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GOVERNOR

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LT. GOVERNOR



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December 21, 2011

Mr. Randall Y. Iwase  
Chair, Tax Review Commission  
PO Box 259  
Honolulu, HI 96809

Dear Chair Iwase:

This letter responds to the request for more information during the briefing to the Tax Review Commission on October 31, 2011.

Please find attached the following information –

1. Federal poverty level
2. Individual income tax data
3. Comparison of various taxes across States
4. Accounts receivable data
5. Who pays Hawaii's taxes?
6. Estimated general excise tax from sales of food and non-prescription drugs

Please feel free to contact Donald Rousslang, Acting Tax Research and Planning Officer, at 587-1572 or Johnnel Nakamura, Rules Officer, at 587-1553 if you have any further questions.

Sincerely,

A handwritten signature in black ink that reads "Frederick D. Pablo". The signature is written in a cursive style with a large, stylized "F" and "P".

Frederick D. Pablo  
Director of Taxation

Enclosures

## **Tax Review Commission**

### **Follow-Up Questions to the Presentation on “Overview of Hawaii Taxes”**

#### **POVERTY LEVEL**

According to the 2011 U. S. Department of Health and Human Services Poverty Guidelines, the poverty level for a single person in Hawaii is \$12,540 and for a family of four in Hawaii is \$25,710 as compared to the poverty level for a single person in 48 contiguous States and D.C. at \$10,890 and for a family of four at \$22,350.

| <b>Persons<br/>in Family</b>       | <b>48 Contiguous<br/>States and D.C.</b> | <b>Alaska</b> | <b>Hawaii</b> |
|------------------------------------|--|---------------|---------------|
| 1                                  | \$10,890                                 | \$13,600      | \$12,540      |
| 2                                  | 14,710                                   | 18,380        | 16,930        |
| 3                                  | 18,530                                   | 23,160        | 21,320        |
| 4                                  | 22,350                                   | 27,940        | 25,710        |
| 5                                  | 26,170                                   | 32,720        | 30,100        |
| 6                                  | 29,990                                   | 37,500        | 34,490        |
| 7                                  | 33,810                                   | 42,280        | 38,880        |
| 8                                  | 37,630                                   | 47,060        | 43,270        |
| For each additional<br>person, add | 3,820                                    | 4,780         | 4,390         |

## INDIVIDUAL INCOME TAX DATA

Preliminary data for tax year 2009 is the most recent individual income tax data available. The data is derived from Hawaii resident tax returns filed on Form N-11 (Individual Income Tax Return – Resident) only and is reflected in Figures 1-A through 1-C.

Figure 1-A shows the number of tax returns grouped in brackets of \$50,000, up to \$500,000 of Hawaii Adjusted Gross Income (“AGI”). The total number of N-11 tax returns filed for tax year 2009 is 560,875. Of the total number of N-11 tax returns filed for tax year 2009: 69.2% reported Hawaii AGI of less than \$50,000; 29.6% reported Hawaii AGI of \$50,000 to \$250,000; and 1.2% reported Hawaii AGI over \$250,000.

