

*Staff Information Report
(SR-8)*

**The Tax Reform Act
of 1986 –
Its Effect on Both
Federal and State
Personal Income Tax
Liabilities**

January 1988

Advisory
Commission on
Intergovernmental
Relations
Washington, D.C.



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Preface and Acknowledgments

The federal *Tax Reform Act of 1986* was the most significant restructuring of federal tax policy of the post-World War II period. Its impact was felt not only on federal tax liabilities but also on state income tax systems.

With the assistance of a grant from The Ford Foundation, the Advisory Commission on Intergovernmental Relations undertook a study of the fiscal effects of federal tax reform on state and local governments even before enactment of the legislation. In December 1986, the ACIR issued its first Staff Information Report on the subject: *Preliminary Estimates of the Effect of the 1986 Federal Tax Reform Act on State Personal Income Tax Liabilities*. This report examined the linkages between the federal and state income tax systems and presented estimates of the changes in total state personal income tax liabilities. Since publication of that report, two other working papers have been prepared; one, dated April 1987, summarized then current studies on tax reform and its potential effect on state income tax revenues, and the other report, dated August 1987, gave preliminary estimates of provision-by-provision effects of the act on ag-

gregate state personal income tax liabilities. This Staff Information Report extends the analysis to consider the state-by-state effects of federal tax reform on federal and state tax liabilities of taxpayers in various income classes, and the effects of four different groupings of provisions of the act.

Under contract with ACIR, the Policy Economics Group (PEG) of Peat Marwick Main & Co. prepared the estimates. ACIR designed the project and reviewed the estimates in consultation with state tax officials.

On the ACIR side of this effort, John Shannon, former Executive Director, deserves credit for supervising much of the work on this project during 1986 and 1987. Carolyn Lynch deserves special recognition for her meticulous supervision of the preparation of the estimates and the preparation of the previous two reports. Susannah E. Calkins was responsible for preparing this report for publication. At the Policy Economics Group, Harvey T. Galper and David Wentworth deserve special mention for their work in preparing the tables and analysis for this report.

John Kincaid
Acting Executive Director

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The Tax Reform Act of 1986 – Its Effect on Both Federal and State Personal Income Tax Liabilities

The 15 months between October 1986 and December 1987 have been an unusually busy period for work on tax policy by the federal government and many state governments. On October 22, 1986, President Ronald Reagan signed into law *The Tax Reform Act of 1986*, the most significant restructuring of the federal income tax law in the post-war period, if not since its inception in 1913. Partly in response to this legislation and partly for internal policy reasons, a number of states also have reformed their personal income tax systems substantially since 1986.

This report presents in detail the effects of the federal personal income tax changes on taxpayers in each of the 50 states and the District of Columbia. All major changes in personal income tax provisions, as fully phased in, are included. These federal tax changes have two effects: the direct effects on federal tax liabilities for residents of each state; and the indirect effects on state tax liabilities for those taxpayers, due either to state income tax linkages to the federal income tax or to changes in taxpayer behavior induced by federal tax reform. The indirect state tax changes are those that would occur if the states maintained their linkages to federal law, but took no direct legislative action in response to federal tax reform.

Many states changed their personal income tax laws in 1987, in some cases substantially revising their tax bases and tax rates. The particular changes considered in this report are the changes in personal exemptions and standard deductions that determine the income level at which state income taxes become due.

The analysis presented here is based on computer simulations of federal and state personal income tax liabilities using the Policy Economics Group's federal and state personal income tax model and data base. This data base is similar to the one used by the Department of the Treasury and the Congressional Joint Committee on Taxation. The basic structure of the data base is derived from a statistical merge of a sample of federal income tax returns and the Current Population Survey of the U.S. Census Bureau. A description of the sample and the methodology is in *Appendix A*.

The Tax Reform Act Provisions

The first results presented are simulations of the Policy Economics Group's federal tax model of all the federal tax changes enacted in *The Tax Reform Act of 1986* when fully phased in. Although full phase-in does not occur for five years in some cases, the results are an attempt to capture the distributional effects of the new law when it becomes fully effective.

The 1986 act changed almost every major provision of the individual income tax law. To give some order to the analysis, this report breaks out four separate groupings of these provisions.

- **Itemized Deductions (Group 1):** Elimination of the deduction for state and local sales taxes paid, restrictions on the medical deduction, limitations on the nonbusiness interest deduction, changes to employee business and moving expense deduction, and the limita-

tion on miscellaneous itemized deductions.

