The Stelly Plan: Estimated Distributional Effects

Greg Albrecht, Chief Economist
Legislative Fiscal Office
April 7, 2005

The Stelly Plan

Act 51 and Act 88 of the 2002 Regular Legislative Session enacted significant changes to the state personal income tax and general sales tax, respectively. These provisions were adopted by the electorate on November 5, 2002, became effective January 1, 2003, and have been commonly referred to as the Stelly Plan.

Act 51 modified taxable income brackets and eliminated the state deduction for federal itemized deductions in excess of the federal standard deduction. These provisions became applicable beginning with the 2003 tax year, and the new schedule of rates and brackets was established in the State Constitution as the maximum such schedule. While some taxpayers actually received a reduction in their state income tax liability, in general, state income tax liabilities and collections were increased by these provisions.

Act 88 capped the state sales tax rate at 2% on sales of food for home consumption and residential electric, gas, and water utilities beginning January 1, 2003. Beginning July 1, 2003 the state sales tax no longer applied at all to these sales. Prescription drugs were also included in these limitations, but these items had not been subjected to state sales tax since fiscal year 1990. The effect of these provisions has been to decrease state sales tax collections and tax burdens on all taxpayers. The pre-Stelly and post-Stelly provisions of both the income tax and sales tax are summarized below.

Income Tax Provisions

(A) Taxable Income Rate & Bracket - Single

	Pre-Stelly (2002)	Post-Stelly (2003)
2%	$0 - $10,000	$0 - $12,500
4%	$10,000 - $50,000	$12,500 - $25,000
6%	over $50,000	over $25,000

Taxable Income Rate & Bracket – Joint

	Pre-Stelly (2002)	Post-Stelly (2003)
2%	$0 - $20,000	$0 - $25,000
4%	$20,000 - $100,000	$25,000 - $50,000
6%	over $100,000	over $50,000

(B) Excess Itemized Deduction

Pre-Stelly (2002)	Post-Stelly (2003)
57.5%	0%

Note that (a) the tax rates have not been changed, (b) the bottom bracket has actually been widened, resulting in a reduction of tax liability on a portion of income, and (c) in 2002 the excess itemized deduction was in its third year of limitation (50% allowed in 2000 and 2001, 57.5% allowed in 2002; 65% to have been allowed in 2003, and 100% in 2004 had the Stelly Plan not been adopted by the electorate and had limitations not been renewed by the legislature).

Sales Tax Provisions

Food For Home and Residential Utilities Tax Rate	
Pre-Stelly (2002)	Post-Stelly (2003)
4% through June 2002	2% January-June 2003
3.9% July-December 2002	0% from July 2003

Note that had the Stelly Plan not been adopted, sales of food for home consumption and residential utilities would have been subject to a 3.9% tax rate through June 2003, a 3.8% tax rate through June 2004, and a 1% tax rate after that unless additional levies were renewed by the legislature.

Focus Of This Report

This report will focus on how the Stelly Plan affected households across various income classes. These distributional effects are depicted in a number of tables that estimate the change in tax burden for two subsets of resident taxpayers in thirty progressively higher income classes. The subsets of taxpayers examined are filers that itemized on their federal returns (itemizers), and filers that did not itemize on their federal returns (non-itemizers). Tables are provided that estimate tax effects for particular filing status' in each taxpayer subset, as well: all filers in the subset, single filers, joint filers, and head-of-household filers. While this report will focus on how the Stelly Plan affected households across various income classes, the distributional effects of the Plan, it also discusses a few pertinent aggregate effects that result from the analysis.

Methodolgy

Detailed tax return data for tax year 2003 were obtained from the Louisiana Department of Revenue, and consumer expenditure data for 2003 were obtained from the U.S. Department of Labor, Bureau of Labor Statistics. These datasets form the core of the estimates contained in the tables. From these datasets and a limited amount of other data, estimates are made of the direct state personal income tax effect, any federal income tax savings for itemizers, the sales tax savings, and the net effect of the Plan on average households in each income class and filer subset. Throughout the analysis, as much Louisiana specific taxpayer information as possible was incorporated.

Food & Utility Sales Tax Savings: Sales tax benefits were estimated utilizing consumer expenditure survey data for the southeastern United States combined with data reflecting the entire United States for high-income households. This data is compiled by the U.S. Department of Labor, Bureau of Labor Statistics for development of the Consumer Price Index. An equation representing the relationship between household income and per person expenditures on food for home and residential utilities was estimated from that data. That equation was used to estimate expenditures per person for the average household, based on average federal adjusted gross income (FAGI), in each income class. That result was multiplied by the family size in each income class as proxied by the average number of personal exemptions claimed in each income class, as reported in the state income tax data. These total household expenditures were then multiplied by the sales tax rate to arrive at an estimate of the sales tax savings experienced by the average household in each income class.

State Income Tax Change: State income tax estimates result directly from a model that simulates state tax returns for tax year 2003 utilizing the actual income tax data reported on those returns. Since the 2003 state returns contained no information concerning excess federal itemized deductions, that information was obtained by the Department of Revenue through a process that matched state returns to the federal returns of filers that itemized on their federal returns, and extracting the relevant deduction information from the federal returns. The model calculated a baseline tax liability for each average household based on pre-Stelly tax brackets and the allowance of a 65% excess federal itemized deduction. The model also calculated a new tax liability for each average household based on the post-Stelly tax brackets and the elimination of the excess itemized deduction. The difference between these calculations is the state income tax liability change experienced by the average household in each income class.

Federal Income Tax Savings: Since itemizers can deduct state income taxes on their federal tax returns, for that subset of filers, estimates were made of the federal tax savings associated with deducting from federal tax returns the increase in state income taxes resulting from the Stelly Plan. Actual Louisiana taxpayer information was utilized to estimate the federal marginal tax rate that would apply to the state income tax increase that the average filer would carry over to their federal return in each income class. The analysis also accounts for the limitations on itemized deductions that are imposed on federal taxpayers based on the composition of their itemized deductions and the extent to which their income exceeds certain thresholds. The explicit worksheet calculation of this limit was carried out for each relevant income class based on that group's itemized deductions and average income level relative to the thresholds effective for the 2003 tax year. Some U.S. level information had to be utilized in these calculations, but as much Louisiana specific information as possible was incorporated.

Net Impact of Tax Changes and Net Percent Change: The estimated net effect of the Stelly Plan on households in each income classes is the sum of the estimated state income tax changes, federal income tax offsets for itemizers, and the sales tax benefits. Those net effects are compared to the total estimated state income tax and sales tax burdens that would have prevailed in 2003 had the Stelly Plan not been adopted by the electorate. Tables for the various taxpayer groups analyzed quantify these estimates and net effects, and graphs of the net dollar amount and net percentage change in tax burden give a quick visual picture of how the Stelly Plan affected households in various income classes

Baseline Considerations

The analysis estimates the effects of the Stelly Plan from tax provisions that *would have existed* in 2003 had the Plan not been adopted by the electorate. The most important of those provisions is the allowance of a 65% excess federal itemized deduction provided in Act 24 of the 2002 Regular Session. Thus, this analysis attributes to the Stelly Plan an income tax increase associated with the elimination of 65% of the deduction for excess federal itemized deductions, not the 57.5% deduction allowed in the previous year (2002) and not the 100% deduction that would have been allowed in the following year (2004) had a renewal of some limitation of the deduction not occurred.

The sales tax provisions that would have been in effect in 2003 if the Stelly Plan had not been adopted were a 3.9% tax rate on food for home consumption and residential utilities from January through June, and a 3.8% tax rate from July through December. This is treated in the analysis as a 3.85% average tax rate that would have been in effect over the course of the year.

These baselines are utilized in this analysis because they are most consistent with the baselines that were used when the Stelly Plan was being debated in the legislature and being presented to the electorate in 2002. These are the baselines that were used in the fiscal notes on the two bills that comprised the plan, and were used in the table of estimated distributional effects at that time, as well.

Aggregate Effects

While this report will focus on how the Stelly Plan affected households across various income classes, the distributional effects of the Plan, a few aggregate effects that result from the analysis are useful to discuss in order to set the stage for the distributional results discussed later.

On the basis of the methodology discussed above, aggregate personal income tax liabilities of resident tax filers for tax year 2003 are estimated to have been some $239.5 million greater, as a result of the Stelly provisions, relative to what they would have been had the Plan not been adopted. This methodology also estimates that aggregate sales tax burdens of Louisiana households in 2003 were some $257.3 million lower than they would have been had the Plan not been adopted.

Of the total number of resident returns filed in 2003 with positive FAGI (1,625,912), 79.3% of them (1,290,091) are in income classes where the average household in each class is estimated to have received a net tax reduction in their net tax burden. For itemizers (319,376 total returns), 15.3% (or 48,731 returns up to $30,000 of income) are in such income classes, and for non-itemizers the share is 95% (or 1,241,360 returns up to $80,000 of income). These figures do <u>not</u> mean that every household in these income classes experienced a net tax reduction or, for that matter, that every household in higher income classes experienced a net tax increase; only that enough households in each income class experienced net tax decreases or increases to have determined the effect on the average household in each class.

While resident itemizers made up only 19.4% of resident state tax returns in 2003, these taxpayers as a group experienced 86% of the aggregate increase in the state personal income tax liability component of the Plan; this group as a whole received 26.4% of the aggregate sales tax benefit. It should be noted that while itemizers make up only 19.4% of resident returns in the aggregate, itemizer returns can make up more than 70% of the returns in certain income ranges, and make up over 50% of the returns in all income ranges over the $70,000 - $80,000 income class.

While low-income households in the state experienced net tax reductions and higher income households experienced net tax increases, the net percent tax increase tends to peak and then fall off to a lower percent tax increase as higher and higher income households are examined. This pattern is especially pronounced for non-itemizers whose income tax increase is limited, but is also exhibited by itemizers. Essentially, the income tax increases imposed by the Stelly Plan, as large as they may be, become smaller relative to overall income tax liabilities of higher income households.

What The Tables Depict

The accompanying tables depict the change in tax burden for various groups of resident taxpayers in thirty progressively higher income classes. It is important to understand what each row of a table depicts. Each row essentially represents an average household within that income class that is a composite of all the taxpayer characteristics of all households within that income class in the proportions that each characteristic is exhibited in the actual population of households within the income class. These average households are based on actual Louisiana tax returns and reflect as much actual Louisiana specific information as is possible to incorporate into the analysis. However, it is unlikely that any row will exactly resemble the specific tax situation of any actual taxpayer other than by the chance that the actual taxpayer situation is very close to the average taxpayer situation represented by the row.

This analysis presents estimates of the effects of the Stelly Plan on average composite taxpayer households. As such, the focus of consideration should not be on the specific dollar estimates, but more on the general distribution of effects across households in different income classes. The tables provide a quantification of the estimated distribution of those effects, and accompanying bar graphs provide a quick visual representation of that distribution.

Tables labeled with “NON” depict effects on average households in the subset of filers that do not itemize on their federal returns (non-itemizers); over 1.3 million returns or about 80% of returns in 2003. Itemizers are not included in these tables.

Tables labeled with “ITM” depict effects on average households in the subset of filers that itemize on their federal returns (itemizers); over 319,000 returns or about 20% of returns in 2003. Non-itemizers are not included in these tables.

Table labels also include a letter designation A, S, J, or H, indicating that the particular table depicts all filing status’ of the filer subset, single filers, joint filers, or head-of-household filers, respectively.

For each group of filers being examined in any particular table, the estimated effects of the Stelly Plan on average households in each income class are depicted in three columns; the state income tax change, the federal income tax savings for those filers that itemize, and the food & utility sales tax savings. Those three effects are summed in a column of net dollar impacts of the tax changes, and also expressed in a column as a net percentage change from the tax burden that would have been faced had the Stelly Plan not been adopted.

Sales Tax Distributional Effects

The sales tax benefits of the Plan affect every household in the same way, by eliminating the state tax on purchases of food for home consumption and residential utilities. The dollar extent of this benefit to any household is dependent on the particular income level and family size of the household. For all taxpayer groups examined, the dollar benefit of the sales tax reduction tends to rise as higher income households are examined. This occurs because households with the same family size will tend to spend more on all goods and services (including food for home and utilities) as their income rises, and because there is a general positive correlation between income and family size. Thus, for all taxpayer groups examined (itemizers, non-itemizers, singles, joints, and head-of-household filers), estimated sales tax benefits get steadily larger as higher and higher income classes are examined.

While greater dollar benefits are received by higher income households, greater percentage benefits are received by lower income households. The sales tax is a regressive tax, in that greater shares of low-income household expenditures are devoted to paying this tax. Thus, any given dollar amount of sales tax relief received by a low income household is a greater percentage reduction of their tax burden than the same dollar amount of tax relief will be to the burden of a higher income household. For both itemizer and non-itemizer households, the percentage reduction in the sales tax burden of the lower income households is in the 20% - 30% range while the percentage reduction in the sales tax burden of the higher income households is in the 10% - 15% range.

Finally, it should be noted that the estimated sales tax benefits are reduced for households in the income classes up to $30,000. To the extent these households participate in the Food Stamp Program their expenditures on food financed by food stamps are not subject to sales tax. Thus, they receive no benefit from the elimination of state sales tax on food for home consumption. In the very lowest income range depicted, the total estimated sales tax benefit is reduced by two-thirds; the approximate share of expenditures on food and utilities associated with food. The one-third benefit remaining is associated with expenditures on utilities and is still received by these households. In the other income classes up to $30,000, the sales tax benefits are reduced in proportion to the estimated share of households that participate in the food stamp program in each income class. The likely effect of this adjustment is to understate the sales tax benefits received by most of the households in each income class. In each of these income classes the data suggested that less than 50% of the households in each class actually participated in the food stamp program. Thus, this adjustment allows the characteristics of a minority of the households in these income classes to influence the average that represents all the households in these income classes.