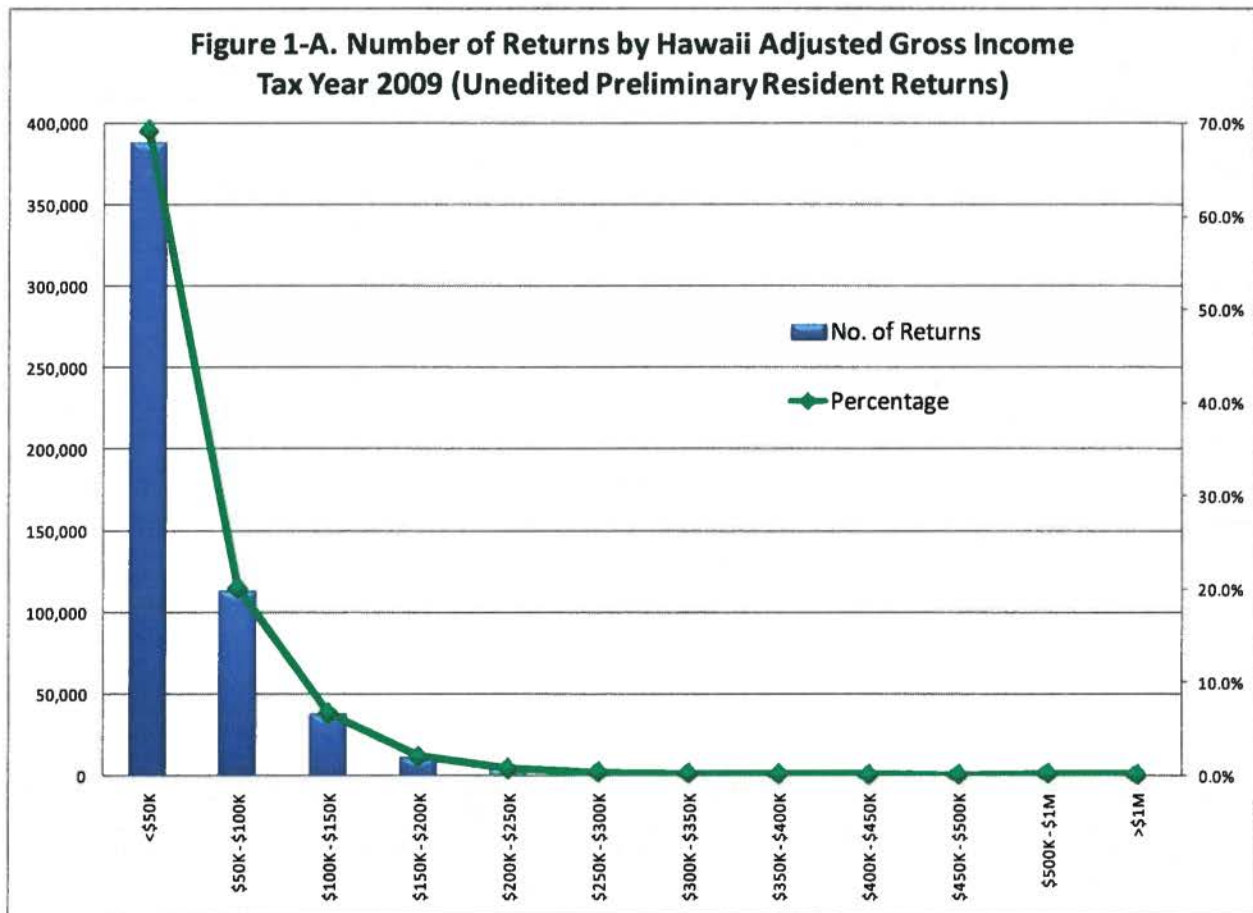


Figure 1-B shows the amount of Hawaii AGI grouped in brackets of \$50,000, up to \$500,000. Taking into account the total of all Hawaii AGI reported on Form N-11 only, taxpayers making under \$50,000 account for 25.3% of the total