	- 40,346 (b)	85 (c)	170 (c)	265 (c)	
COLORADO	4.63		1	----Flat rate----		-----None-----			
CONNECTICUT	3.0	- 5.0	2	10,000 (b)	- 10,000 (b)	12,750 (f)	24,500 (f)	0	
DELAWARE	2.2	- 5.95	6	5,000	- 60,000	110 (c)	220 (c)	110 (c)	
FLORIDA	No State Income Tax								
GEORGIA	1.0	- 6.0	6	750 (g)	- 7,000 (g)	2,700	5,400	2,700	
HAWAII	1.4	- 8.25	9	2,000 (b)	- 40,000 (b)	1,040	2,080	1,040	
IDAHO (a)	1.6	- 7.8	8	1,129 (h)	- 22,577 (h)	3,200 (d)	6,400 (d)	3,200 (d)	
ILLINOIS	3.0		1	----Flat rate----		2,000	4,000	2,000	
INDIANA	3.4		1	----Flat rate----		1,000	2,000	1,000	
IOWA (a)	0.36	- 8.98	9	1,242	- 55,890	40 (c)	80 (c)	40 (c)	*
KANSAS	3.5	- 6.45	3	15,000 (b)	- 30,000 (b)	2,250	4,500	2,250	
KENTUCKY	2.0	- 6.0	5	3,000	- 8,000	20 (c)	40 (c)	20 (c)	
LOUISIANA	2.0	- 6.0	3	12,500 (b)	- 25,000 (b)	4,500 (i)	9,000 (i)	1,000 (i)	*
MAINE (a)	2.0	- 8.5	4	4,350 (b)	- 17,350 (b)	2,850	5,700	2,850	
MARYLAND	2.0	- 4.75	4	1,000	- 3,000	2,400	4,800	2,400	
MASSACHUSETTS	5.3		1	----Flat rate----		4,400	8,800	1,000	
MICHIGAN (a)	3.9		1	----Flat rate----		3,100	6,200	3,100	
MINNESOTA (a)	5.35	- 7.85	3	19,890 (j)	- 65,330 (j)	3,200 (d)	6,400 (d)	3,200 (d)	
MISSISSIPPI	3.0	- 5.0	3	5,000	- 10,000	6,000	12,000	1,500	
MISSOURI	1.5	- 6.0	10	1,000	- 9,000	2,100	4,200	1,200	* (s)
MONTANA (a)	1.0	- 6.9	7	2,300	- 13,900	1,900	3,800	1,900	*
NEBRASKA (a)	2.56	- 6.84	4	2,400 (k)	- 26,500 (k)	101 (c)	202 (c)	101 (c)	
NEVADA	No State Income Tax								
NEW HAMPSHIRE	State Income Tax is Limited to Dividends and Interest Income Only.								
NEW JERSEY	1.4	- 6.37	6	20,000 (l)	- 75,000 (l)	1,000	2,000	1,500	
NEW MEXICO	1.7	- 6.0	5	5,500 (m)	- 16,000 (m)	3,200 (d)	6,400 (d)	3,200 (d)	
NEW YORK	4.0	- 7.70	7	8,000 (n)	- 500,000 (n)	0	0	1,000	
NORTH CAROLINA (o)	6.0	- 8.25	4	12,750 (o)	- 120,000 (o)	3,200 (d)	6,400 (d)	3,200 (d)	
NORTH DAKOTA (a)	2.1	- 5.54 (p)	5	29,050 (p)	- 319,100 (p)	3,200 (d)	6,400 (d)	3,200 (d)	
OHIO (a)	0.743	- 7.5	9	5,000	- 200,000	1,300 (q)	2,600 (q)	1,300 (q)	
OKLAHOMA	0.5	- 6.65 (r)	8	1,000 (b)	- 10,000 (b)	1,000	2,000	1,000	* (r)
OREGON (a)	5.0	- 9.0	3	2,650 (b)	- 6,550 (b)	154 (c)	308 (c)	154 (c)	* (s)
PENNSYLVANIA	3.07		1	----Flat rate----		-----None-----			
RHODE ISLAND	25.0% Federal tax rates (t)								
SOUTH CAROLINA (a)	2.5	- 7.0	6	2,460	- 12,300	3,200 (d)	6,400 (d)	3,200 (d)	
SOUTH DAKOTA	No State Income Tax								
TENNESSEE	State Income Tax is Limited to Dividends and Interest Income Only.								
TEXAS	No State Income Tax								
UTAH	2.30	- 7.0	6	700 (b)	- 3,750 (b)	2,400 (d)	4,800 (d)	2,400 (d)	* (u)
VERMONT (a)	3.6	- 9.5	5	29,900 (v)	- 326,450 (v)	3,200 (d)	6,400 (d)	3,200 (d)	
VIRGINIA	2.0	- 5.75	4	3,000	- 17,000	800	1,600	800	
WASHINGTON	No State Income Tax								
WEST VIRGINIA	3.0	- 6.5	5	10,000	- 60,000	2,000	4,000	2,000	
WISCONSIN (a)	4.6	- 6.75	4	8,840 (w)	- 132,580 (w)	700	1,400	400	
WYOMING	No State Income Tax								
DIST. OF COLUMBIA	5.0	- 9.0 (x)	3	10,000	- 30,000	1,370	2,740	1,370	