Income Tax Distributional Effects

The effects of the income tax component of the Stelly Plan are somewhat more complicated than the sales tax effects. The Plan involves two changes to the income tax, bracket modifications and elimination of excess itemized deductions. These changes have distinct effects on the two different groups of taxpayers to be examined.

Non-Itemizers

This group of taxpayers makes up about 80% (1.3 million) of resident tax returns and experienced income tax changes due only to the bracket modification provisions of the Plan. The maximum amount of income tax increase that can result from this is $450 for a single filer and $900 for a joint filer. The expansion of the bottom bracket subjects more income (up to $2,500 for a single filer or $5,000 for a joint filer) to a 2% tax rate rather than a 4% rate. The maximum result of this is a liability reduction of $50 for a single filer or $100 for a joint filer. This is how some very low-income households actually received an income tax reduction from the Stelly Plan. However, the expansion of the top bracket subjects substantially more income (up to $25,000 for a single filer or $50,000 for a joint filer) to a 6% tax rate rather than a 4% rate. The maximum result of this is a liability increase of $500 for a single filer or $1,000 for a joint filer. The total maximum effect of the bracket changes is a $450 liability increase for a single filer or a $900 increase for a joint filer. This effect can be seen in the state income tax change column of the non-itemizer tables.

Since the dollar amount of income tax increase can not exceed these maximums, the combined sales tax and income tax dollar effects on this group peaks at levels less than these maximums as higher and higher income households are examined (the sales tax savings subtract from the income tax increases) and gradually tapers off as the sales tax savings get larger relative to the income tax increases. In terms of net percent change in the combined taxes, this group experiences a rise that then drops off fairly rapidly as higher and higher income households are examined. These effects can be seen in the dollar tax change and net percent tax change charts for these filers. Note that at the very highest levels of income the sales tax savings can actually be greater than the limited income tax increases for non-itemizers, resulting in a negative tax dollar change and a negative net percent tax change.

Itemizers

This group of taxpayers makes up about 20% (319,000) of resident tax returns and experienced income tax changes from both the bracket modifications and the elimination of the excess itemized deduction. Itemizers received the same maximum amount of income tax increase from the bracket changes as non-itemizers, but are also subject to tax increases from the elimination of the state deduction for excess federal itemized deductions. This additional change made the potential income tax increase for these filers limited only by the amount of federal itemized deductions they were allowed on their federal tax returns. Even with the federal limitations on itemized deductions, average excess itemized deductions associated with Louisiana residents continually rises as higher income households are examined. Thus, the state income tax increases received by these filers rises steadily as higher income households are examined. This effect can be seen in the state income tax change column of the itemizer tables.

However, these taxpayers are able to offset some of the increase in their state income tax by including this increase in their federal itemized deductions, reducing their federal tax liability by an amount equal to their state tax increase multiplied by their federal marginal tax rate (10%, 15%, 27%, 30%, 35%, or 38.6% in 2003). This effect can be seen in the federal income tax savings column of the itemizer tables (this column contains $0 for all rows in the non-itemizer tables). This offset is reduced in the itemizer tables in accordance with the federal limitations on itemized deductions in 2003. Taxpayers with incomes over $139,500 ($65,750 for married filing separately) and meeting certain conditions concerning the composition of their itemized deductions are limited in the amount of itemized deductions they are allowed on their federal returns. An explicit calculation of this limitation is made for the average household of each income class, and the state income tax increase they would include in their itemized deductions is limited proportionately. Thus, the federal income tax savings shown in the itemizer tables are smaller than they would be if this federal limitation did not exist. Under current federal law, this limitation will be phased out beginning with the 2006 tax year, and federal itemized deductions will be unlimited beginning with the 2010 tax year.

Since the dollar amount of income tax increase is not limited for these taxpayers, the income tax increases become larger and larger relative to the sales tax savings for these taxpayers. Thus, the combined sales tax and income tax dollar effects on these households does not peak, but continues to rise as higher income households are examined. In terms of net percent change in the combined taxes, these households experience a rise similar to the non-itemizer group but then a drop off much more gradual than the non-itemizer group as higher income households are examined. This occurs because, as large as the Stelly Plan income tax increases may be, they become smaller relative to the overall income tax liabilities of higher and higher income households. These effects can be seen in the dollar tax change and net percent tax change charts for these filers.

Conclusion

The Stelly Plan appears to have been roughly revenue neutral to the governmental fisc in the initial periods of its implementation. This analysis estimates an aggregate income tax liability change that is $17.8 million less than the aggregate sales tax change. These changes are experienced throughout a calendar year that crosses two fiscal years. Econometric analysis performed in the fall of 2004 estimated the aggregate impact of the Stelly Plan for the fiscal years FY03 and FY04. The combined tax effect estimated by that analysis for the two fiscal year period was an aggregate income tax increase some $7.4 million less than the aggregate sales tax change. These two approaches utilize distinctly different methodologies to arrive at generally similar results. The econometric analysis resulted in aggregate income tax and sales tax changes that were approximately 3% in absolute value of each other. The distributional analysis resulted in aggregate changes that were approximately 7% in absolute value of each other. However, the Stelly Plan should result in net tax gains to the State fisc over time because the income tax will exhibit an average annual growth rate greater than that associated with expenditures for food and residential utilities.

The Stelly Plan shifted the tax burden from lower income households to higher income households. For the 80% of the households that do not itemize, that shift occurs around $40,000 of income for average single filers and $80,000 of income for average joint filers. About 92% of non-itemizer single and head-of-household filers and 86% of non-itemizer joint filers are below these income levels on average. For the 20% of households that do itemize, that shift occurs around $20,000 of income for average single filers and $60,000 of income for average joint filers. About 26% of itemizer single and head-of-household filers and 39% of itemizer joint filers are below these income levels on average.

The Stelly Plan also shifted the tax burden from non-itemizers to itemizers. Since most households do not itemize and most of those households experienced a net tax reduction, the remaining households that do itemize must face a net tax increase in order for the aggregate combined income tax and sales tax burdens to be roughly the same. In addition, as pointed out in the discussion above itemizer households make up relatively large shares of higher income classes; peaking over 72% and making up over 50% of all classes above the $70,000 - $80,000 income range. As implied by the paragraph immediately above, 74% of the itemizer single and head-of-household filers and 61% of the itemizer joint filers experienced a net tax increase.

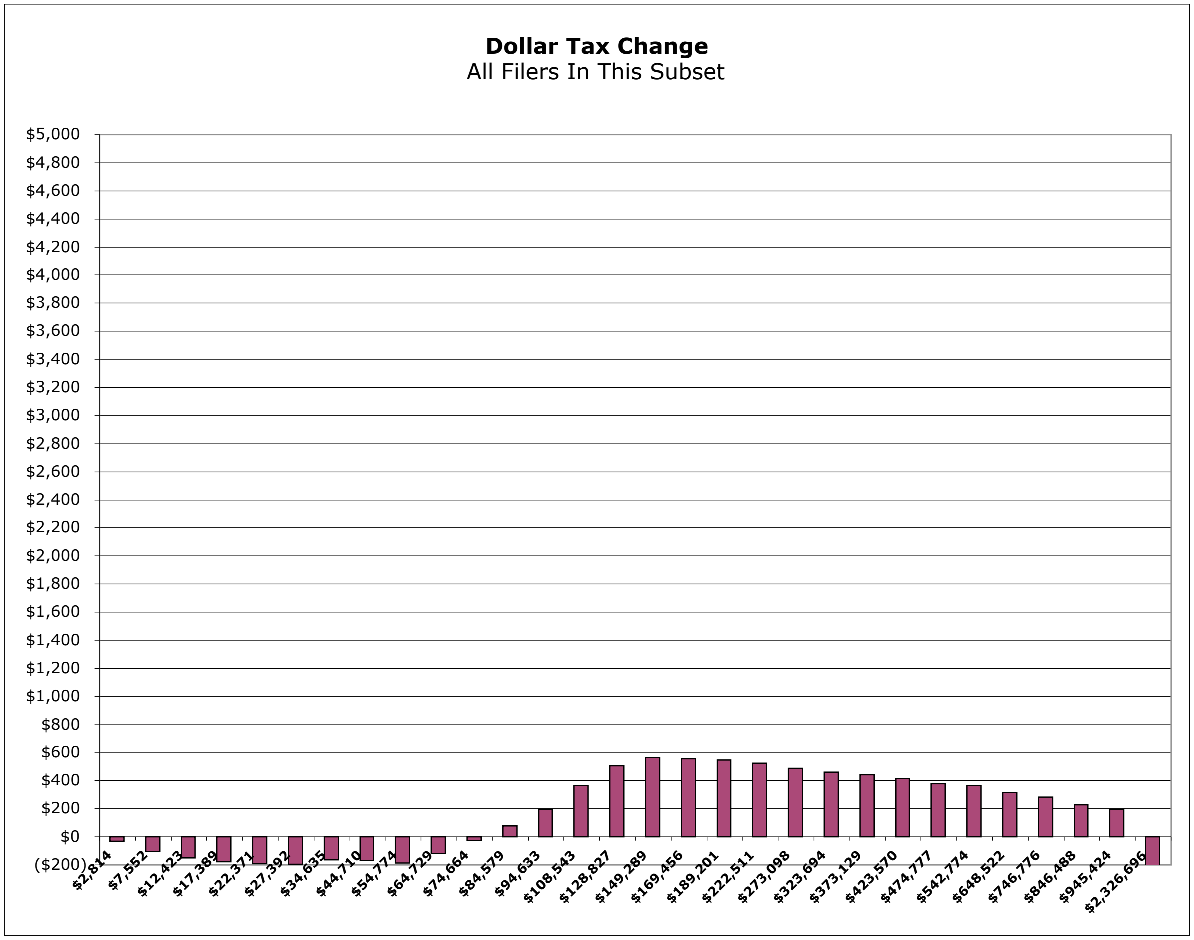
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
NON-ITEMIZER RESIDENT RETURNS
ALL FILING STATUS'
TAX YEAR 2003