- **Standard Deduction and Exemptions, etc. (Group 2):** Changes in personal exemptions, the standard deduction, and the earned income credit.
- **Rates (Group 3):** Changes in tax rates, including the standard 15 and 28 percent rates and the 5 percent surcharge resulting from the phase-out for higher income taxpayers of the benefits of the 15 percent bracket and the personal exemptions.
- **Other Changes (Group 4):** Repeal of the dividend income exclusion, full taxation of unemployment compensation, elimination of the two-earner marriage deduction, restrictions on individual retirement account deductions, changes in depreciation rules, limitations on passive losses, repeal of the investment tax credit, repeal of the political contributions credit, elimination of the capital gains exclusion, and changes in the alternative minimum tax for individuals.

Tables 1 and 2 present national figures for both federal and state liabilities. *Table 3* presents aggregate data on federal and state returns made nontaxable as a result of legislated tax changes. *Tables 4 through 10* give state-by-state data. *Appendix B* presents regional summaries in *Tables B1-B5*.

Changes in Federal Income Taxes

Changes by Income Class

Federal income tax changes by income class are presented in *Table 1* (for national figures) and *Table 4* (for state-by-state data). The income classes are defined in terms of adjusted gross income (AGI) under prior federal law. The results for the five income classes above \$10,000 of AGI are considered first. Federal tax liability for returns with incomes from \$10,000 to \$20,000 declines substantially primarily as a result of the increases in personal exemptions, the standard deduction, and the earned income credit. (This set of provisions is shown in *Tables 2 and 5* as Group 2.) The mid-

dle income class (\$20,000 to \$50,000) receives a sizable decrease in liability, again mostly for the same reasons (changes in exemptions), but the percentage decrease for this class is less than for the \$10,000 to \$20,000 class. The upper-middle income class (\$50,000 to \$100,000) receives much less of a tax break. The higher standard deduction helps them a little, but the exemption change is less valuable to them in percentage terms. The tax rate cuts are not as significant in this income range as they are in the highest income class.

The upper income class (over \$100,000 AGI) enjoys a substantial tax savings, due almost entirely to the reduction in marginal tax rates (Group 3). The benefits of reduced tax rates are heavily concentrated in the highest income class where marginal rates decline by almost half, from 50 percent under the old law to 28 percent. In the middle income classes, top marginal rates decline much more modestly, in general by less than a quarter, from a range of 38 percent to 48 percent to a marginal rate after tax reform of 33 percent, including the surcharge.

The results for the lowest income class (less than \$10,000) are due to the fact that this income class is a mixture of at least three types of people. They are: (1) truly low-income individuals, (2) individuals who have low income on their own returns, but who are part of higher income families (mostly college students), and (3) very wealthy individuals who have tax shelters generating losses for tax purposes and low AGI. The first group enjoys a substantial tax savings, while the second and third groups see their taxes rise. Thus, the result for this income class in the nation as a whole is a decline of only 5.4 percent.

The results for the lowest income class vary by state, depending on the relative proportion of these three groups in that state (*Table 4*). In a number of states, this income class actually has a large increase in tax liability (e.g., Connecticut, New Jersey, Illinois, Michigan, and Arizona), due primarily to the provision of *The Tax Reform Act* that restricts the use of passive losses against other income. To a large degree, this provision affects people with negative AGI under prior law.

Changes by Provision

Other variations in total federal liability by state are shown in *Table 5*. In general, those states with higher income profiles are helped more in percentage terms by the rate change than by changes in the standard deduction, exemptions, and the earned income credit. For states with lower income profiles, the reverse is true. For example, Connecticut, a high-income state, receives only a 7.2 percent benefit from changes in the standard deduction exemptions, and the earned income credit, but receives a 16.0 percent benefit from rate changes; while Maine, a state with much lower incomes, benefits more from the deduction and other changes than rate changes (12.9 percent to 9.0 percent).

There is also some variation by state in the results of changes in itemized deductions, depending primarily on the level of itemizers within the state and whether or not the state has a high sales tax rate. For example, the five states with no sales taxes each have levels of impact for this provision below the national average of 5.6 percent: New Hampshire, 3.1 percent; Delaware, 3.3 percent; Montana, 4.6 percent; Oregon, 4.5 percent; and Alaska, 4.3 percent.

