

# APPENDIX A

## ESTIMATED TAX CONSEQUENCES OF SHIFTING AWAY FROM THE SALES TAX ON FOOD & UTILITIES AND TOWARDS THE PERSONAL INCOME TAX

Federal Adjusted Gross Income		State Income Tax Change	Federal Income Tax Savings	Food & Utilities Sales Tax Savings	Net Impact of Tax Proposal	Net Percent Change
\$0	\$5,000	\$0	\$0	\$34	(\$34)	-100%
\$5,000	\$10,000	\$0	\$0	\$48	(\$48)	-66%
\$10,000	\$15,000	(\$18)	\$0	\$55	(\$73)	-44%
\$15,000	\$20,000	(\$22)	\$0	\$60	(\$82)	-26%
\$20,000	\$25,000	(\$20)	\$0	\$177	(\$197)	-35%
\$25,000	\$30,000	(\$13)	\$0	\$186	(\$199)	-28%
\$30,000	\$40,000	\$55	\$8	\$197	(\$150)	-18%
\$40,000	\$60,000	\$112	\$19	\$213	(\$120)	-10%
\$60,000	\$80,000	\$310	\$72	\$229	\$9	1%
\$80,000	\$100,000	\$640	\$181	\$240	\$219	11%
\$100,000	\$120,000	\$1,015	\$288	\$249	\$478	21%
\$120,000	\$140,000	\$1,346	\$365	\$257	\$725	28%
\$140,000	\$160,000	\$1,519	\$426	\$263	\$830	26%
\$140,000	\$180,000	\$1,653	\$483	\$266	\$905	23%
\$180,000	\$200,000	\$1,785	\$516	\$274	\$995	22%
\$200,000	plus	\$3,112	\$983	\$317	\$1,811	12%

<u>Current</u>	<u>Proposed</u>	<u>Rates</u>
\$0 - \$20,000	\$0 - \$25,000	2% Joint Brackets; Single Brackets are One-Half These Values
\$20,000 - \$100,000	\$25,000 - \$50,000	4% 100% Elimination of Federal Excess Itemized Deductions
\$100,000 plus	\$50,000 plus	6% Fully Retain Deduction For Federal Taxes Paid

Eliminate 4¢ sales tax on food and residential utility consumption.

**Impact of HBs 31 and 36 ("Stelly Plan") on Various Model Taxpayers**

<b>Model Taxpayer</b>	<b>Scenario</b>
1	\$30,000 AGI, Single, No dependents, No itemized deductions, \$5,000 yearly costs subject to food and utility tax
2	\$60,000 AGI, MFJ, 1 dependent, \$4,000 excess itemized deductions, \$8,000 yearly costs subject to food and utility tax
3	\$120,000 AGI, MFJ, 2 dependents, \$20,000 excess itemized deductions, \$11,000 yearly costs subject to food and utility tax
4	\$240,000 AGI, MFJ, 3 dependents, \$40,000 excess itemized deductions, \$13,000 yearly costs subject to food and utility tax

	<b>Model Taxpayer #1</b>		<b>Model Taxpayer #2</b>		<b>Model Taxpayer #3</b>		<b>Model Taxpayer #4</b>	
	<u>Current Rules</u>	<u>Stelly Plan</u>	<u>Current Rules</u>	<u>Stelly Plan</u>	<u>Current Rules</u>	<u>Stelly Plan</u>	<u>Current Rules</u>	<u>Stelly Plan</u>
Louisiana AGI	30,000	30,000	60,000	60,000	120,000	120,000	240,000	240,000
Less: Combined Std. Ded. / Exemption	(4,500)	(4,500)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
Additional Exemptions	-	-	(1,000)	(1,000)	(2,000)	(2,000)	(3,000)	(3,000)
Less: 65% Excess Itemized Deductions*	-	-	(2,600)	-	(13,000)	-	(26,000)	-
Less: Federal Income Tax	(3,045)	(3,045)	(5,273)	(5,273)	(15,437)	(15,437)	(38,147)	(38,147)
Louisiana "Taxable" Income	22,455	22,455	42,127	44,727	80,563	93,563	163,854	189,854
Louisiana Income Tax	788	738	1,485	1,584	3,043	4,554	7,911	10,371
Add: Sales Taxes on Food & Utilities**	200	-	320	-	440	-	520	-
Total Out-of-Pocket Cost	988	738	1,805	1,584	3,483	4,554	8,431	10,371
<b>Increase (Decrease) in Liability</b>	<b>(250)</b>		<b>(221)</b>		<b>1,071</b>		<b>1,940</b>	
<b>Less: Federal Income Tax Savings</b>	<b>-</b>		<b>(15)</b>		<b>(408)</b>		<b>(517)</b>	
<b>Net Cost (Benefit)</b>	<b>(250)</b>		<b>(236)</b>		<b>663</b>		<b>1,423</b>	

\* 65% of Excess Itemized Deductions allowed as deduction under HB 171 for 2003 tax year

\*\* Assuming zero state sales tax liability (effective July 1, 2003 under Stelly Plan).

**Impact of HBs 31 and 36 ("Stelly Plan") on Various Model Taxpayers  
Computation of Federal Income Tax Deduction Used in Determinations**

<b>Model Taxpayer</b>	<b>Scenario</b>
1	\$30,000 AGI, Single, No dependents, No itemized deductions, \$5,000 yearly costs subject to food and utility tax
2	\$60,000 AGI, MFJ, 1 dependent, \$4,000 excess itemized deductions, \$8,000 yearly costs subject to food and utility tax
3	\$120,000 AGI, MFJ, 2 dependents, \$20,000 excess itemized deductions, \$11,000 yearly costs subject to food and utility tax
4	\$240,000 AGI, MFJ, 3 dependents, \$40,000 excess itemized deductions, \$13,000 yearly costs subject to food and utility tax

	<b>Model Taxpayer #1</b>	<b>Model Taxpayer #2</b>	<b>Model Taxpayer #3</b>	<b>Model Taxpayer #4**</b>
Federal AGI	30,000	60,000	120,000	240,000
Less: Standard Deduction*	(4,700)	(7,850)	(7,850)	(7,850)
Less: Excess Itemized Deductions	-	(4,000)	(20,000)	(40,000)
Less: Exemptions*	(3,000)	(9,000)	(12,000)	(10,500)
Federal Taxable Income	22,300	39,150	80,150	181,650
Federal Income Tax*	3,045	5,273	15,437	38,147

\* Amounts used are 2002 projections for the above items.

\*\* Phaseout of personal exemptions estimated as approximately 30%. Blended rate of 21% (to account for LTCG) is used.