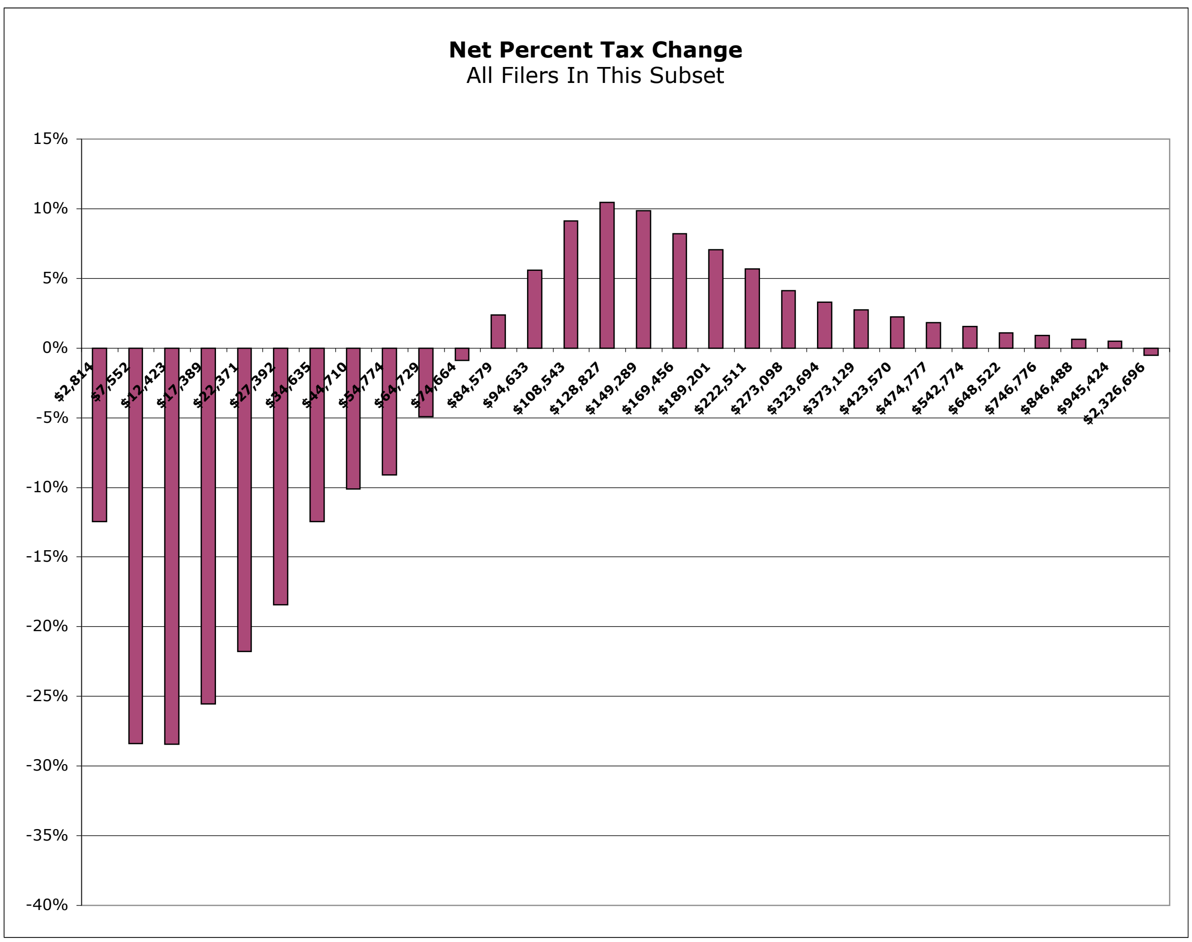
Table
NON A

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	138,613	$2,814	$0	$0	($31)	($31)	-12%
$5,000	$10,000	182,534	$7,552	$0	$0	($104)	($104)	-28%
$10,000	$15,000	196,106	$12,423	($23)	$0	($126)	($149)	-28%
$15,000	$20,000	160,252	$17,389	($32)	$0	($146)	($179)	-26%
$20,000	$25,000	121,395	$22,371	($39)	$0	($150)	($189)	-22%
$25,000	$30,000	91,261	$27,392	($40)	$0	($153)	($193)	-18%
$30,000	$40,000	126,727	$34,635	$8	$0	($170)	($162)	-12%
$40,000	$50,000	84,621	$44,710	$20	$0	($190)	($170)	-10%
$50,000	$60,000	62,299	$54,774	$20	$0	($208)	($188)	-9%
$60,000	$70,000	45,941	$64,729	$102	$0	($222)	($120)	-5%
$70,000	$80,000	31,611	$74,664	$206	$0	($231)	($25)	-1%
$80,000	$90,000	20,027	$84,579	$315	$0	($239)	$76	2%
$90,000	$100,000	12,715	$94,633	$443	$0	($245)	$198	6%
$100,000	$120,000	13,095	$108,543	$615	$0	($251)	$365	9%
$120,000	$140,000	5,639	$128,827	$767	$0	($262)	$505	10%
$140,000	$160,000	3,116	$149,289	$843	$0	($276)	$566	10%
$160,000	$180,000	1,974	$169,456	$843	$0	($287)	$556	8%
$180,000	$200,000	1,438	$189,201	$845	$0	($296)	$549	7%
$200,000	$250,000	2,180	$222,511	$833	$0	($309)	$525	6%
$250,000	$300,000	1,232	$273,098	$843	$0	($355)	$488	4%
$300,000	$350,000	800	$323,694	$826	$0	($367)	$459	3%
$350,000	$400,000	542	$373,129	$837	$0	($393)	$444	3%
$400,000	$450,000	402	$423,570	$834	$0	($418)	$416	2%
$450,000	$500,000	277	$474,777	$830	$0	($451)	$379	2%
$500,000	$600,000	451	$542,774	$817	$0	($453)	$364	2%
$600,000	$700,000	271	$648,522	$833	$0	($517)	$316	1%
$700,000	$800,000	201	$746,776	$824	$0	($540)	$283	1%
$800,000	$900,000	134	$846,488	$806	$0	($578)	$228	1%
$900,000	$1,000,000	125	$945,424	$795	$0	($598)	$198	0.5%
$1,000,000	plus	557	$2,326,696	$835	$0	($1,312)	($477)	-1%
		1,306,536						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


Dollar Tax Change
All Filers In This Subset
$5,000
$4,800
$4,600
$4,400
$4,200
$4,000
$3,800
$3,600
$3,400
$3,200
$3,000
$2,800
$2,600
$2,400
$2,200
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
$2,814
$7,552
$12,423
$17,389
$22,371
$27,392
$34,635
$44,710
$54,774
$64,729
$74,664
$84,579
$94,633
$108,543
$128,827
$149,289
$169,456
$189,201
$222,511
$273,098
$323,694
$373,129
$423,570
$474,777
$542,774
$648,522
$746,776
$846,488
$945,424
$2,326,696


Net Percent Tax Change
All Filers In This Subset
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$2,814
$7,552
$12,423
$17,389
$22,371
$27,392
$34,635
$44,710
$54,774
$64,729
$74,664
$84,579
$94,633
$108,543
$128,827
$149,289
$169,456
$189,201
$222,511
$273,098
$323,694
$373,129
$423,570
$474,777
$542,774
$648,522
$746,776
$846,488
$945,424
$2,326,696

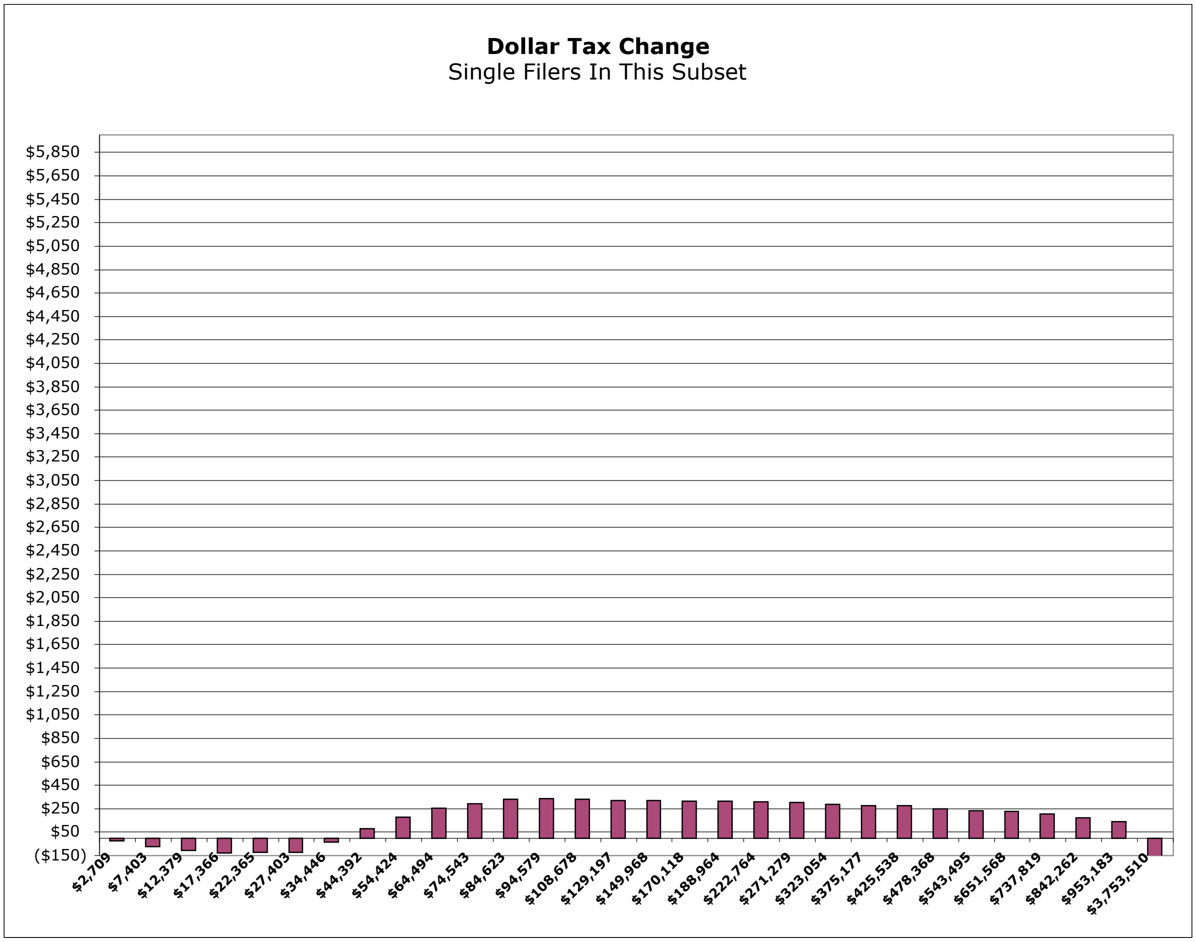
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
NON-ITEMIZER RESIDENT RETURNS
SINGLE FILER STATUS
TAX YEAR 2003

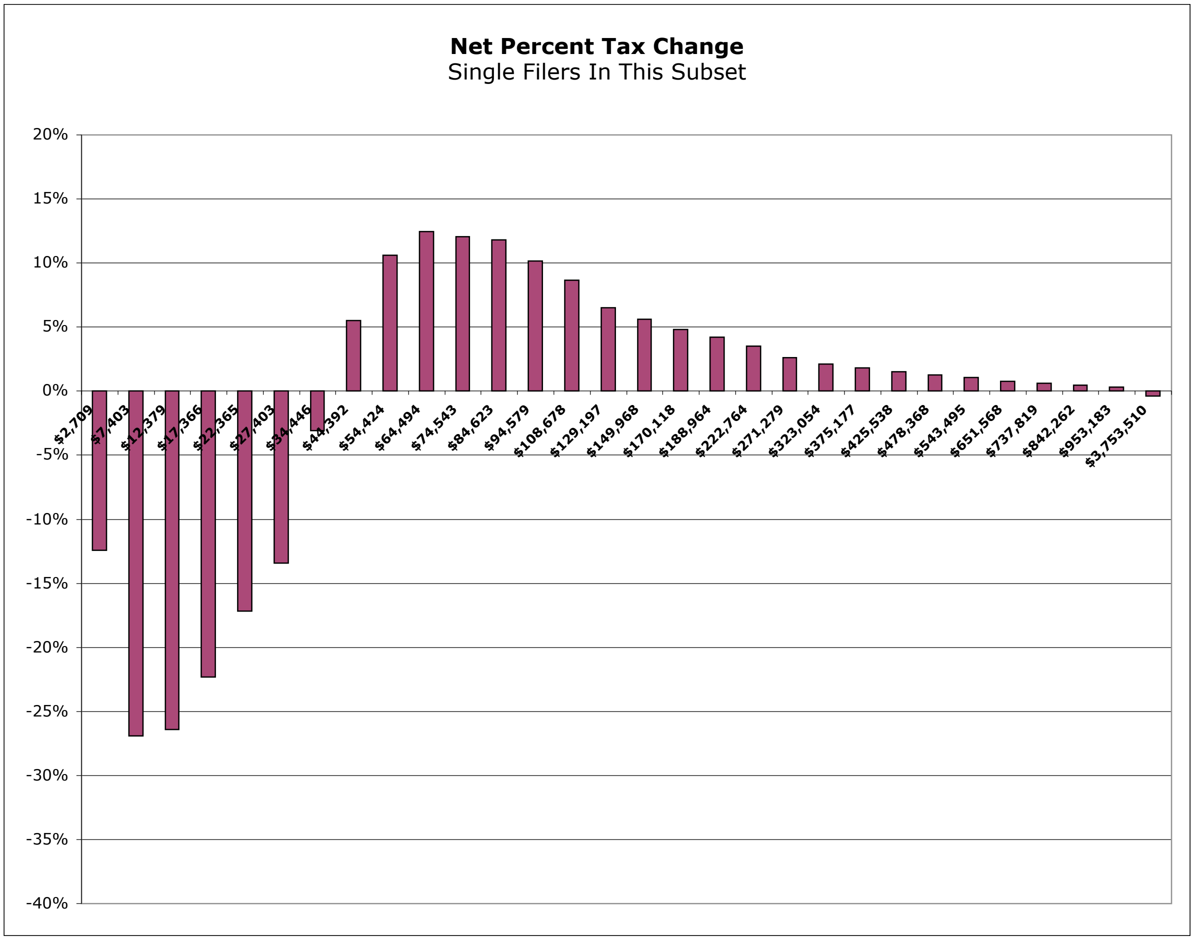
Table
NON S

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	107,242	$2,709	$0	$0	($24)	($24)	-12%
$5,000	$10,000	102,133	$7,403	$0	$0	($73)	($73)	-27%
$10,000	$15,000	78,767	$12,379	($28)	$0	($79)	($108)	-26%
$15,000	$20,000	59,625	$17,366	($44)	$0	($83)	($127)	-22%
$20,000	$25,000	43,641	$22,365	($44)	$0	($81)	($125)	-17%
$25,000	$30,000	33,759	$27,403	($39)	$0	($81)	($120)	-13%
$30,000	$40,000	43,352	$34,446	$50	$0	($84)	($35)	-3%
$40,000	$50,000	20,902	$44,392	$168	$0	($90)	$77	6%
$50,000	$60,000	10,119	$54,424	$274	$0	($95)	$179	11%
$60,000	$70,000	5,190	$64,494	$354	$0	($101)	$253	12%
$70,000	$80,000	2,756	$74,543	$394	$0	($101)	$293	12%
$80,000	$90,000	1,512	$84,623	$438	$0	($107)	$331	12%
$90,000	$100,000	875	$94,579	$450	$0	($112)	$338	10%
$100,000	$120,000	930	$108,678	$450	$0	($120)	$330	9%
$120,000	$140,000	425	$129,197	$450	$0	($130)	$320	7%
$140,000	$160,000	278	$149,968	$450	$0	($131)	$319	6%
$160,000	$180,000	204	$170,118	$450	$0	($136)	$314	5%
$180,000	$200,000	137	$188,964	$450	$0	($133)	$316	4%
$200,000	$250,000	268	$222,764	$450	$0	($139)	$310	4%
$250,000	$300,000	133	$271,279	$450	$0	($149)	$301	3%
$300,000	$350,000	100	$323,054	$450	$0	($162)	$288	2%
$350,000	$400,000	60	$375,177	$450	$0	($173)	$277	2%
$400,000	$450,000	50	$425,538	$450	$0	($176)	$274	2%
$450,000	$500,000	35	$478,368	$450	$0	($200)	$250	1%
$500,000	$600,000	74	$543,495	$450	$0	($219)	$231	1%
$600,000	$700,000	37	$651,568	$450	$0	($225)	$225	1%
$700,000	$800,000	30	$737,819	$450	$0	($247)	$203	1%
$800,000	$900,000	23	$842,262	$450	$0	($276)	$174	0.5%
$900,000	$1,000,000	25	$953,183	$450	$0	($309)	$141	0.3%
$1,000,000	plus	74	$3,753,510	$450	$0	($952)	($502)	-0.4%
		512,756						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