It is very difficult to make other useful generalizations about the federal tax changes by state. The impact of the other provisions presented in Group 4 (particularly passive losses and capital gains) vary significantly by state, and these variations overshadow the more predictable results for the other groups.

Changes in State Income Taxes

In the absence of direct legislative action, state income taxes would change as the result of federal income tax reform. These changes in state income tax liability are presented in *Tables 6* and *7*. Differences among states reflect both structural variations in state tax law and differences in the mix of taxpayers from state to state.

In broad terms, states can be classified by their type of coupling to federal tax law and by their policy governing the deductibility of federal taxes paid. For every state where coupling exists, we have assumed that the coupling is automatic to new federal law, except for a few

items that are linked to pre-1981 federal law and that can be considered to be essentially unlinked to federal law. There are three basic types of state coupling to federal law: to AGI, to taxable income, and to tax liability. In addition, state itemized deductions may or may not be coupled to federal law, and the ability of taxpayers to itemize for state tax purposes may or may not be based on federal itemizing status.

State Linkage to AGI

The most common form of state-federal coupling is a linkage to AGI, often accompanied as well by a state linkage to the dollar amount of federal itemized deductions. A number of states nominally link to taxable income, but many of these states make adjustments for differences in state and federal deductions and exemptions. With AGI coupling, the state's tax base is expanded but rates remain unchanged, hence the "windfall" to the state from federal tax reform. All the states with more than a few percentage points of windfall are states whose primary coupling is to federal AGI.

Within the group coupling to AGI, there is a very wide range of effects (*Tables 6* and *7*). Four states have windfalls of over 20 percent (Colorado, Kansas, Louisiana, and New Mexico). New Mexico is unique. It has a tax system with very large tax credits, which help to distribute money from upper income taxpayers to lower income taxpayers. The New Mexico tax collects about \$300 million without credits and allows about \$90 million in credits. The tax credits are basically unaffected by the coupling to federal law; hence, tax reform increases collections but does not significantly change tax credits. Because of the large credits, the base of state liability on which the change due to tax reform is calculated is artificially low, resulting in the very high percentage change for this state.

The other three states with over 20 percent increases in liability (Kansas, Louisiana, and Colorado) couple to both AGI and itemized deductions, and also have a deduction for federal taxes paid. Furthermore, these three states do not explicitly decouple from any major provisions affected by tax reform, nor do they have minimum taxes (which would mitigate the impact of taxing long-term capital

gains in full). Almost every provision of federal tax reform affects these states.

At the other end of the spectrum are those states that couple to federal AGI but experience a windfall of less than 5 percent. These states do not allow the deductibility of federal taxes paid, and they tend to decouple explicitly from one or more major provisions of federal law that are affected by tax reform. This group includes Massachusetts, Illinois, Indiana, and Wisconsin. Massachusetts does not allow deductions for the dividend income exclusion, the two-earner marriage deduction, or Individual Retirement Accounts (IRAs), and it already provides a smaller exclusion for long-term capital gains than prior federal law. The other states have similar provisions. Illinois, with its low, single rate, taxes capital gains in full. Indiana decouples from the two-earner deduction and does not allow itemized deductions. Wisconsin decouples from the two-earner deduction.

Effects of AGI Coupling by Income Class. For nearly all states that couple to AGI (but not to the dollar amount of exemptions or the standard deduction), the distributional effects of federal tax reform on *state* income taxes is almost the reverse of the effects on *federal* income taxes (*Table 6*). In general, state taxpayers in the lowest income class (under \$10,000) in these states have very large windfall tax increases. As discussed above, this class is a mixture of rich people, poor people, and college students. For most states that couple to federal AGI, state taxes increase for all three groups while federal taxes increase for only the rich and for college students.

This result for low-income taxpayers is not surprising. Broadening the state tax base without making corresponding changes in rates or in personal exemptions or the standard deduction will have its most severe impacts on the poor. Also, most states that couple to AGI tend to follow the federal rules regarding the number of allowable personal exemptions. Thus, not only college students but also the elderly and the blind, most of whom are in this lowest income class, lose their state exemptions as a result of federal tax reform. While at the federal level this loss is at least partially offset by an increase in the dollar

amount of other exemptions or the standard deduction, there is no such offset at the state level. Furthermore, in those states that limit itemizing to federal itemizers, there is some loss of itemizing status without an increase in the standard deduction amount (although this effect is more pronounced in the middle income classes).