taxable income; taxpayers with Hawaii AGI between \$50,000 to \$250,000, account for 57.8% of the total taxable income; and taxpayers with Hawaii AGI over \$250,000 account for 16.9% of the total.

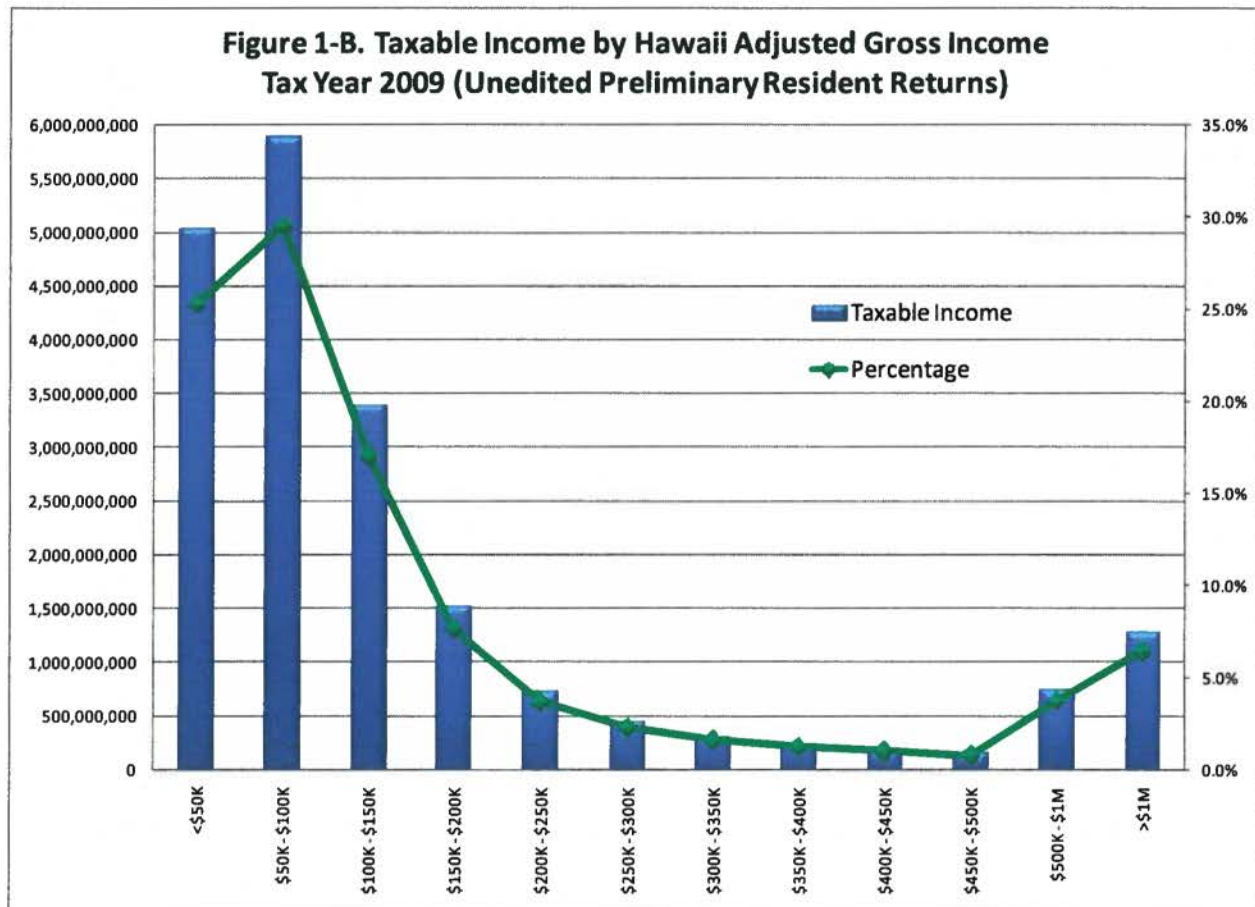
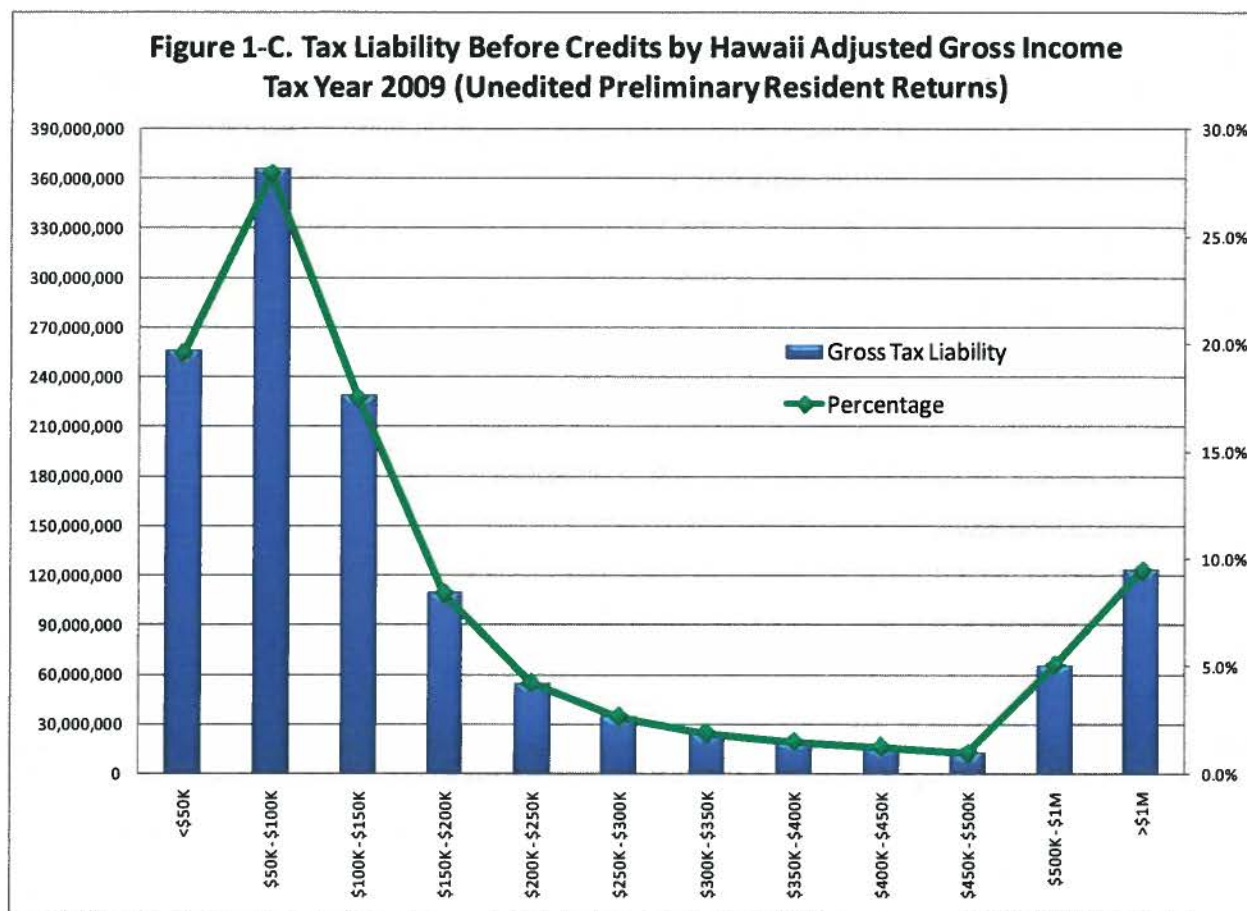


