

MEMORANDUM

To: Sustainability Committee

From: James Jacobs

Difference Between Income Tax and Property Tax to Raise \$350 Million

Income Tax Revenue

What would it take to generate \$350 million from the state income tax system? Assuming the state collects about \$5 billion in income taxes with a 4.63% tax rate, each 1% generates close to \$1 billion. Thus, an income tax rate of 0.35% would be needed to get to that total. A household with a taxable income of \$20,000 would pay \$70 on that rate. Taxable income of \$30,000 would cost \$105 and one with \$100,000 would pay \$350.

	FY 09	FY 10 est.	FY 11 est.	FY 12 est.
\$ Millions				
Net Individual Income	4,333.3	4,335.9	4,608.5	4,675.8
Net Corporate Income	292.5	329.1	341.6	364.7
Total	\$4,626	\$4,665	\$4,950	\$5,041
Total divided by the state income tax rate of 4.63%	999	1,008	1,069	1,089
Roughly each 1% =	\$1.0 billion			

Thus, in order to generate \$350 million, the state income tax rate would be 0.35%

Household taxable income	\$30,000	\$50,000	\$100,000	\$200,000
Income tax on 0.35% =	\$105	\$175	\$350	\$700

Property Tax Revenue

A statewide mill levy of 4 mills would generate about \$350, using FY 2008 assessed values. Those 4 mills would cost the owner of a \$200,000 residential property about \$64. A property with a value of \$400,000 would cost \$127 and one worth \$750,000 would have a tax of \$239.

House market value	\$200,000	\$400,000	\$750,000	\$1,000,000
Res assessment rate 7.96%				
Assessed Valuation	15,920	31,840	59,700	79,600
4 mills property tax =	\$64	\$127	\$239	\$318