STATE INDIVIDUAL INCOME TAXES (footnotes)

Source: The Federation of Tax Administrators from various sources.

- (a) 15 states have statutory provision for automatic adjustment of tax brackets, personal exemption or standard deductions to the rate of inflation. Michigan, Nebraska and Ohio indexes the personal exemption amounts only.
- (b) For joint returns, the taxes are twice the tax imposed on half the income.
- (c) tax credits.
- (d) These states allow personal exemption or standard deductions as provided in the IRC. Utah allows a personal exemption equal to three-fourths the federal exemptions.
- (e) A special tax table is available for low income taxpayers reducing their tax payments.
- (f) Combined personal exemptions and standard deduction. An additional tax credit is allowed ranging from 75% to 0% based on state adjusted gross income. Exemption amounts are phased out for higher income taxpayers until they are eliminated for households earning over \$55,500.
- (g) The tax brackets reported are for single individuals. For married households filing separately, the same rates apply to income brackets ranging from \$500 to \$5,000; and the income brackets range from \$1,000 to \$10,000 for joint filers.
- (h) For joint returns, the tax is twice the tax imposed on half the income. A \$10 filing tax is charge for each return and a \$15 credit is allowed for each exemption.
- (i) Combined personal exemption and standard deduction.
- (j) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$29,070 to over \$115,510.
- (k) The tax brackets reported are for single individual. For married couples filing jointly, the same rates apply for income under \$4,000 to over \$46,750.
- (l) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$20,000 to over \$150,000.
- (m) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$8,000 to over \$24,000. Married households filing separately pay the tax imposed on half the income.
- (n) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$16,000 to \$500,000.
- (o) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$21,250 to \$200,000. Lower exemption amounts allowed for high income taxpayers. Tax rate scheduled to decrease after tax year 2005.
- (p) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$48,500 to \$319,100. An additional \$300 personal exemption is allowed for joint returns or unmarried head of households.
- (q) Plus an additional \$20 per exemption tax credit.
- (r) The rate range reported is for single persons not deducting federal income tax. For married persons filing jointly, the same rates apply to income brackets that are twice the dollar amounts. Separate schedules, with rates ranging from 0.5% to 10%, apply to taxpayers deducting federal income taxes.
- (s) Deduction is limited to \$10,000 for joint returns and \$5,000 for individuals in Missouri and to \$5,000 in Oregon.
- (t) Federal Tax Liability prior to the enactment of Economic Growth and Tax Relief Act of 2001.
- (u) One half of the federal income taxes are deductible.
- (v) The tax brackets reported are for single individuals. For married couples filing jointly, the same rates apply for income under \$49,650 to over \$326,450.
- (w) The tax brackets reported are for single individuals. For married taxpayers, the same rates apply to income brackets ranging from \$11,780 to \$176,770. An additional \$250 exemption is provided for each taxpayer or spouse age 65 or over.
- (x) Tax rate decreases are scheduled for tax years 2006.