Figure 1-C reflects the distribution of tax liability of Form N-11 taxpayers, before tax credits, by Hawaii AGI. Taxpayers with Hawaii AGI under \$50,000, accounted for 19.5% of the total N-11 tax liability; taxpayers with Hawaii AGI between \$50,000 and \$250,000, accounted for 57.9% of the total N-11 tax liability; and taxpayers over \$250,000, paid 2.6% of the total N-11 tax liability.



The table below summarizes the data presented in Figure 1A, 1B, and 1C.

| AGI                  | % of Total Number of Returns | % of Taxable Income | % of Tax Liability Before Credits |
|----------------------|------------------------------|---------------------|-----------------------------------|
| Under \$50,000       | 69.2%                        | 25.3%               | 19.5%                             |
| \$50,000 - \$250,000 | 29.6%                        | 57.8%               | 57.9%                             |
| Over \$250,000       | 1.2%                         | 16.9%               | 22.6%                             |
| <b>Total</b>         | <b>100.0%</b>                | <b>100.0%</b>       | <b>100.0%</b>                     |



## COMPARISON OF VARIOUS TAXES ACROSS STATES

| Table 1 - Comparison of State Taxes |                       |                         |                        |                |   |            |           |                                   |                                     |  |
|-------------------------------------|-----------------------|-------------------------|------------------------|----------------|---|------------|-----------|-----------------------------------|-------------------------------------|--|
| State                               | Tax Rates (in %)      |                         |                        |                | Revenue From Each Tax as % of<br>Total State & Local Tax Revenues |            |           | Taxes as %<br>of Total<br>Revenue | Sales Tax<br>Base as %<br>of GSP 5/ | State &<br>Local Tax<br>Per Capita<br>6/ |
|                                     | Sales &<br>Use Tax 1/ | Individual<br>Income 2/ | Corporate<br>Income 1/ | Property<br>3/ | 4/  |            |           |                                   |                                     |  |
|                                     |                       |                         |                        |                | Sales Tax   | Inc. Taxes | Prop. Tax |                                   |                                     |  |
| Alabama                             | 4.00                  | 2.0-5.0                 | 6.50                   | 0.65           | 47.74   | 26.48      | 15.51     | 57.4                              | 35.79                               | 3,002                                    |
| Alaska                              | 0.00                  | na                      | 1.0-9.4                | 1.80           | 9.92  | 16.46      | 20.89     | 47.4                              | na                                  | 14,147                                   |
| Arizona                             | 6.50-6.60             | 2.59-4.54               | 6.97                   | 1.21           | 48.46   | 20.25      | 26.68     | 71.6                              | 40.98                               | 3,538                                    |
| Arkansas                            | 6.00                  | 1.0-7.0                 | 1.0-6.5                | 0.88           | 53.23   | 27.55      | 14.63     | 69.7                              | 50.71                               | 3,280                                    |
| California                          | 8.25                  | 1.0-10.3                | 8.84                   | 0.68           | 31.32   | 37.35      | 24.12     | 68.0                              | 29.08                               | 5,085                                    |
| Colorado                            | 2.90                  | 4.63                    | 4.63                   | 1.08           | 35.35   | 28.34      | 30.41     | 62.8                              | 32.69                               | 3,979                                    |
| Con.                                | 6.00                  | 3.0-6.5                 | 7.50                   | 1.72           | 23.53   | 33.95      | 38.24     | 81.6                              | 28.57                               | 6,599                                    |
| Delaware                            | 0.00                  | 2.2-6.95                | 8.70                   | 0.68           | 12.72   | 37.63      | 15.51     | 57.4                              | na                                  | 4,237                                    |
| Florida                             | 6.00                  | na                      | 5.50                   | 1.20           | 48.86   | 3.34       | 36.72     | 65.9                              | 47.83                               | 3,981                                    |
| Georgia                             | 4.00                  | 1.0-6.0                 | 6.00                   | 1.52           | 38.51   | 29.58      | 28.70     | 68.3                              | 35.96                               | 3,469                                    |
| Hawaii                              | 0.15-4.00             | 1.4-11.0                | 4.4-6.4                | 0.40           | 51.84   | 25.24      | 17.33     | 73.3                              | 90.03                               | 5,233                                    |
| Idaho                               | 6.00                  | 1.6-7.8                 | 7.60                   | 1.42           | 35.68   | 33.49      | 23.32     | 63.9                              | 39.72                               | 3,234                                    |
| Illinois                            | 6.25                  | 5.00                    | 7.30                   | 1.79           | 33.83   | 22.51      | 37.06     | 74.2                              | 21.71                               | 4,503                                    |
| Indiana                             | 7.00                  | 3.40                    | 8.50                   | 2.12           | 37.20   | 29.41      | 29.09     | 62.9                              | 34.57                               | 3,593                                    |
| Iowa                                | 6.00                  | 0.36-8.98               | 6.0-12.0               | 2.15           | 31.60   | 27.96      | 33.02     | 63.3                              | 29.35                               | 3,855                                    |
| Kansas                              | 6.30                  | 3.5-6.45                | 4.0-7.1                | 2.09           | 35.35   | 28.87      | 30.42     | 71.0                              | 36.87                               | 4,246                                    |
| Kentucky                            | 6.00                  | 2.0-6.0                 | 4.0-7.0                | 0.96           | 37.08   | 37.67      | 18.91     | 67.7                              | 36.28                               | 3,302                                    |
| Louisiana                           | 4.00                  | 2.0-6.0                 | 4.0-8.0                | 1.02           | 53.12   | 22.55      | 14.84     | 67.4                              | 46.35                               | 4,032                                    |
| Maine                               | 5.0-10.0              | 2.0-9.5                 | 3.5-8.93               | 1.75           | 30.04   | 27.43      | 36.49     | 72.9                              | 42.41                               | 4,496                                    |
| Maryland                            | 6.00                  | 2.0-5.5                 | 7.00                   | 1.06           | 23.45   | 42.56      | 24.24     | 75.9                              | 32.40                               | 4,887                                    |
| Mass.                               | 6.25                  | 5.30                    | 0.10                   | 1.07           | 19.17   | 42.07      | 34.34     | 72.5                              | 23.94                               | 5,196                                    |
| Michigan                            | 6.00                  | 4.35                    | 4.90                   | 1.91           | 32.07   | 23.38      | 39.18     | 63.3                              | 35.42                               | 3,764                                    |
| Minn.                               | 6.875                 | 5.35-7.85               | 9.80                   | 1.27           | 31.84   | 35.59      | 25.79     | 69.4                              | 35.29                               | 4,727                                    |
| Mississippi                         | 7.00                  | 3.0-5.0                 | 3.0-5.0                | 1.44           | 47.92   | 20.35      | 25.32     | 62.4                              | 46.08                               | 3,233                                    |
| Missouri                            | 4.225                 | 1.5-6.0                 | 6.25                   | 1.42           | 37.65   | 28.92      | 27.41     | 66.4                              | 33.92                               | 3,336                                    |
| Montana                             | 0.00                  | 1.0-6.9                 | 6.75-7.0               | 1.65           | 16.40   | 30.91      | 33.91     | 63.4                              | na                                  | 3,582                                    |
| Nebraska                            | 5.00                  | 2.56-6.84               | 5.58-7.81              | 2.15           | 32.37   | 26.11      | 33.44     | 65.5                              | 40.59                               | 4,213                                    |
| Nevada                              | 2.00                  | na                      | na                     | 0.83           | 58.24   | na         | 27.50     | 68.0                              | 35.14                               | 4,048                                    |
| New Hamp.                           | 0.00                  | 5.00                    | 8.50                   | 2.21           | 15.48   | 14.76      | 61.36     | 69.1                              | na                                  | 3,754                                    |