Dollar Tax Change
Single Filers In This Subset
$5,850
$5,650
$5,450
$5,250
$5,050
$4,850
$4,650
$4,450
$4,250
$4,050
$3,850
$3,650
$3,450
$3,250
$3,050
$2,850
$2,650
$2,450
$2,250
$2,050
$1,850
$1,650
$1,450
$1,250
$1,050
$850
$650
$450
$250
$50
($150)
$2,709
$7,403
$12,379
$17,366
$22,365
$27,403
$34,446
$44,392
$54,424
$64,494
$74,543
$84,623
$94,579
$108,678
$129,197
$149,968
$170,118
$188,964
$222,764
$271,279
$323,054
$375,177
$425,538
$478,368
$543,495
$651,568
$737,819
$842,262
$953,183
$3,753,510


Net Percent Tax Change
Single Filers In This Subset
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$2,709
$7,403
$12,379
$17,366
$22,365
$27,403
$34,446
$44,392
$54,424
$64,494
$74,543
$84,623
$94,579
$108,678
$129,197
$149,968
$170,118
$188,964
$222,764
$271,279
$323,054
$375,177
$425,538
$478,368
$543,495
$651,568
$737,819
$842,262
$953,183
$3,753,510

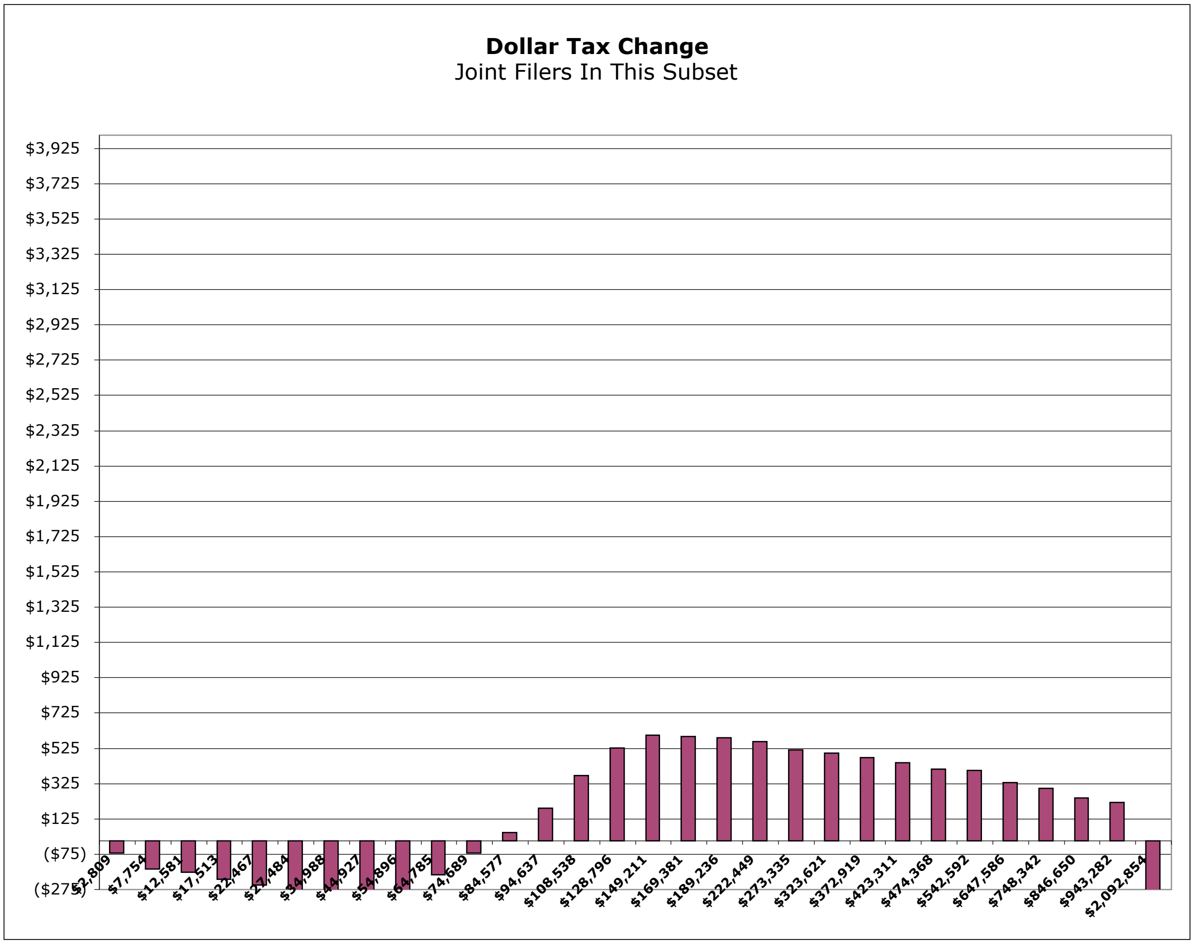
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
NON-ITEMIZER RESIDENT RETURNS
JOINT FILER STATUS
TAX YEAR 2003

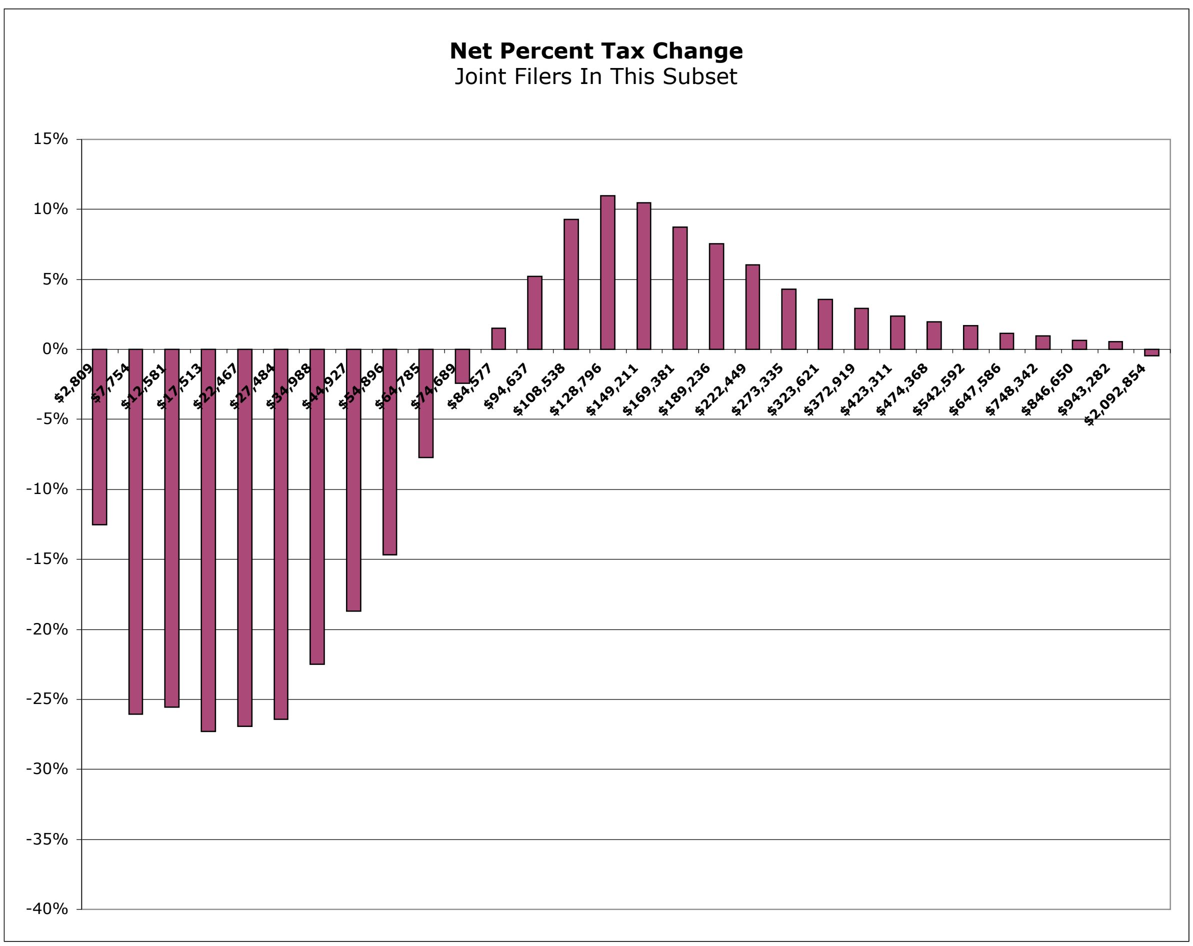
Table
NON J

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	8,348	$2,809	$0	$0	($69)	($69)	-13%
$5,000	$10,000	16,799	$7,754	$0	$0	($158)	($158)	-26%
$10,000	$15,000	26,913	$12,581	$0	$0	($178)	($178)	-26%
$15,000	$20,000	31,732	$17,513	$0	$0	($216)	($216)	-27%
$20,000	$25,000	30,412	$22,467	($35)	$0	($215)	($250)	-27%
$25,000	$30,000	28,150	$27,484	($78)	$0	($216)	($293)	-26%
$30,000	$40,000	54,672	$34,988	($78)	$0	($232)	($309)	-23%
$40,000	$50,000	51,379	$44,927	($97)	$0	($233)	($330)	-19%
$50,000	$60,000	46,821	$54,896	($77)	$0	($235)	($313)	-15%
$60,000	$70,000	38,358	$64,785	$48	$0	($241)	($193)	-8%
$70,000	$80,000	27,639	$74,689	$177	$0	($246)	($69)	-2%
$80,000	$90,000	17,939	$84,577	$300	$0	($251)	$49	2%
$90,000	$100,000	11,551	$94,637	$442	$0	($256)	$186	5%
$100,000	$120,000	11,873	$108,538	$632	$0	($262)	$370	9%
$120,000	$140,000	5,072	$128,796	$802	$0	($275)	$527	11%
$140,000	$160,000	2,752	$149,211	$894	$0	($293)	$601	10%
$160,000	$180,000	1,722	$169,381	$900	$0	($306)	$594	9%
$180,000	$200,000	1,264	$189,236	$899	$0	($316)	$584	8%
$200,000	$250,000	1,859	$222,449	$899	$0	($335)	$564	6%
$250,000	$300,000	1,076	$273,335	$900	$0	($383)	$517	4%
$300,000	$350,000	669	$323,621	$899	$0	($401)	$499	4%
$350,000	$400,000	466	$372,919	$900	$0	($426)	$473	3%
$400,000	$450,000	343	$423,311	$900	$0	($456)	$444	2%
$450,000	$500,000	235	$474,368	$900	$0	($492)	$408	2%
$500,000	$600,000	368	$542,592	$900	$0	($501)	$399	2%
$600,000	$700,000	231	$647,586	$900	$0	($567)	$332	1%
$700,000	$800,000	167	$748,342	$900	$0	($600)	$300	1%
$800,000	$900,000	106	$846,650	$900	$0	($656)	$243	1%
$900,000	$1,000,000	96	$943,282	$900	$0	($680)	$220	1%
$1,000,000	plus	477	$2,092,854	$900	$0	($1,301)	($401)	-0.5%
		419,489						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


Dollar Tax Change
Joint Filers In This Subset
$3,925
$3,725
$3,525
$3,325
$3,125
$2,925
$2,725
$2,525
$2,325
$2,125
$1,925
$1,725
$1,525
$1,325
$1,125
$925
$725
$525
$325
$125
($75)
($275)
$2,809
$7,754
$12,581
$17,513
$22,467
$27,484
$34,988
$44,927
$54,896
$64,785
$74,689
$84,577
$94,637
$108,538
$128,796
$149,211
$169,381
$189,236
$222,449
$273,335
$323,621
$372,919
$423,311
$474,368
$542,592
$647,586
$748,342
$846,650
$943,282
$2,092,854


Net Percent Tax Change
Joint Filers In This Subset
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$2,809
$7,754
$12,581
$17,513
$22,467
$27,484
$34,988
$44,927
$54,896
$64,785
$74,689
$84,577
$94,637
$108,538
$128,796
$149,211
$169,381
$189,236
$222,449
$273,335
$323,621
$372,919
$423,311
$474,368
$542,592
$647,586
$748,342
$846,650
$943,282
$2,092,854

