

Summary of data available in ADOR Individual Income Tax Model

Federal Individual Income Tax Calculation

(based on tax year 2012)

Sum of:

Wages, salaries, tips
Taxable interest
Ordinary dividends
Taxable refunds, credits or offsets
Alimony received
Business income or loss
Capital gain or loss
Other gains or losses
Taxable IRA distributions
Taxable pensions & annuities
Rental real estate, royalties, partnerships, S corps, trusts
Farm income or loss
Unemployment compensation
Taxable Social Security benefits
Other income
= Federal Total Income

Less adjustments to income:

Educator expenses (not in ty2006)
Certain business expenses
Health savings account deduction
Moving expenses
Deductible part of self employment tax
Self-employed SEP, SIMPLE & qualified plans
Self-employed health insurance deduction
Penalty on early withdrawal of savings
Alimony paid
IRA deduction
Student loan interest deduction
Tuition & fees
Domestic production activities deduction
= Federal Adjusted Gross Income (CURRENT AZ TAX BASE)

Less exemptions and deductions:

Fed Standard or Itemized deductions
Federal Itemized Deductions sum of:
Medical & dental expenses
State & local income taxes or general sales taxes (sales tax not in ty06)
Real estate taxes
Other taxes
Home mortgage interest & points

Qualified mortgage insurance premiums
Investment interest
Gifts to charity by cash or check
Gifts to charity other than cash or check
Casualty or theft losses
Job expenses and certain miscellaneous:
 Unreimbursed employee expenses
 Tax preparation fees
 Other expenses
Other miscellaneous deductions
= Federal Itemized Deductions

Fed Personal exemptions
Fed Dependent exemptions
Fed 65 & over exemption
Fed Blind exemption

= Federal Taxable Income

Arizona Individual Income Tax Calculation

(based on tax year 2012)

Federal Adjusted Gross Income (CURRENT AZ TAX BASE)

Plus additions to income:

Non-Arizona municipal interest
Ordinary income portion of lump sum distributions
Total federal depreciation (**conformity adj**)
Medical savings accounts distributions
IRC Sec. 179 expense in excess of allowable amount (**conformity adj**)
Other additions to income (**some conformity adj**)

Less subtractions from income:

Interest on US obligations (**federally required**)
Exclusion for federal, AZ state or local govt pensions
AZ state lottery winnings
US Social Security benefits or Railroad retirement benefits (**RR federally required**)
Recalculated Arizona depreciation
Certain wages of American Indians (**federally required**)
Income tax refund from other states
Deposits & employer contributions into MSAs
Adjustment for I.R.C. §179 expense not allowed
Pay received for active service
Net operating loss adjustment
Other subtractions (**some conformity adj**)

= Arizona Adjusted Gross Income

Less exemptions and deductions:

65 & over exemption \$2,100
Blind exemption \$1,500
Dependent exemptions \$2,300
Qualifying parents & ancestor exemption \$10,000
Personal exemptions \$2,100 sgl & mfs
 \$4,200 mfj
 \$6,300 mfj w/ kids
 \$4,200 uhoh
 \$3,150 mfs w/ kids
Standard deduction \$4,833 sgl / \$9,665 mfj
OR Itemized deduction

Federal itemized deduction with AZ adjustments:

Adjustment to medical & dental expenses
Adjustment to interest deduction
Adjustment to gambling losses
Adjustment to charitable contributions
Other adjustments
= Arizona Itemized Deductions

= Arizona Taxable Income

Apply tax rate:

Single / Married
\$0-10k / \$0-20k 2.59%
10k-25k / 20k-50k 2.88%
25k-50k / 50k-100k 3.36%
50k-150k / 100k-300k 4.24%
\$150k & over / \$300k & over 4.54%

= Arizona Tax

less Family tax credit:

\$40/person
\$120 credit cap for single/mfs and \$240 credit cap for mfj, uhoh
income threshold \$10,000 for single/mfs, \$26,575 for uhoh, \$31,000 mfj