| Table 1 - Comparison of State Taxes (Continue) |                       |                         |                        |                |   |            |           |                                   |                                     |  |
|--|-----------------------|-------------------------|------------------------|----------------|---|------------|-----------|-----------------------------------|-------------------------------------|--|
| State  | Tax Rates (in %)      |                         |                        |                | Revenue From Each Tax as % of<br>Total State & Local Tax Revenues<br>4/ |            |           | Taxes as %<br>of Total<br>Revenue | Sales Tax<br>Base as %<br>of GSP 5/ | State &<br>Local Tax<br>Per Capita<br>6/ |
|  | Sales &<br>Use Tax 1/ | Individual<br>Income 2/ | Corporate<br>Income 1/ | Property<br>3/ | Sales Tax   | Inc. Taxes | Prop. Tax |                                   |                                     |  |
|  |                       |                         |                        |                |   |            |           |                                   |                                     |  |
| New Jersey                                     | 7.00                  | 1.4-8.97                | 6.5-9.0                | 1.78           | 23.90   | 28.44      | 41.69     | 77.0                              | 25.44                               | 6,209                                    |
| New Mex.                                       | 5.00                  | 1.7-4.9                 | 4.8-7.6                | 0.72           | 46.90   | 21.94      | 13.51     | 62.9                              | 49.39                               | 3,899                                    |
| New York                                       | 4.00                  | 4.0-8.97                | 6.5-7.1                | 1.76           | 24.24   | 41.06      | 28.48     | 75.5                              | 24.86                               | 7,103                                    |
| N. Carolina                                    | 5.75                  | 6.0-7.75                | 6.90                   | 1.10           | 34.07   | 37.48      | 22.52     | 67.5                              | 29.85                               | 3,591                                    |
| N. Dakota                                      | 5.00                  | 1.84-4.86               | 2.1-6.4                | 1.84           | 35.09   | 17.47      | 26.89     | 64.7                              | 39.06                               | 4,948                                    |
| Ohio   | 5.50                  | 5.587-5.925             | na                     | 1.81           | 31.20   | 32.51      | 29.03     | 68.9                              | 31.97                               | 4,048                                    |
| Oklahoma                                       | 4.50                  | 0.5-5.5                 | 6.00                   | 1.03           | 38.12   | 27.93      | 16.20     | 64.8                              | 32.16                               | 3,379                                    |
| Oregon   | 0.00                  | 5.0-11.0                | 6.6-7.6                | 1.22           | 8.65  | 47.75      | 31.11     | 60.1                              | na                                  | 3,313                                    |
| Penn.  | 6.00                  | 3.07                    | 5.00                   | 1.70           | 28.63   | 29.91      | 29.63     | 70.2                              | 27.94                               | 4,306                                    |
| Rhode Isl.                                     | 7.00                  | 3.75-5.99               | 9.00                   | 1.52           | 28.67   | 26.43      | 40.98     | 71.5                              | 27.56                               | 4,626                                    |
| S. Carolina                                    | 6.00                  | 3.0-7.0                 | 5.00                   | 1.38           | 35.33   | 25.83      | 31.11     | 56.9                              | 41.80                               | 2,923                                    |
| S. Dakota                                      | 4.00                  | na                      | 0.5-1.0                | 1.96           | 54.04   | 3.26       | 34.32     | 64.4                              | 44.36                               | 3,107                                    |
| Tennessee                                      | 5.5-7.0               | 6.00                    | 5.00                   | 1.07           | 56.82   | 7.38       | 24.24     | 62.3                              | 38.52                               | 3,045                                    |
| Texas  | 6.25                  | na                      | 7.0-9.5                | 2.57           | 46.80   | na         | 41.77     | 65.6                              | 32.90                               | 3,554                                    |
| Utah   | 4.70                  | 5.00                    | 6.00                   | 1.31           | 39.08   | 33.17      | 22.82     | 60.9                              | 39.69                               | 3,436                                    |
| Vermont  | 6.00                  | 3.55-8.95               | 6.0-8.5                | 2.06           | 29.20   | 22.73      | 42.01     | 72.6                              | 37.95                               | 4,727                                    |
| Virginia                                       | 4.00                  | 2.0-5.75                | 8.59                   | 1.12           | 26.39   | 34.31      | 30.94     | 68.2                              | 31.97                               | 4,196                                    |
| Washington                                     | 6.50                  | na                      | na                     | 1.13           | 62.07   | na         | 26.84     | 66.7                              | 38.09                               | 4,354                                    |
| W. Virginia                                    | 6.00                  | 3.0-6.5                 | 8.50                   | 0.95           | 37.86   | 31.23      | 18.61     | 61.8                              | 40.01                               | 3,542                                    |
| Wisconsin                                      | 5.00                  | 4.6-7.75                | 7.90                   | 2.09           | 27.43   | 31.08      | 36.01     | 71.1                              | 37.58                               | 4,331                                    |
| Wyoming  | 4.00                  | na                      | na                     | 2.18           | 33.01   | na         | 36.88     | 62.1                              | 48.03                               | 6,930                                    |
| All State ave.                                 | na                    | na                      | na                     | 1.4486         | 34.45   | 27.45      | 30.07     | 68.5                              | 37.35                               | 4,362                                    |