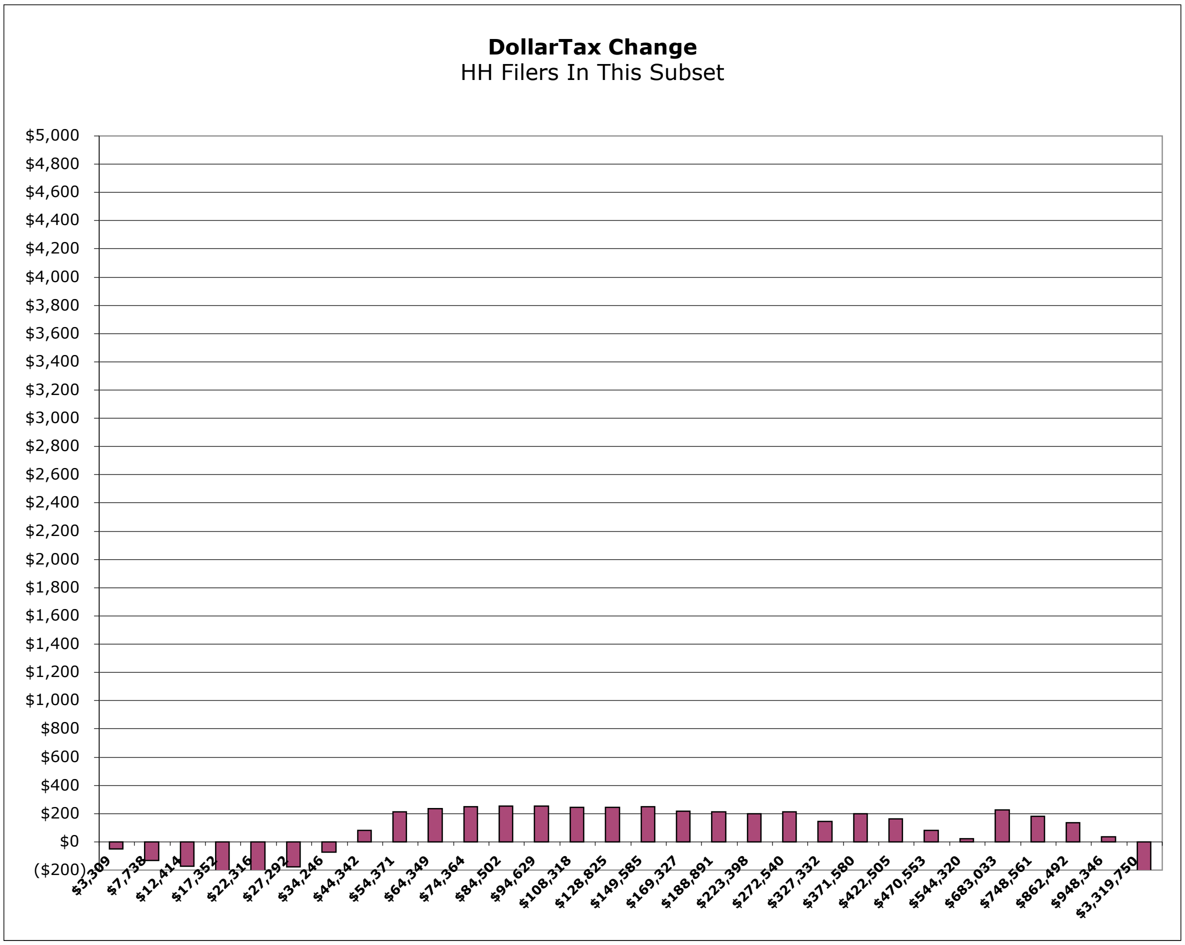
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
NON-ITEMIZER RESIDENT RETURNS
HEAD-OF-HOUSEHOLD FILER STATUS
TAX YEAR 2003

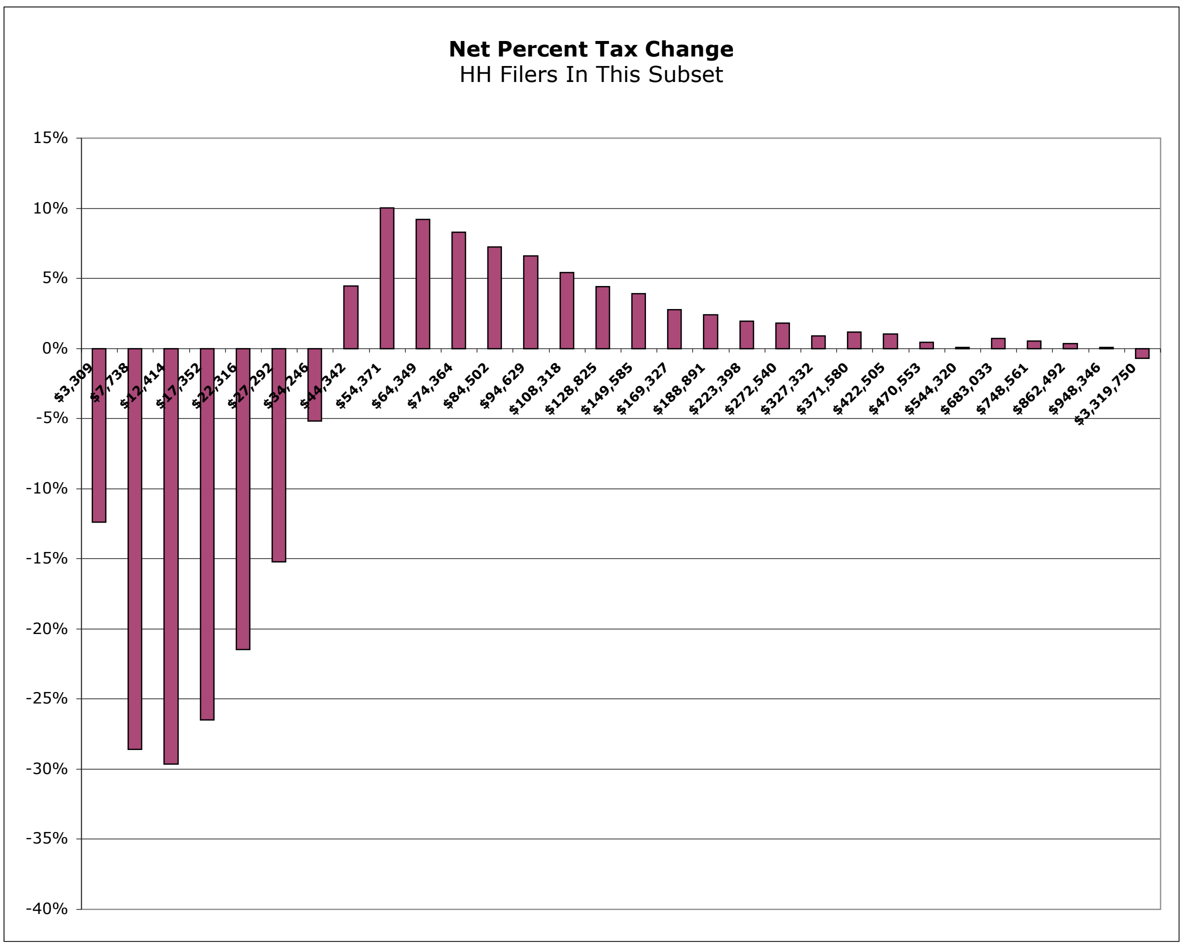
Table
NON H

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	23,023	$3,309	$0	$0	($51)	($51)	-12%
$5,000	$10,000	63,602	$7,738	$0	$0	($130)	($130)	-29%
$10,000	$15,000	90,426	$12,414	($26)	$0	($145)	($171)	-30%
$15,000	$20,000	68,895	$17,352	($38)	$0	($167)	($205)	-26%
$20,000	$25,000	47,342	$22,316	($38)	$0	($168)	($206)	-21%
$25,000	$30,000	29,352	$27,292	($6)	$0	($172)	($178)	-15%
$30,000	$40,000	28,703	$34,246	$107	$0	($181)	($74)	-5%
$40,000	$50,000	12,340	$44,342	$260	$0	($180)	$80	4%
$50,000	$60,000	5,359	$54,371	$396	$0	($182)	$214	10%
$60,000	$70,000	2,393	$64,349	$423	$0	($187)	$237	9%
$70,000	$80,000	1,216	$74,364	$437	$0	($188)	$248	8%
$80,000	$90,000	576	$84,502	$450	$0	($197)	$253	7%
$90,000	$100,000	289	$94,629	$450	$0	($196)	$254	7%
$100,000	$120,000	292	$108,318	$450	$0	($205)	$245	5%
$120,000	$140,000	142	$128,825	$450	$0	($206)	$244	4%
$140,000	$160,000	86	$149,585	$450	$0	($201)	$249	4%
$160,000	$180,000	48	$169,327	$450	$0	($231)	$219	3%
$180,000	$200,000	37	$188,891	$450	$0	($236)	$214	2%
$200,000	$250,000	53	$223,398	$450	$0	($249)	$201	2%
$250,000	$300,000	23	$272,540	$450	$0	($236)	$214	2%
$300,000	$350,000	31	$327,332	$450	$0	($307)	$143	1%
$350,000	$400,000	16	$371,580	$450	$0	($250)	$200	1%
$400,000	$450,000	9	$422,505	$450	$0	($287)	$163	1%
$450,000	$500,000	7	$470,553	$392	$0	($311)	$81	0.4%
$500,000	$600,000	9	$544,320	$450	$0	($426)	$24	0.1%
$600,000	$700,000	3	$683,033	$450	$0	($224)	$226	1%
$700,000	$800,000	4	$748,561	$450	$0	($267)	$183	1%
$800,000	$900,000	5	$862,492	$450	$0	($312)	$138	0.4%
$900,000	$1,000,000	4	$948,346	$450	$0	($416)	$34	0.1%
$1,000,000	plus	6	$3,319,750	$450	$0	($1,410)	($960)	-1%
		374,291						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


DollarTax Change
HH Filers In This Subset
$5,000
$4,800
$4,600
$4,400
$4,200
$4,000
$3,800
$3,600
$3,400
$3,200
$3,000
$2,800
$2,600
$2,400
$2,200
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
$3,309
$7,738
$12,414
$17,352
$22,316
$27,292
$34,246
$44,342
$54,371
$64,349
$74,364
$84,502
$94,629
$108,318
$128,825
$149,585
$169,327
$188,891
$223,398
$272,540
$327,332
$371,580
$422,505
$470,553
$544,320
$683,033
$748,561
$862,492
$948,346
$3,319,750


Net Percent Tax Change
HH Filers In This Subset
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$3,309
$7,738
$12,414
$17,352
$22,316
$27,292
$34,246
$44,342
$54,371
$64,349
$74,364
$84,502
$94,629
$108,318
$128,825
$149,585
$169,327
$188,891
$223,398
$272,540
$327,332
$371,580
$422,505
$470,553
$544,320
$683,033
$748,561
$862,492
$948,346
$3,319,750

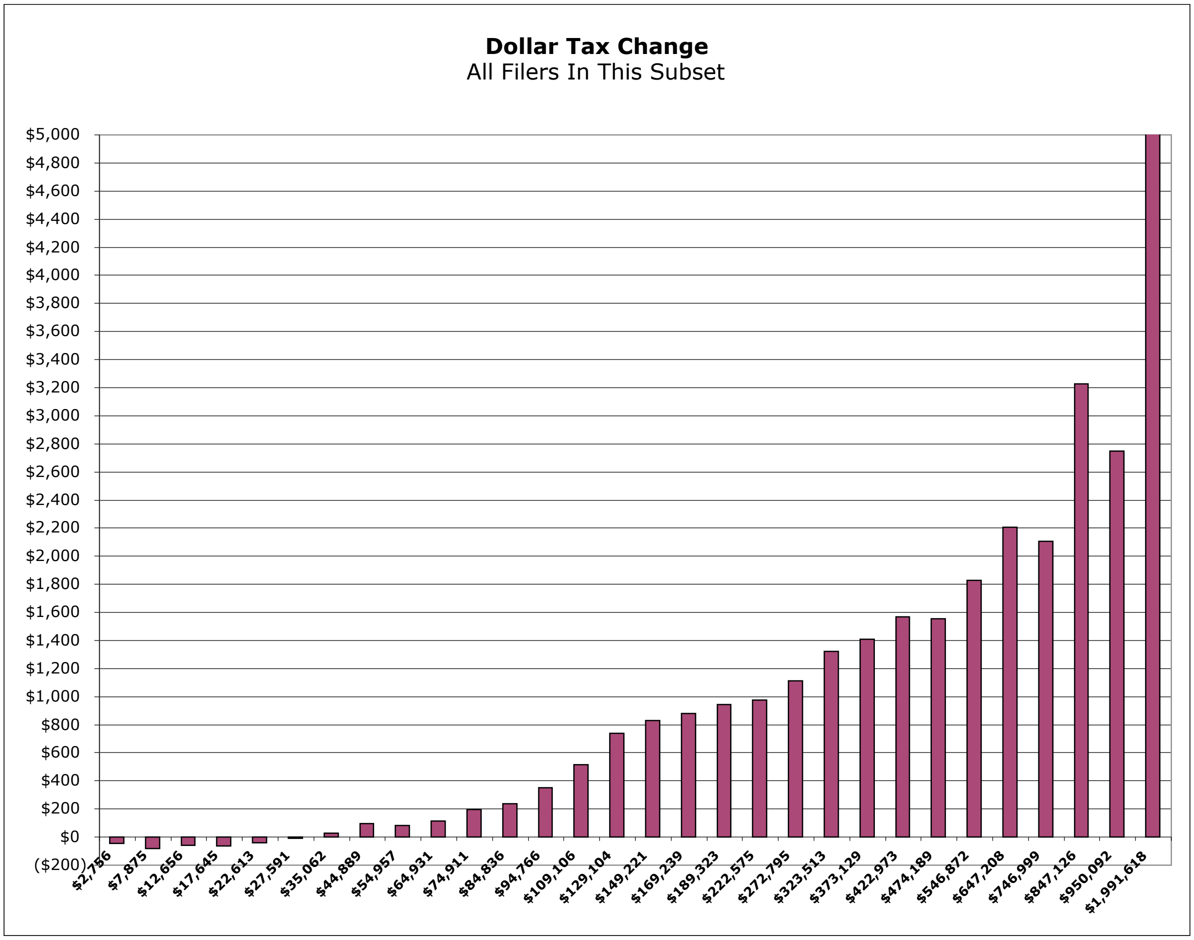
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
ITEMIZER RESIDENT RETURNS
ALL FILING STATUS'
TAX YEAR 2003