For these same states that couple to federal AGI, the middle income classes usually fare much better than the highest income class, again the reverse of the federal impact, although the variability among states is substantial. The upper income class faces a larger tax increase primarily as a result of the IRA and the capital gains provisions. IRA deductions are denied only for higher income returns, and a large percentage of total capital gains is concentrated in those same income classes.

Capital Gains. To illustrate the importance of capital gains, Illinois is one of the few states coupled to AGI for which the upper income class is less affected than the middle income classes (a 1 percent decrease in the state income taxes for the highest income class compared to a 2 to 4 percent increase for the middle income classes—see *Table 6*). Since Illinois already taxes capital gains in full, there is no increase in the state tax base as a result of the federal capital gains provision. The decline in state tax liability in the highest income class occurs because of the behavioral response to federal tax reform: higher federal taxes on capital gains reduce realizations and thus state liabilities if state tax laws are not changed.

Other State Linkages to the Federal Tax Code

The remaining states fall into four categories, namely states that: (1) couple to federal taxable income, (2) couple to federal tax liability, (3) have limited income taxes, or (4) do not couple at all (or in a very limited way) to federal tax law. Only two states effectively couple to federal taxable income, Idaho and South Carolina, and both exhibit very small changes in liability (*Table 6*). The base broadening is more or less offset by the change in the dollar amount of exemptions and standard deductions. It is worth noting that in these states

the lowest income class does not face a significant tax increase as occurs in states that couple to federal AGI.

Those states which are linked directly to federal liability (Rhode Island, Nebraska, and Vermont plus North Dakota where taxpayers can choose between a percentage of federal liability and a tax calculation based on federal AGI) all experience a percentage decline in state tax liability roughly equal to their declines in federal tax liabilities.

Three states have very limited income taxes—Connecticut, New Hampshire, and Tennessee. Connecticut taxes only interest, dividends, and capital gains. The other two states tax only interest and dividends. New Hampshire and Tennessee experience tax losses due to behavioral shifts in interest income and interest expenses in response to federal tax reform. Connecticut has a tax increase because its law is linked to the federal definition of long-term capital gains and to the definition of federal AGI in determining taxpayers subject to tax within the State.

States with no (or very limited) coupling to federal tax law tend to have only very small changes, usually a decline in their tax liabilities. New Jersey and Pennsylvania, for example, have a decline of 2.4 and 1.2 percent, respectively, because of behavioral responses to federal tax reform, notably in capital gains and passive losses.

Dropping Low-Income Filers From the Rolls

The Federal Experience

Table 8 shows that over 4,400,000 federal tax returns were made nontaxable as a result of tax reform. The three major provisions that cause returns to become nontaxable are the increase in exemptions, standard deductions, and the earned income credit, which together were presented as Group 2 in *Table 5*. The states with the highest percentage of returns made nontaxable are those with a relatively large proportion of low-income persons, such as Mississippi, Tennessee, and South Dakota.

The State Experience

Many states, either for internal policy reasons or in response to federal tax reform, changed their own tax laws in 1987. *Table 9* shows that over 1,300,000 state tax returns were made nontaxable as a result of changes to state tax law for those states which in 1986 allowed personal exemptions or standard deductions and changed those provisions as of October 1987. Note that married couples filing separately for state purposes who filed jointly for federal purposes (i.e., income splitting returns) are counted as one return in *Table 9* and *10*. A set of notes to *Table 9* indicates the changes in state tax law that were simulated.

In almost every case, the state law changes increase the standard deduction or the personal exemption, resulting in some returns becoming nontaxable. Utah is the one exception to this trend; it lowered its standard deduction and thereby increased the number of taxable returns. Wisconsin's tax change causes some nontaxable returns to become taxable and some taxable returns to become nontaxable, but the latter effect is substantially greater, resulting in a net decrease in the number of taxable returns.

Table 10 indicates that an additional 3,660,000 state tax returns would be made nontaxable if those states that had standard deductions or personal exemptions in 1986 were to adopt the new federal dollar amounts for these provisions. (The extra federal standard deduction for the aged and the blind is not included.) For those states currently using a percentage standard deduction (usually expressed as a percent of AGI), the provision was replaced with a flat standard deduction equal to the federal amount. Since nearly all state standard deductions or personal exemptions are less generous than federal law, a shift to the federal rules generally increases the number of nontaxable returns. For these few states which have standard deductions or personal exemptions in excess of federal levels, such as Louisiana and Wisconsin, a change was not simulated.