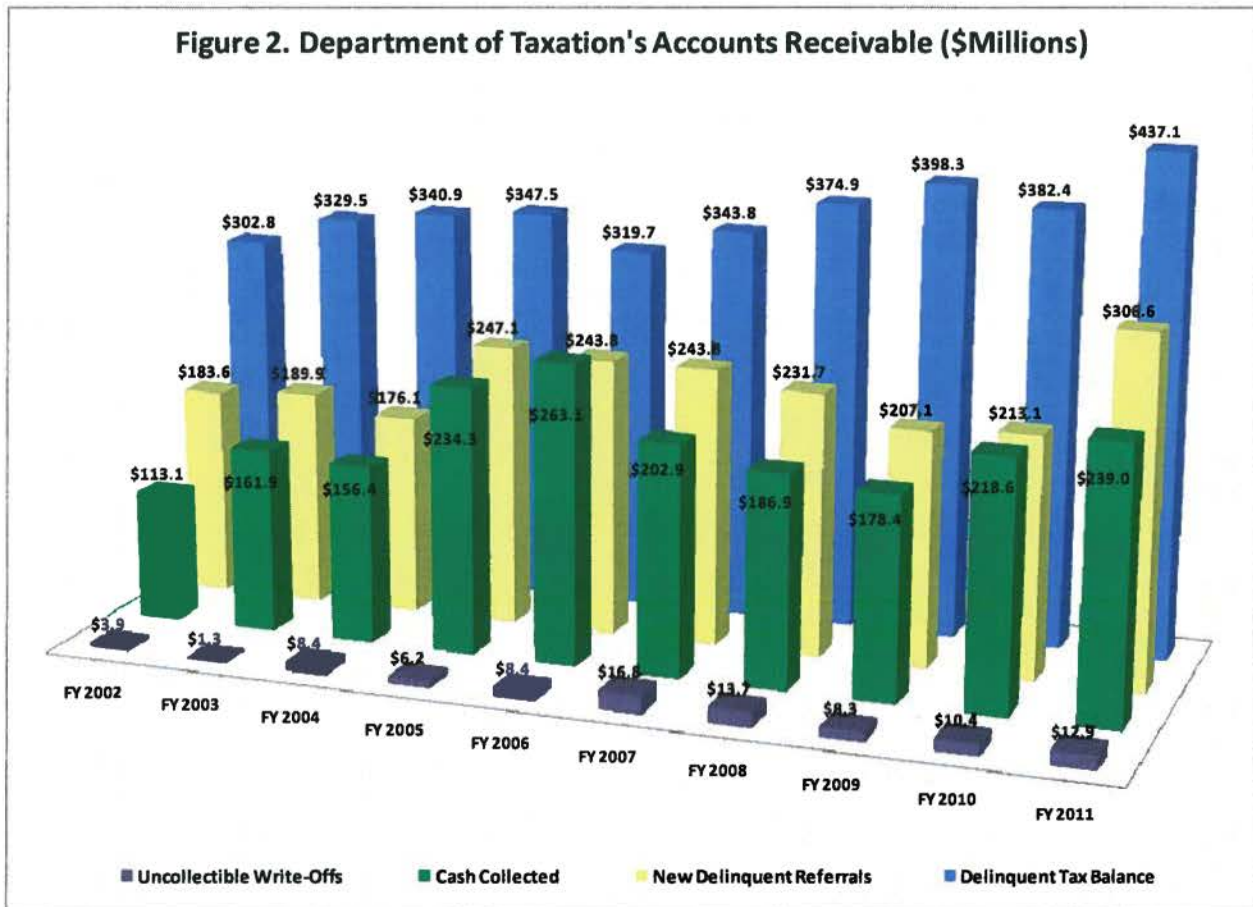
## ACCOUNTS RECEIVABLE

The Tax Review Commission asked the Department to provide data on the Accounts Receivable:

- What is the total for accounts receivable?
- What is collected on the accounts receivable?
- What does the Department need to collect the remaining accounts receivable?

Figure 2 reflects the Department of Taxation's Accounts Receivable, as reported in its annual reports, since 2002. (Note: The fiscal 2011 data are unofficial estimates; the 2010-2011 DOTAX Annual Report has not yet been finalized and released.) For fiscal year 2011: the delinquent tax balance was \$437.1 million; the amount of new delinquent referrals was \$306.6 million; cash collected was \$239.0 million; and the amount of the uncollectible write-off was \$12.9 million.

The Department is currently engaged in business process re-engineering of its collection function. One goal is to better identify the specific resources needed to more efficiently pursue its accounts receivables.





## WHO PAYS HAWAII'S TAXES?

According to the study by the 2005-2007 Tax Review Commission, "Study on the Progressive or Regressive Nature of Hawaii's Taxes," Appendix D, 68.5% of the total state and county taxes is borne by residents, whereas 31.5% is shifted out of State. The study was done in 2006 and does not reflect any tax law changes enacted after the study was completed.