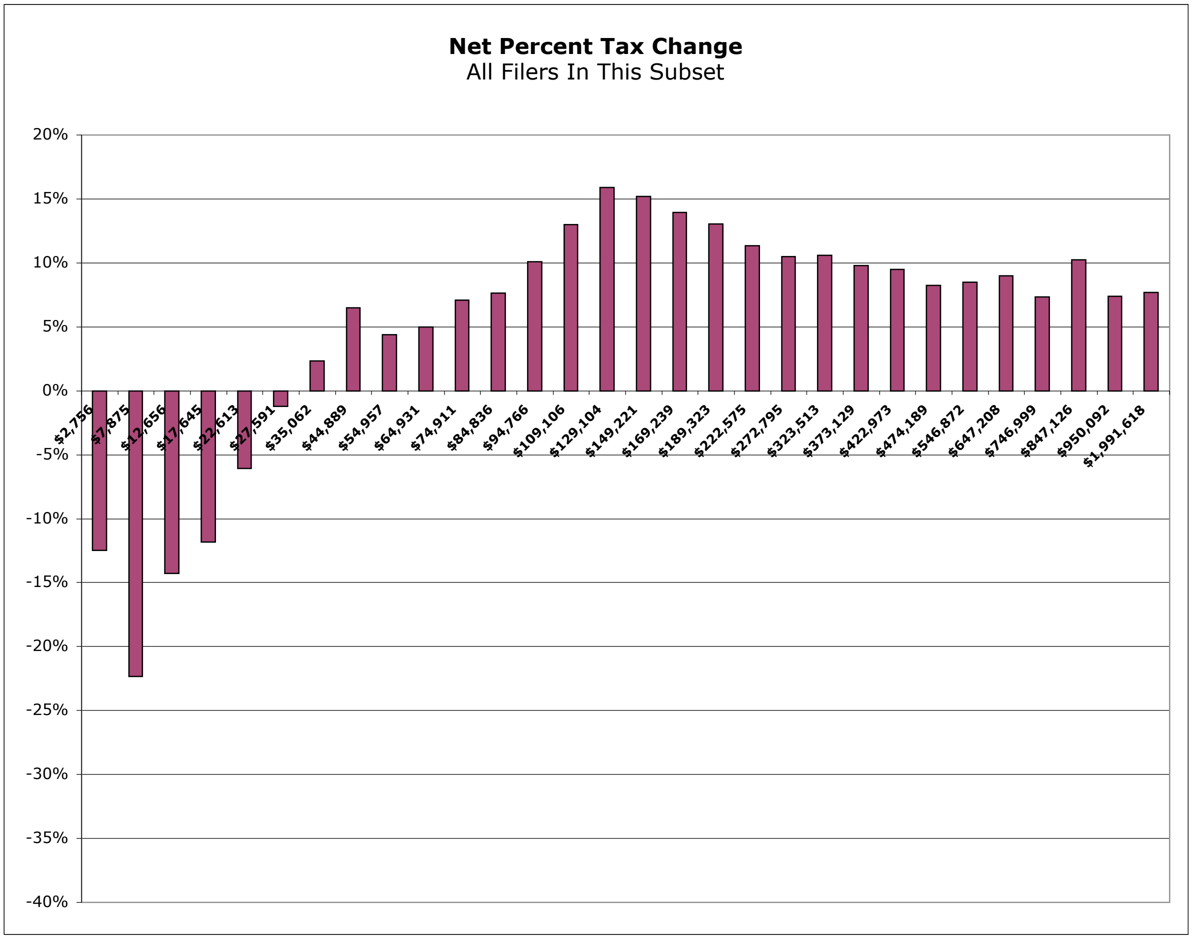
Table
ITM A

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	1,632	$2,756	$0	$0	($44)	($44)	-12%
$5,000	$10,000	3,525	$7,875	$28	$0	($108)	($80)	-22%
$10,000	$15,000	6,706	$12,656	$57	$0	($116)	($60)	-14%
$15,000	$20,000	9,464	$17,645	$74	($4)	($134)	($64)	-12%
$20,000	$25,000	12,189	$22,613	$104	($10)	($136)	($42)	-6%
$25,000	$30,000	15,215	$27,591	$141	($14)	($137)	($11)	-1%
$30,000	$40,000	35,290	$35,062	$205	($28)	($151)	$27	2%
$40,000	$50,000	34,475	$44,889	$312	($47)	($168)	$97	6%
$50,000	$60,000	31,789	$54,957	$338	($62)	($192)	$84	4%
$60,000	$70,000	29,509	$64,931	$405	($75)	($214)	$117	5%
$70,000	$80,000	27,113	$74,911	$514	($88)	($230)	$195	7%
$80,000	$90,000	23,199	$84,836	$655	($172)	($244)	$240	8%
$90,000	$100,000	18,430	$94,766	$817	($213)	($252)	$351	10%
$100,000	$120,000	24,641	$109,106	$1,044	($268)	($261)	$515	13%
$120,000	$140,000	13,536	$129,104	$1,345	($339)	($269)	$737	16%
$140,000	$160,000	8,108	$149,221	$1,520	($411)	($281)	$829	15%
$160,000	$180,000	5,045	$169,239	$1,655	($483)	($291)	$881	14%
$180,000	$200,000	3,563	$189,323	$1,759	($514)	($303)	$943	13%
$200,000	$250,000	5,310	$222,575	$1,930	($635)	($319)	$976	11%
$250,000	$300,000	3,015	$272,795	$2,149	($689)	($345)	$1,114	11%
$300,000	$350,000	1,795	$323,513	$2,463	($778)	($363)	$1,322	11%
$350,000	$400,000	1,320	$373,129	$2,732	($929)	($392)	$1,411	10%
$400,000	$450,000	882	$422,973	$2,997	($1,020)	($410)	$1,567	10%
$450,000	$500,000	639	$474,189	$2,988	($991)	($440)	$1,557	8%
$500,000	$600,000	916	$546,872	$3,450	($1,147)	($475)	$1,828	9%
$600,000	$700,000	533	$647,208	$4,082	($1,349)	($524)	$2,208	9%
$700,000	$800,000	361	$746,999	$3,890	($1,228)	($557)	$2,105	7%
$800,000	$900,000	252	$847,126	$5,871	($2,025)	($617)	$3,229	10%
$900,000	$1,000,000	149	$950,092	$5,046	($1,608)	($688)	$2,750	7%
$1,000,000	plus	775	$1,991,618	$9,757	($3,044)	($1,136)	$5,577	8%
		319,376						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


Dollar Tax Change
All Filers In This Subset
$5,000
$4,800
$4,600
$4,400
$4,200
$4,000
$3,800
$3,600
$3,400
$3,200
$3,000
$2,800
$2,600
$2,400
$2,200
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
$2,756
$7,875
$12,656
$17,645
$22,613
$27,591
$35,062
$44,889
$54,957
$64,931
$74,911
$84,836
$94,766
$109,106
$129,104
$149,221
$169,239
$189,323
$222,575
$272,795
$323,513
$373,129
$422,973
$474,189
$546,872
$647,208
$746,999
$847,126
$950,092
$1,991,618


Net Percent Tax Change
All Filers In This Subset
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$2,756
$7,875
$12,656
$17,645
$22,613
$27,591
$35,062
$44,889
$54,957
$64,931
$74,911
$84,836
$94,766
$109,106
$129,104
$149,221
$169,239
$189,323
$222,575
$272,795
$323,513
$373,129
$422,973
$474,189
$546,872
$647,208
$746,999
$847,126
$950,092
$1,991,618

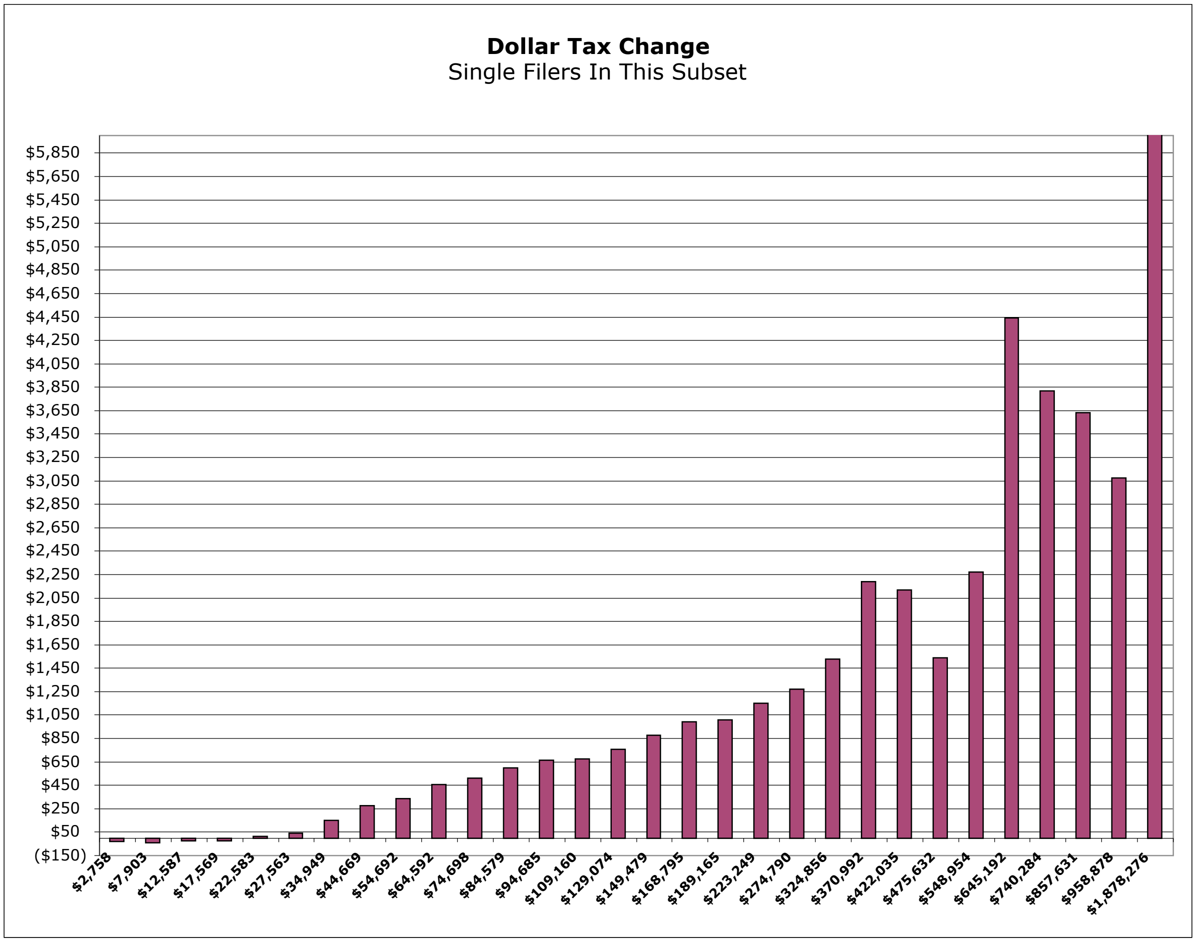
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
ITEMIZER RESIDENT RETURNS
SINGLE FILER STATUS
TAX YEAR 2003

