



Reforming the Tax System

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Principles

- Simplicity
- Fairness
- Minimal Exemptions
- Broaden tax base & lower rates





Strategies

- Expand Sales Tax to Services
- Reduce or Eliminate Tax Expenditures
- Reduce Income Tax
- Reduce Corporate Income Taxes
- Modify Exemptions & Deductions





Reform Components

Income Tax

- Decreased Total Number of Tax Brackets

Old Bracket Rates
6%
7%
7.75%

Current Bracket Rates
5.8% in 2014
5.75% in 2015





Reform Components

Exemptions

- Raised Standard Deductions

	Old Exemptions	New Exemptions
Single	\$3,000	\$7,500
Married Filing Joint	\$6,000	\$15,000
Married Filing Separate	\$3,000	\$7,500
Head of Household	\$4,400	\$12,000



Reform Components

Sales Tax

- Reduced from 5.75% to 4.75% (2011)
- Most local communities have 2% local tax
- Groceries @ 2% (local tax)





Reform Components

Sales Tax

- Expansions
 - Amusements
 - Consumer Utilities
 - Newspapers in vending machines





Reform Components

Sales Tax

- Eliminations...
 - Higher education cafeteria purchases
 - Back to School tax holiday
 - Energy Star tax holiday





Reform Components

Tax Credits

- Earned Income Tax Credit
 - -Eliminated as part of Reform
- Child Tax Credit Increase to \$125
 - -For working married couples earning \$40,000
 - -Head of households earning less than \$32,000
 - -Single filers earning less than \$20,000
 - -Eliminated for earners above \$100,000





Reform Components

Tax Credits

- Child Care Credit = 7-13% of eligible expense
 - -Eliminated as part of Reform
- Education Investment Deduction
 - -Eliminated as part of Reform





REFORM IMPACTS ON LOW INCOME CITIZENS

SUPPORTERS

1. Lower sales tax burden
2. Higher exemptions
3. Lower payroll taxes
4. Increased child tax credit

DETRACTORS

1. Sales tax expansion has disproportionate impact
2. Higher tax burden for some
3. Decreased state revenue for poverty programs
4. Several credits gone including refundable EITC