= Arizona tax before other credits are applied

ESTIMATED INDIVIDUAL INCOME TAX-2006 DATA BASE GROWN TO 2014

| Federal Adjusted Gross Income | Estimated Tax Under Arizona Tax Law | | | Tax Under Proposed Arizona Tax Law | | | % change |
|----------------------------------|--|-----------------|-----------|---------------------------------------|-----------------|-----------|----------|
| | # Of Returns | Total | Average | # Of Returns | Total | Average | |
| At Least | | | | | | | |
| But Less Than | | | | | | | |
| Negative Fed. AGI | 44,910 | \$734,650 | \$16 | 44,910 | \$848,489 | \$19 | 15.5% |
| \$ 0 - \$ 10,000 | 319,853 | \$2,308,147 | \$7 | 319,853 | \$221,791 | \$1 | -90.4% |
| 10,000 - 20,000 | 425,428 | \$37,101,615 | \$87 | 425,428 | \$23,075,104 | \$54 | -37.8% |
| 20,000 - 25,000 | 193,092 | \$38,138,676 | \$198 | 193,092 | \$29,393,645 | \$152 | -22.9% |
| 25,000 - 30,000 | 167,835 | \$52,156,317 | \$311 | 167,835 | \$47,442,569 | \$283 | -9.0% |
| 30,000 - 40,000 | 285,306 | \$136,395,257 | \$478 | 285,306 | \$144,402,943 | \$506 | 5.9% |
| 40,000 - 50,000 | 210,741 | \$146,506,873 | \$695 | 210,741 | \$167,004,459 | \$792 | 14.0% |
| 50,000 - 75,000 | 371,421 | \$386,026,102 | \$1,039 | 371,421 | \$470,606,958 | \$1,267 | 21.9% |
| 75,000 - 100,000 | 240,297 | \$391,048,810 | \$1,627 | 240,297 | \$474,093,404 | \$1,973 | 21.2% |
| 100,000 - 200,000 | 302,915 | \$907,702,863 | \$2,997 | 302,915 | \$982,295,758 | \$3,243 | 8.2% |
| 200,000 - 500,000 | 74,461 | \$627,280,513 | \$8,424 | 74,461 | \$575,775,928 | \$7,733 | -8.2% |
| 500,000 - 1,000,000 | 10,544 | \$251,406,342 | \$23,844 | 10,544 | \$202,034,762 | \$19,161 | -19.6% |
| 1,000,000 - 5,000,000 | 4,130 | \$289,397,958 | \$70,072 | 4,130 | \$218,666,601 | \$52,946 | -24.4% |
| Over \$5,000,000 | 393 | \$287,571,730 | \$731,735 | 393 | \$212,611,879 | \$540,997 | -26.1% |
| TOTAL | 2,651,326 | \$3,553,775,853 | \$1,340 | 2,651,326 | \$3,548,474,290 | \$1,338 | -0.1% |

Non Resident Add Factor \$3,776,952,977 \$3,771,318,475
IMPACT: (\$5,634,501)

CURRENT TAX is 2013 state law with 2012 federal tax rates, exemptions and deductions. The tax rates are set out below. The personal exemption is \$2,100. It is \$6,300 for a married couple with at least one dependent. The dependent exemption is \$2,300; blind \$1,500; over 65 \$2,100; qualifying ancestor \$10,000; and the standard deduction is \$4945/\$9883. A tax credit of \$40/person (\$40 for uhoh) is allowed, up to \$120 for single/mfs and \$240 for married and uhoh. Income must be \$31,000 or less for mfj, \$26,575 for uhoh, and \$10,000 for single. **ALL OTHER CREDITS ARE NOT INCLUDED IN THE DATABASE.** *The subtraction for long term capital gains is not included in the model - JLBC estimated total cost of (\$17.5m) in tax year 2013.*

PROPOSED TAX eliminates additions, subtractions, exemptions, standard/itemized deduction & family tax credit. Keeps federally required subtractions and nonconformity adjustments. Includes personal exemption of \$11,490 single and \$22,980 mfj/uhoh. New rate shown below.

QUALIFIER: The database used for this model was chosen based on Arizona tax liability and filing status, and not on any smaller groups within the whole population. Therefore, the impacts shown here are guidelines and should not be considered exact representations of the impact.

NOTE THAT THE MODEL RESULTS PROVIDED ABOVE HAVE REDUCED RELIABILITY DUE TO THE AGE OF THE MODEL DATABASE.

Current Tax Rate Schedule:

| Single | | Married | |
|------------------|-------|-------------------|-------|
| \$0 - 10,000 | 2.59% | \$0 - 20,000 | 2.59% |
| 10,000 - 25,000 | 2.88% | 20,000 - 50,000 | 2.88% |
| 25,000 - 50,000 | 3.36% | 50,000 - 100,000 | 3.36% |
| 50,000 - 150,000 | 4.24% | 100,000 - 300,000 | 4.24% |
| 150,000 and over | 4.54% | 300,000 and over | 4.54% |

Proposed Tax Rate Schedule:

| Single | | Married | |
|--------------|-------|--------------|-------|
| \$0 and over | 2.95% | \$0 and over | 2.95% |