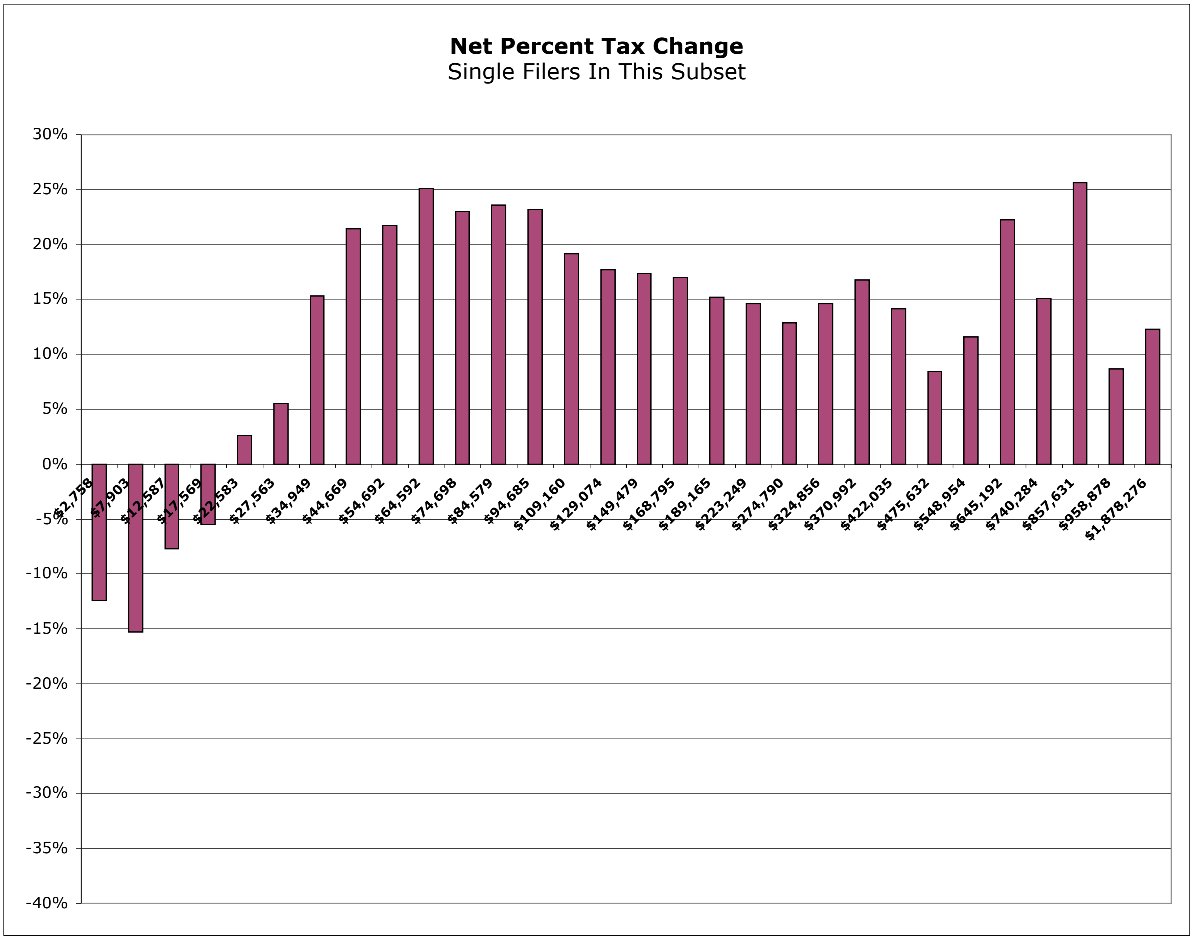
Table
ITM S

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	1,041	$2,758	$0	$0	($31)	($31)	-12%
$5,000	$10,000	2,345	$7,903	$43	$0	($83)	($41)	-15%
$10,000	$15,000	4,353	$12,587	$63	$0	($88)	($25)	-8%
$15,000	$20,000	5,159	$17,569	$73	($7)	($90)	($25)	-6%
$20,000	$25,000	6,018	$22,583	$118	($18)	($85)	$15	3%
$25,000	$30,000	7,327	$27,563	$146	($22)	($83)	$41	6%
$30,000	$40,000	16,094	$34,949	$275	($41)	($84)	$150	15%
$40,000	$50,000	13,228	$44,669	$424	($64)	($86)	$275	21%
$50,000	$60,000	9,077	$54,692	$585	($158)	($90)	$337	22%
$60,000	$70,000	5,713	$64,592	$753	($203)	($93)	$457	25%
$70,000	$80,000	3,715	$74,698	$823	($219)	($95)	$509	23%
$80,000	$90,000	2,374	$84,579	$946	($248)	($99)	$599	24%
$90,000	$100,000	1,577	$94,685	$1,075	($310)	($103)	$663	23%
$100,000	$120,000	1,944	$109,160	$1,091	($308)	($110)	$673	19%
$120,000	$140,000	1,057	$129,074	$1,211	($336)	($116)	$759	18%
$140,000	$160,000	710	$149,479	$1,421	($422)	($119)	$880	17%
$160,000	$180,000	453	$168,795	$1,577	($461)	($124)	$992	17%
$180,000	$200,000	352	$189,165	$1,718	($578)	($129)	$1,010	15%
$200,000	$250,000	507	$223,249	$1,914	($631)	($134)	$1,149	15%
$250,000	$300,000	315	$274,790	$2,089	($670)	($150)	$1,270	13%
$300,000	$350,000	178	$324,856	$2,456	($777)	($148)	$1,531	15%
$350,000	$400,000	120	$370,992	$3,462	($1,111)	($164)	$2,187	17%
$400,000	$450,000	92	$422,035	$3,549	($1,238)	($193)	$2,118	14%
$450,000	$500,000	61	$475,632	$2,514	($806)	($168)	$1,539	8%
$500,000	$600,000	89	$548,954	$3,700	($1,235)	($191)	$2,273	12%
$600,000	$700,000	56	$645,192	$7,217	($2,552)	($221)	$4,444	22%
$700,000	$800,000	37	$740,284	$6,125	($2,084)	($225)	$3,817	15%
$800,000	$900,000	31	$857,631	$5,861	($1,979)	($251)	$3,631	26%
$900,000	$1,000,000	14	$958,878	$4,874	($1,501)	($299)	$3,073	9%
$1,000,000	plus	116	$1,878,276	$12,133	($3,889)	($473)	$7,770	12%
		84,153						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


Dollar Tax Change
Single Filers In This Subset
$5,850
$5,650
$5,450
$5,250
$5,050
$4,850
$4,650
$4,450
$4,250
$4,050
$3,850
$3,650
$3,450
$3,250
$3,050
$2,850
$2,650
$2,450
$2,250
$2,050
$1,850
$1,650
$1,450
$1,250
$1,050
$850
$650
$450
$250
$50
($150)
$2,758
$7,903
$12,587
$17,569
$22,583
$27,563
$34,949
$44,669
$54,692
$64,592
$74,698
$84,579
$94,685
$109,160
$129,074
$149,479
$168,795
$189,165
$223,249
$274,790
$324,856
$370,992
$422,035
$475,632
$548,954
$645,192
$740,284
$857,631
$958,878
$1,878,276


Net Percent Tax Change
Single Filers In This Subset
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$2,758
$7,903
$12,587
$17,569
$22,583
$27,563
$34,949
$44,669
$54,692
$64,592
$74,698
$84,579
$94,685
$109,160
$129,074
$149,479
$168,795
$189,165
$223,249
$274,790
$324,856
$370,992
$422,035
$475,632
$548,954
$645,192
$740,284
$857,631
$958,878
$1,878,276

ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
ITEMIZER RESIDENT RETURNS
JOINT FILER STATUS
TAX YEAR 2003

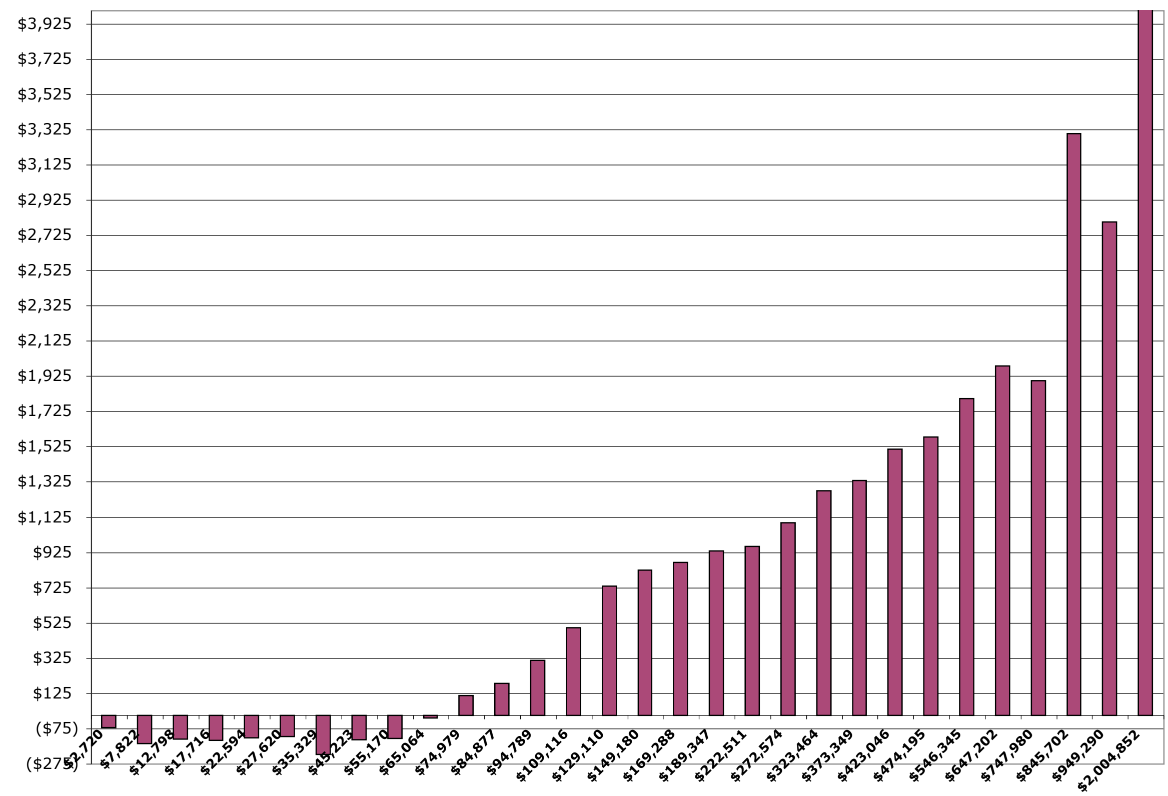
Table
ITM J

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	463	$2,720	$0	$0	($70)	($70)	-13%
$5,000	$10,000	814	$7,822	$0	$0	($157)	($157)	-27%
$10,000	$15,000	1,440	$12,798	$43	$0	($175)	($133)	-21%
$15,000	$20,000	2,478	$17,716	$67	$0	($206)	($140)	-20%
$20,000	$25,000	3,290	$22,594	$80	$0	($205)	($125)	-16%
$25,000	$30,000	3,866	$27,620	$91	$0	($211)	($120)	-13%
$30,000	$40,000	10,358	$35,329	$13	($1)	($233)	($221)	-17%
$40,000	$50,000	14,286	$45,223	$119	($18)	($239)	($138)	-8%
$50,000	$60,000	18,320	$55,170	$136	($20)	($245)	($130)	-6%
$60,000	$70,000	21,010	$65,064	$280	($42)	($251)	($13)	-1%
$70,000	$80,000	21,607	$74,979	$434	($64)	($257)	$112	4%
$80,000	$90,000	19,820	$84,877	$607	($159)	($264)	$184	6%
$90,000	$100,000	16,301	$94,789	$787	($203)	($269)	$315	9%
$100,000	$120,000	22,110	$109,116	$1,039	($263)	($276)	$499	12%
$120,000	$140,000	12,154	$129,110	$1,357	($338)	($284)	$735	16%
$140,000	$160,000	7,221	$149,180	$1,533	($409)	($298)	$825	15%
$160,000	$180,000	4,467	$169,288	$1,664	($485)	($310)	$869	14%
$180,000	$200,000	3,125	$189,347	$1,766	($506)	($324)	$936	13%
$200,000	$250,000	4,689	$222,511	$1,931	($632)	($341)	$958	11%
$250,000	$300,000	2,640	$272,574	$2,150	($684)	($371)	$1,094	10%
$300,000	$350,000	1,576	$323,464	$2,422	($757)	($390)	$1,276	10%
$350,000	$400,000	1,174	$373,349	$2,650	($897)	($418)	$1,334	9%
$400,000	$450,000	765	$423,046	$2,940	($987)	($440)	$1,513	9%
$450,000	$500,000	561	$474,195	$3,066	($1,009)	($474)	$1,582	8%
$500,000	$600,000	808	$546,345	$3,421	($1,113)	($510)	$1,798	8%
$600,000	$700,000	467	$647,202	$3,734	($1,185)	($566)	$1,983	8%
$700,000	$800,000	314	$747,980	$3,570	($1,067)	($603)	$1,900	7%
$800,000	$900,000	219	$845,702	$5,910	($1,940)	($667)	$3,303	10%
$900,000	$1,000,000	133	$949,290	$5,115	($1,580)	($734)	$2,800	7%
$1,000,000	plus	646	$2,004,852	$9,334	($2,729)	($1,266)	$5,338	7%
		197,122						

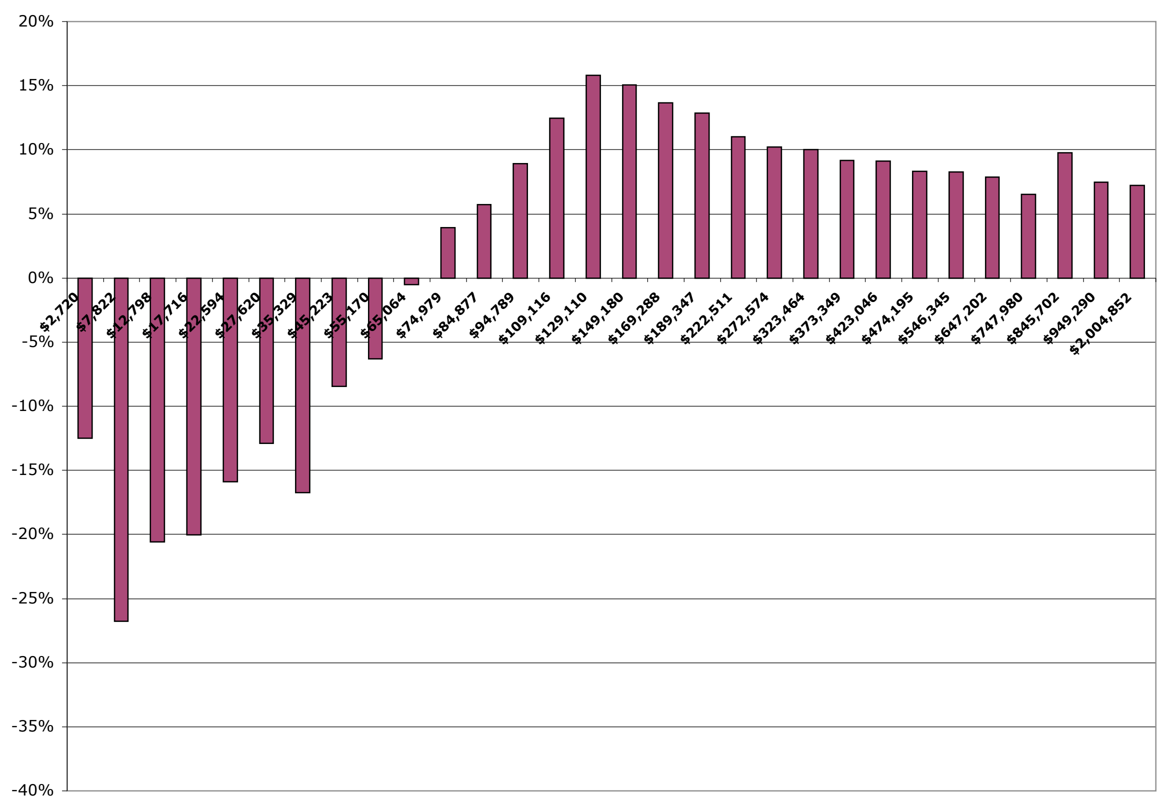
Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).