Table 1
Effects of The Tax Reform Act of 1986 on
Aggregate Federal and State Tax Liabilities, by Income Class

Income Class	On Federal Tax Liabilities	On State Tax Liabilities
(in millions of dollars)		
Less than \$10,000	\$ -124.6	\$ 801.8
\$10,000-\$20,000	-8,751.5	279.8
\$20,000-\$30,000	-8,815.7	438.8
\$30,000-\$50,000	-9,951.9	1,294.5
\$50,000-\$100,000	-4,796.8	1,378.8
Over \$100,000	-14,154.1	1,495.1
All Classes	\$ -35,932.9	\$ 5,187.8
(in percent changes)		
Less than \$10,000	-5.4%	34.8%
\$10,000-\$20,000	-13.3	4.8
\$20,000-\$30,000	-8.8	4.7
\$30,000-\$50,000	-9.6	6.2
\$50,000-\$100,000	-5.6	8.3
Over \$100,000	-14.0	9.1
All Classes	-10.1%	7.4%

Note: Figures taken from *Tables 4* and *6*. Detail may not add to totals because of rounding.

Table 2
Effects of The Tax Reform Act of 1986 on
Aggregate Federal and State Tax Liabilities, by Provision

	On Federal Tax Liabilities	On State Tax Liabilities
(in millions of dollars)		
<i>Group 1:</i> Changes in itemized deductions	\$ 21,183.7	\$ 2,571.4
<i>Group 2:</i> Changes in personal exemptions, standard deductions and the earned income credit	-36,861.7	470.4
<i>Group 3:</i> Changes in tax rates	-48,824.0	244.6
<i>Group 4:</i> All other changes ¹	28,569.1	1,901.4
Total	\$ -35,932.9	\$ 5,187.8
(in percent changes)		
<i>Group 1:</i> Changes in itemized deductions	5.6%	3.7%
<i>Group 2:</i> Changes in personal exemptions, standard deductions and the earned income credit	-9.2	0.6
<i>Group 3:</i> Changes in tax rates	-13.3	0.3
<i>Group 4:</i> All other changes ¹	8.0	2.8
Total	-10.1%	7.6%

Note: Figures taken from *Tables 5* and *7*. Detail may not add to totals because of rounding.

¹Repeal of the dividend income exclusion, full taxation of unemployment compensation, elimination of the two-earner marriage deduction, restrictions on individual retirement account deductions, changes in depreciation rules, limitations on passive losses, repeal of the investment tax credit, repeal of the political contributions credit, elimination of the capital gains exclusion, and changes in the alternative minimum tax for individuals.

Table 3
**Aggregate Number and Percentage of
 Taxable Federal and State Returns Made Nontaxable by
 The Tax Reform Act of 1986**

	Number (in thousands)	Percent Change
Federal Returns	4,437.0	5.3%
State Returns—		
for states enacting changes as of October 1987	1,309.4	4.0
additional effect of increasing all standard deductions and personal exemptions to federal amounts	3,661.5	6.0

Table 4a
Effects of The Tax Reform Act of 1986 on Federal Tax Liabilities,
by Income Class, by State
(in millions of dollars)