| Aggregate<br>Distribution of Tax Burdens<br>(In \$millions) |                  |                              |                    |                                |         |
|---|------------------|------------------------------|--------------------|--------------------------------|---------|
| Tax   | Total<br>Revenue | Amount<br>Borne By Residents |                    | Amount<br>Shifted Out of State |         |
|   |                  | Higher<br>Prices             | Reduced<br>Incomes | Federal<br>Government          | Other   |
| <b>Hawaii State Taxes</b>                                   |                  |                              |                    |                                |         |
| 1. General Excise<br>and Use Taxes.....                     | 2,136.6          | 1,114.0                      | 212.7              | 134.4                          | 675.5   |
| 2. Individual Income Tax.....                               | 1,381.5          |                              | 1,067.1            | 237.4                          | 77.0    |
| 3. Transient Accommodations<br>Tax.....                     | 198.8            | 7.9                          | 53.8               | 9.5                            | 126.8   |
| 4. Public Service Company Tax....                           | 108.7            | 57.4                         | 30.8               | 5.5                            | 15.0    |
| 5. Corporation Income Tax.....                              | 85.6             | 45.2                         | 24.3               | 4.3                            | 11.8    |
| 6. Tax on Insurance Premiums.....                           | 83.1             | 43.9                         | 23.5               | 4.2                            | 11.5    |
| 7. Tax on Banks and<br>Other Financial Corporations...      | 38.5             | 20.4                         | 10.9               | 1.9                            | 5.3     |
| 8. Estate and Transfer Tax <sup>a</sup> .....               | 12.7             |                              |                    | 12.7                           |         |
| 9. Conveyance Tax.....                                      | 24.6             | 4.4                          | 12.0               | 1.8                            | 5.5     |
| 10. Taxes on Fuel.....                                      | 106.5            | 77.0                         | 6.3                | 1.1                            | 22.2    |
| 11. Tax on Liquor.....                                      | 43.7             | 34.6                         | 2.6                | 0.4                            | 6.1     |
| 12. Taxes on Cigarettes<br>and Tobacco.....                 | 85.2             | 74.6                         | 3.0                | 0.5                            | 7.1     |
| 13. Motor Vehicle Taxes <sup>b</sup> .....                  | 100.3            | 56.3                         | 12.5               | 2.2                            | 29.3    |
| Total, State Taxes.....                                     | 4,405.8          | 1,533.6                      | 1,461.4            | 417.1                          | 993.0   |
| <b>County Taxes</b>   |                  |                              |                    |                                |         |
| 1. Real Property Taxes.....                                 | 968.3            | 88.0                         | 550.5              | 118.0                          | 211.9   |
| 3. Fuel Tax.....  | 76.3             | 55.1                         | 4.5                | 0.8                            | 15.9    |
| 2. Motor Vehicle Weight Tax.....                            | 60.3             | 60.3                         |                    |                                |         |
| 4. Public Utility Franchise Tax.....                        | 41.5             | 21.9                         | 11.8               | 2.1                            | 5.7     |
| 5. Public Service Company Tax.....                          | 42.5             | 22.4                         | 12.1               | 2.1                            | 5.9     |
| 6. Licenses and Permits <sup>c</sup> .....                  | 63.9             | 33.8                         | 18.1               | 3.2                            | 8.8     |
| Total, County Taxes.....                                    | 1,252.8          | 281.5                        | 597.0              | 126.2                          | 248.2   |
| Total, State and County Taxes.....                          | 5,658.6          | 1,815.1                      | 2,058.4            | 543.3                          | 1,241.2 |

<sup>a</sup> Hawaii's Estate and Transfer Tax has been effectively repealed for decedents dying after December 31, 2004.

<sup>b</sup> Includes the State's Motor Vehicle Weight Tax and the surcharge on rental and tour vehicles. The rental surcharges produced \$43,950,000 of the total revenue in this category.

<sup>c</sup> Excludes the counties' Motor Vehicle Weight Taxes.

The distribution of tax burdens by income class as reported in the study by the 2005-2007 Tax Review Commission, "Study on the Progressive or Regressive Nature of Hawaii's Taxes," Appendix D, is shown below:

| <b>Distribution of Tax Burdens by Income Class</b>  |          |          |          |           |           |
|---|----------|----------|----------|-----------|-----------|
| <b><i>Income and Expenditures</i></b>   |          |          |          |           |           |
| Income (Federal AGI).....   | \$25,000 | \$50,000 | \$75,000 | \$100,000 | \$150,000 |
| Expenditures.....   | 28,000   | 41,380   | 55,010   | 70,330    | 93,730    |
| Expenditures subject to GET   | 18,490   | 25,820   | 31,320   | 39,290    | 50,990    |
| <b><i>Tax Burden for a Single Individual</i></b>  |          |          |          |           |           |
| GET.....  | 1,599    | 2,232    | 2,709    | 3,397     | 4,409     |
| Individual Income Tax.....  | 958      | 2,077    | 3,235    | 3,863     | 6,261     |
| TAT.....  | 51       | 93       | 139      | 162       | 238       |
| Taxes on Business <sup>a</sup> .....  | 249      | 411      | 582      | 707       | 995       |
| Real Estate Taxes <sup>b</sup> .....  | 539      | 981      | 1,461    | 1,707     | 2,501     |
| Alcohol & Tobacco.....  | 105      | 108      | 111      | 114       | 119       |
| Fuel & Motor Vehicles <sup>c</sup> .....  | 268      | 279      | 290      | 302       | 325       |
| Total Tax Burden.....   | 3,769    | 6,181    | 8,527    | 10,252    | 14,848    |
| Burden Ratio.....   | 15.1%    | 12.4%    | 11.4%    | 10.3%     | 9.9%      |
| Burden Ratio, State Taxes....   | 12.2%    | 10.0%    | 9.1%     | 8.2%      | 7.9%      |
| Burden Ratio, County Taxes...   | 2.9%     | 2.4%     | 2.3%     | 2.1%      | 2.0%      |
| <b><i>Tax Burden for a Family of four</i></b>   |          |          |          |           |           |
| GET.....  | 1,599    | 2,232    | 2,709    | 3,397     | 4,409     |
| Individual Income Tax.....  | 423      | 1,431    | 2,561    | 3,691     | 5,616     |
| TAT.....  | 53       | 96       | 142      | 166       | 243       |
| Taxes on Business <sup>a</sup> .....  | 256      | 422      | 581      | 724       | 985       |
| Real Estate Taxes <sup>b</sup> .....  | 605      | 1,080    | 1,523    | 1,866     | 2,577     |
| Alcohol & Tobacco.....  | 207      | 210      | 212      | 216       | 222       |
| Fuel & Motor Vehicles <sup>c</sup> .....  | 396      | 599      | 700      | 789       | 811       |
| Total Tax Burden.....   | 3,542    | 6,074    | 8,427    | 10,856    | 14,859    |
| Burden Ratio.....   | 14.2%    | 12.1%    | 11.2%    | 10.9%     | 9.9%      |
| Burden Ratio, State Taxes.....  | 10.8%    | 9.2%     | 8.6%     | 8.4%      | 7.8%      |
| Burden Ratio, County Taxes....  | 3.4%     | 2.9%     | 2.6%     | 2.5%      | 2.1%      |
| a Includes the Corporation Income Tax, State and county Public Service Company Taxes, the Tax on Banks and Other Financial Corporations, the Tax on Insurance Premiums, the county Public Utility Franchise Taxes, and the county charges for licenses and permits. |          |          |          |           |           |
| b Includes the Conveyance Tax and the county Real Property Taxes.   |          |          |          |           |           |
| c Includes the State surcharge on motor vehicle rentals.  |          |          |          |           |           |