Dollar Tax Change
Joint Filers In This Subset



Net Percent Tax Change
Joint Filers In This Subset



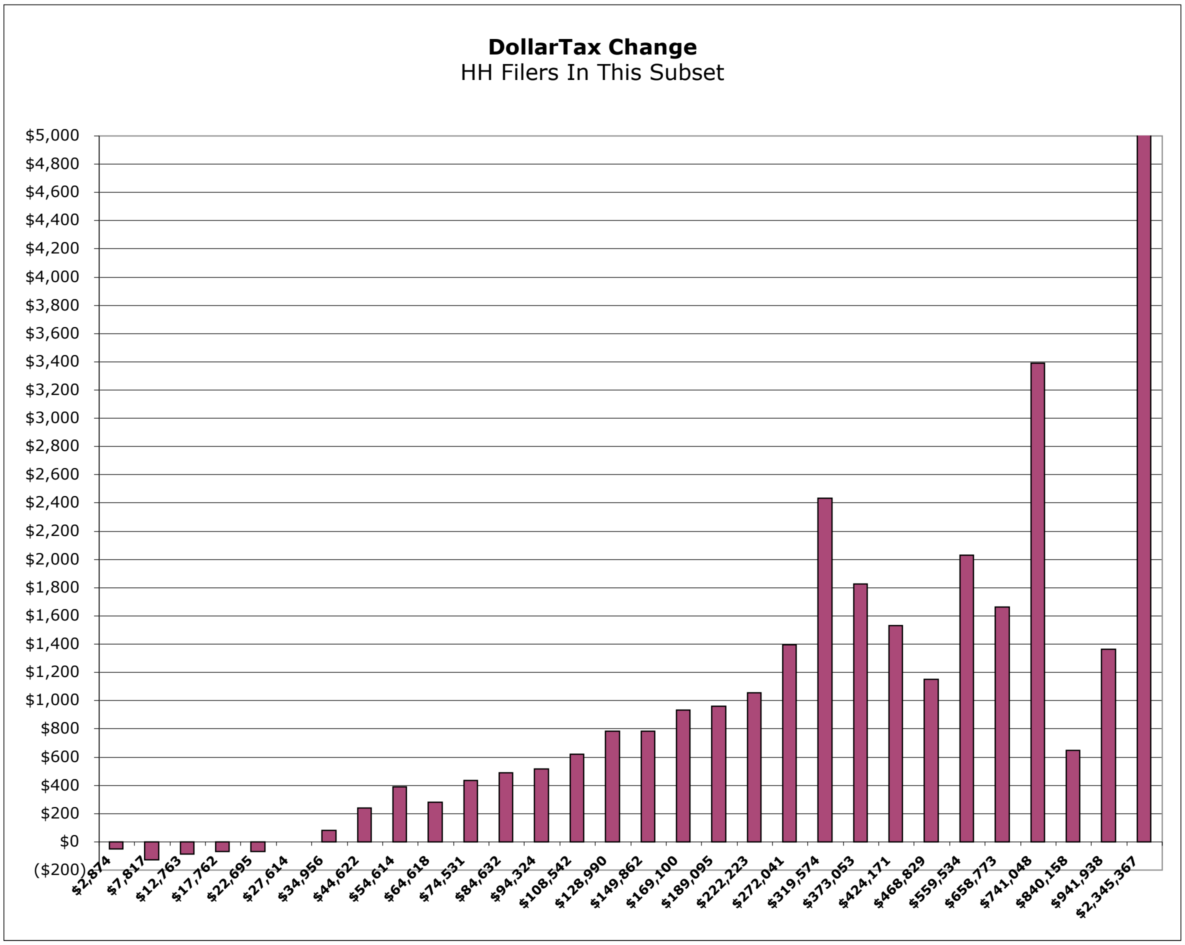
ESTIMATED DISTRIBUTIONAL IMPACT OF "STELLY PLAN" INCOME TAX AND SALES TAX CHANGES
INCOME TAX BRACKET COMPRESSION AND ELIMINATION OF FOOD AND RESIDENTIAL UTILITY SALES TAX
ITEMIZER RESIDENT RETURNS
HEAD-OF-HOUSEHOLD FILER STATUS
TAX YEAR 2003

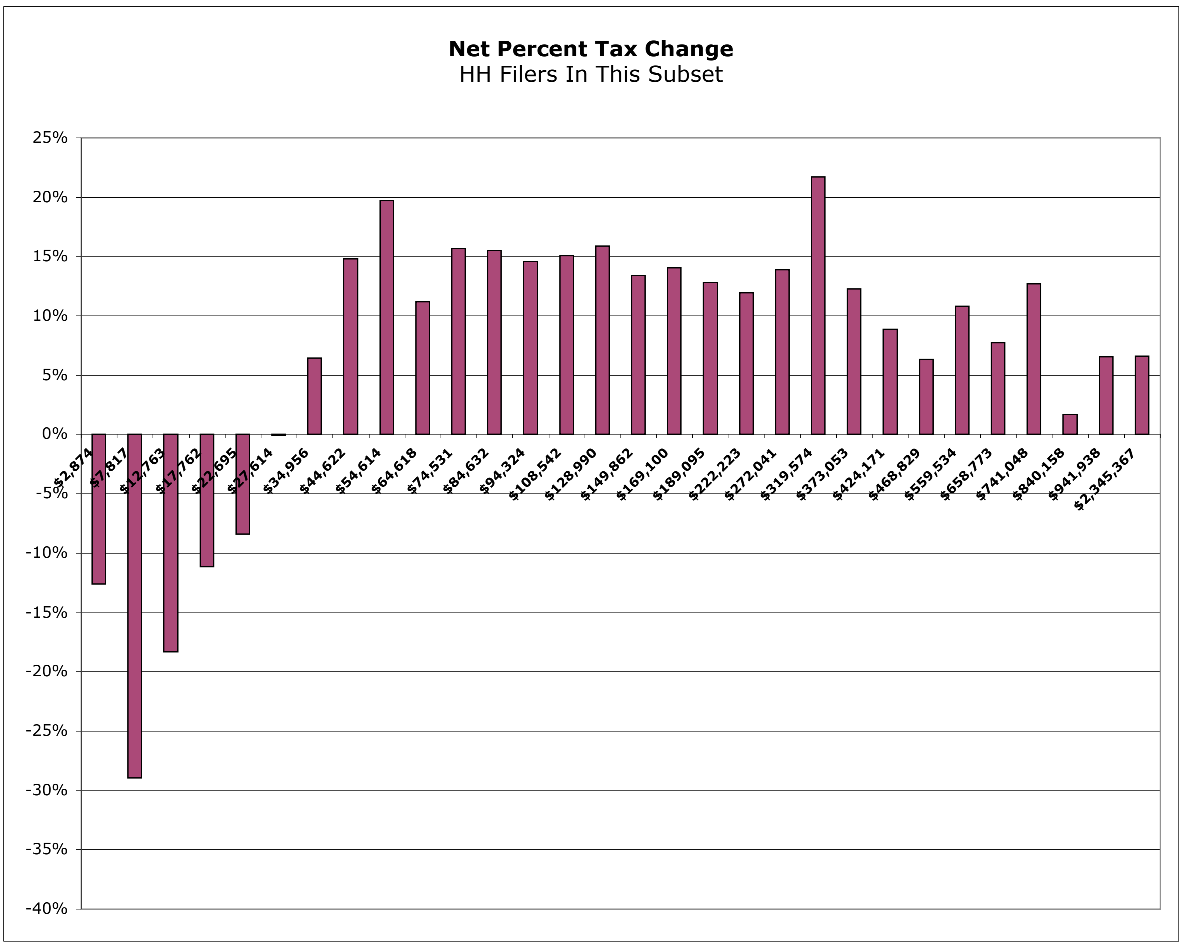
Table
ITM H

Federal Adjusted Gross Income		Number of Returns	Average FAGI	State Income Tax Change	Federal Income Tax Savings	Food & Utility Sales Tax Savings	Net Impact of Tax Changes	Net Percent Change
$0	$5,000	128	$2,874	$0	$0	($52)	($52)	-13%
$5,000	$10,000	366	$7,817	$0	$0	($126)	($126)	-29%
$10,000	$15,000	913	$12,763	$50	$0	($136)	($85)	-18%
$15,000	$20,000	1,827	$17,762	$86	$0	($154)	($68)	-11%
$20,000	$25,000	2,881	$22,695	$100	($10)	($157)	($67)	-8%
$25,000	$30,000	4,022	$27,614	$179	($18)	($162)	($1)	0%
$30,000	$40,000	8,838	$34,956	$304	($46)	($175)	$83	6%
$40,000	$50,000	6,961	$44,622	$494	($74)	($178)	$242	15%
$50,000	$60,000	4,392	$54,614	$667	($100)	($179)	$387	20%
$60,000	$70,000	2,786	$64,618	$635	($171)	($184)	$280	11%
$70,000	$80,000	1,791	$74,531	$842	($224)	($186)	$433	16%
$80,000	$90,000	1,005	$84,632	$924	($243)	($191)	$490	16%
$90,000	$100,000	552	$94,324	$963	($249)	($196)	$517	15%
$100,000	$120,000	587	$108,542	$1,097	($281)	($197)	$619	15%
$120,000	$140,000	325	$128,990	$1,328	($337)	($209)	$783	16%
$140,000	$160,000	177	$149,862	$1,415	($421)	($209)	$786	13%
$160,000	$180,000	125	$169,100	$1,631	($478)	($221)	$932	14%
$180,000	$200,000	86	$189,095	$1,681	($486)	($233)	$962	13%
$200,000	$250,000	114	$222,223	$1,948	($646)	($248)	$1,054	12%
$250,000	$300,000	60	$272,041	$2,435	($796)	($241)	$1,397	14%
$300,000	$350,000	41	$319,574	$4,033	($1,337)	($263)	$2,432	22%
$350,000	$400,000	26	$373,053	$3,085	($986)	($271)	$1,828	12%
$400,000	$450,000	25	$424,171	$2,704	($910)	($264)	$1,530	9%
$450,000	$500,000	17	$468,829	$2,123	($668)	($304)	$1,151	6%
$500,000	$600,000	19	$559,534	$3,483	($1,162)	($291)	$2,030	11%
$600,000	$700,000	10	$658,773	$2,781	($838)	($280)	$1,663	8%
$700,000	$800,000	10	$741,048	$5,663	($1,919)	($354)	$3,390	13%
$800,000	$900,000	2	$840,158	$1,767	($351)	($767)	$649	2%
$900,000	$1,000,000	2	$941,938	$1,674	$0	($311)	$1,364	7%
$1,000,000	plus	13	$2,345,367	$9,627	($2,732)	($836)	$6,059	7%
		38,101						

Pre-Stelly	Post-Stelly	Rates	
$0 - $20,000	$0 - $25,000	2%	Joint brackets at left; single brackets are one-half these values.
$20,000 - $100,000	$25,000 - $50,000	4%	Retain current marginal rates of 2%, 4%, and 6%.
$100,000 plus	$50,000 plus	6%	Fully retain deduction for federal taxes paid.

Elimination of excess federal itemized deductions (65% would have been allowed in 2003).
Elimination of sales tax on food and residential utility consumption (3.85% annual average rate would have been imposed in 2003).


DollarTax Change
HH Filers In This Subset
$5,000
$4,800
$4,600
$4,400
$4,200
$4,000
$3,800
$3,600
$3,400
$3,200
$3,000
$2,800
$2,600
$2,400
$2,200
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
($200)
$2,874
$7,817
$12,763
$17,762
$22,695
$27,614
$34,956
$44,622
$54,614
$64,618
$74,531
$84,632
$94,324
$108,542
$128,990
$149,862
$169,100
$189,095
$222,223
$272,041
$319,574
$373,053
$424,171
$468,829
$559,534
$658,773
$741,048
$840,158
$941,938
$2,345,367


Net Percent Tax Change
HH Filers In This Subset
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
-40%
$2,874
$7,817
$12,763
$17,762
$22,695
$27,614
$34,956
$44,622
$54,614
$64,618
$74,531
$84,632
$94,324
$108,542
$128,990
$149,862
$169,100
$189,095
$222,223
$272,041
$319,574
$373,053
$424,171
$468,829
$559,534
$658,773
$741,048
$840,158
$941,938
$2,345,367