**Alternative Calculations for the  
Distribution of Tax Burdens by Income Class**

***Income and Expenditures***

|                             |          |          |          |           |           |
|-----------------------------|----------|----------|----------|-----------|-----------|
| Income (Federal AGI).....   | \$25,000 | \$50,000 | \$75,000 | \$100,000 | \$150,000 |
| Expenditures.....           | 28,000   | 41,380   | 55,010   | 70,330    | 93,730    |
| Expenditures subject to GET | 18,490   | 25,820   | 31,320   | 39,290    | 50,990    |

***Tax Burden for a Single Individual***

|   |       |       |       |        |        |
|---|-------|-------|-------|--------|--------|
| Total Tax Burden.....                     | 3,769 | 6,181 | 8,527 | 10,252 | 14,848 |
| Burden Ratio.....                         | 15.1% | 12.4% | 11.4% | 10.3%  | 9.9%   |
| GET (2) <sup>a</sup> .....                | 3,599 | 5,930 | 8,217 | 9,865  | 14,341 |
| Burden Ratio (2) <sup>a</sup> .....       | 14.4% | 11.9% | 1.0%  | 9.9%   | 9.6%   |
| GET (3) <sup>b</sup> .....                | 3,612 | 6,763 | 9,789 | 11,990 | 18,046 |
| Burden Ratio (3) <sup>b</sup> .....       | 14.4% | 13.5% | 13.0% | 12.0%  | 12.0%  |
| 50% Tax Exporting <sup>c</sup> .....      | 3,900 | 6,392 | 8,816 | 10,601 | 15,333 |
| Burden Ratio (4) <sup>c</sup> .....       | 15.6% | 12.8% | 11.8% | 10.6%  | 10.2%  |
| Individual Income Tax (2) <sup>d</sup> .. | 3,680 | 6,093 | 8,409 | 10,161 | 14,761 |
| Burden Ratio (5) <sup>d</sup> .....       | 14.7% | 12.2% | 11.2% | 10.2%  | 9.8%   |

***Tax Burden for a Family of four***

|  |       |       |       |        |        |
|--|-------|-------|-------|--------|--------|
| Total Tax Burden.....                      | 3,542 | 6,074 | 8,427 | 10,856 | 14,859 |
| Burden Ratio.....                          | 14.2% | 12.1% | 11.2% | 10.9%  | 9.9%   |
| GET (2) <sup>a</sup> .....                 | 3,719 | 6,325 | 8,737 | 11,244 | 15,366 |
| Burden Ratio (2) <sup>a</sup> .....        | 14.9% | 12.7% | 11.6% | 11.2%  | 10.2%  |
| GET (3) <sup>b</sup> .....                 | 3,385 | 6,656 | 9,689 | 12,594 | 18,057 |
| Burden Ratio (3) <sup>b</sup> .....        | 13.5% | 13.3% | 12.8% | 12.6%  | 12.0%  |
| 50% Tax Exporting <sup>c</sup> .....       | 3,675 | 6,289 | 8,712 | 11,209 | 15,334 |
| Burden Ratio (4) <sup>c</sup> .....        | 14.7% | 12.6% | 11.6% | 11.2%  | 10.2%  |
| Individual Income Tax (2) <sup>d</sup> ... | 3,444 | 5,985 | 8,297 | 10,374 | 14,683 |
| Burden Ratio (5) <sup>d</sup> .....        | 13.8% | 12.0% | 11.1% | 10.4%  | 9.8%   |

a The rows labeled "GET (2)" and "Burden Ratio (2)" show the total tax burdens calculated assuming expenditures are 10 percent less than those shown in the *BLS Survey* for the income class for single individual and 10 percent more for the family of four.

b The rows labeled "GET (3)" and "Burden Ratio (3)" show the total tax burdens calculated assuming expenditures are equal to income.

c The rows labeled "50% Tax Exporting" and "Burden Ratio (4)" show the total tax burdens calculated assuming that only one-half (instead of two-thirds) of taxes paid by tourists are exported.

d The rows labeled "Individual Income Tax (2)" and "Burden Ratio (5)" show the total tax burdens as estimated for the new Individual Income Tax rules that takes effect on January 1, 2007.

## GENERAL EXCISE TAX FROM SALES OF FOOD AND NON-PRESCRIPTION DRUGS

The Department has estimated that in 2010, \$212.5 million of the total general excise tax collection of \$2.4 billion, or 8.9%, is from food consumption and nonprescription drugs.

|                               | 2010 GET Base        | 2010 GET           | 2012 GET Base        | 2012 GET           |
|-------------------------------|----------------------|--------------------|----------------------|--------------------|
| <b>Total food consumption</b> | <b>5,151,805,589</b> | <b>206,072,224</b> | <b>5,761,302,451</b> | <b>230,452,098</b> |
| Food at home                  | 2,694,394,323        | 107,775,773        | 3,013,161,182        | 120,526,447        |
| Food away from home           | 2,457,411,266        | 98,296,451         | 2,748,141,269        | 109,925,651        |
| <b>Nonprescription drugs</b>  | <b>161,428,618</b>   | <b>6,457,145</b>   | <b>180,526,822</b>   | <b>7,221,073</b>   |
| <b>Total</b>                  |                      | <b>212,529,368</b> |                      | <b>237,673,171</b> |