	Income Class (thousands)						Total
	Under 10	10-20	20-30	30-50	50-100	Over 100	
United States	\$ -124.6	\$ -3,751.5	\$ -3,815.7	\$ -9,351.9	\$ -4,736.8	\$ -14,154.1	\$ -35,932.9
New England	-5.4	-193.0	-341.2	-807.1	-424.1	-1,237.7	-3,008.0
Connecticut	12.3	-32.3	-72.9	-225.9	-118.6	-612.9	-950.3
Maine	-1.0	-26.2	-25.1	-51.4	-30.2	-30.4	-164.2
Massachusetts	-10.4	-84.0	-184.7	-353.8	-200.0	-586.5	-1,419.7
New Hampshire	-0.7	-22.6	-30.8	-83.8	-51.0	-59.2	-258.0
Rhode Island	-4.5	-20.3	-16.2	-59.2	-10.5	-33.5	-144.0
Vermont	-1.1	-7.6	-11.5	-23.0	-13.8	-15.2	-71.8
Mideast	9.5	-807.2	-932.8	-1,862.7	-1,069.0	-3,537.0	-8,198.5
Delaware	-1.8	-8.8	-9.5	-27.8	-25.3	-51.9	-124.9
Washington, DC	-4.3	-17.1	-19.2	-16.1	-11.1	-68.8	-136.6
Maryland	5.4	-75.0	-80.9	-162.6	-167.9	-243.3	-723.7
New Jersey	27.3	-209.2	-199.6	-502.5	-302.4	-819.7	-2,006.0
New York	-1.7	-335.9	-374.7	-574.4	-237.8	-1,766.3	-3,290.9
Pennsylvania	-15.4	-161.2	-248.9	-579.3	-324.5	-587.0	-1,916.4
Great Lakes	188.3	-523.6	-786.6	-2,125.4	-1,197.8	-2,073.5	-6,568.4
Illinois	185.0	-137.1	-187.4	-558.0	-411.0	-835.1	-1,993.6
Indiana	-7.4	-76.1	-77.3	-259.0	-181.8	-231.6	-633.2
Michigan	21.4	-135.2	-152.7	-515.5	-288.6	-420.4	-1,490.9
Ohio	-8.3	-121.6	-279.0	-578.8	-224.1	-431.8	-1,643.8
Wisconsin	-2.4	-53.6	-90.2	-214.1	-92.3	-154.6	-606.9
Plains	-37.2	-153.2	-164.4	-647.9	-358.8	-672.9	-2,034.6
Iowa	-5.0	-16.9	-20.6	-89.9	-49.8	-136.0	-318.1
Kansas	-1.1	-21.9	-23.3	-99.3	-65.8	-96.4	-312.7
Minnesota	-15.9	-28.2	-47.0	-139.5	-60.0	-140.0	-430.8
Missouri	-7.8	-65.0	-57.1	-226.7	-127.9	-224.8	-709.5
Nebraska	-2.4	-5.7	-9.7	-49.8	-34.0	-49.4	-150.9
North Dakota	0.1	-3.8	0.3	-17.3	-15.6	-16.7	-53.1
South Dakota	-5.1	-11.7	-2.0	-25.4	-5.7	-9.6	-59.5
Southeast	-169.0	-1,133.0	-794.1	-2,010.4	-954.5	-2,528.2	-7,589.2
Alabama	-14.4	-64.4	-10.1	-114.7	-31.3	-123.2	-358.1
Arkansas	-7.6	-46.8	-32.3	-76.7	-36.6	-47.7	-247.7
Florida	-5.2	-206.4	-180.6	-495.4	-217.8	-934.6	-2,040.0
Georgia	-41.4	-157.7	-128.8	-198.2	-95.7	-230.0	-851.9
Kentucky	-6.9	-56.7	-33.6	-89.4	-54.8	-157.4	-399.0
Louisiana	-8.4	-64.3	-48.3	-132.0	-100.1	-251.6	-604.6
Mississippi	-8.9	-62.0	-27.1	-56.6	-23.4	-55.2	-233.0
North Carolina	-23.1	-138.6	-78.0	-227.7	-71.4	-144.2	-633.2
South Carolina	-23.9	-76.8	-34.7	-93.5	-34.9	-97.5	-361.4
Tennessee	-24.6	-139.2	-83.6	-199.7	-83.2	-178.3	-708.6
Virginia	0.1	-103.4	-102.8	-236.8	-173.6	-252.5	-868.9
West Virginia	-4.7	-16.7	-34.2	-89.7	-31.7	-56.0	-232.8
Southwest	-36.0	-343.8	-344.5	-865.5	-445.8	-1,742.5	-3,778.2
Arizona	6.1	-45.1	-18.5	-85.5	-40.7	-119.8	-303.4
New Mexico	-7.7	-21.1	-21.3	-38.8	-15.4	-53.6	-158.0
Oklahoma	-9.9	-14.2	-26.7	-87.8	-42.9	-186.4	-367.9
Texas	-24.5	-263.4	-278.0	-653.4	-346.8	-1,382.7	-2,948.9
Rocky Mountain	-15.9	-62.2	-51.3	-173.9	-78.4	-211.6	-592.7
Colorado	-4.7	-28.9	-24.8	-72.2	-46.6	-131.9	-309.0
Idaho	-1.9	-4.3	-5.7	-24.1	-7.6	-9.6	-53.1
Montana	-3.7	-9.1	-3.7	-31.6	-8.0	-11.7	-67.6
Utah	-5.5	-14.8	-16.0	-24.0	-8.9	-33.6	-102.6
Wyoming	-0.1	-5.1	-1.1	-22.0	-7.3	-24.8	-60.4
Far West	-12.8	-522.7	-382.6	-819.6	-166.6	-2,089.1	-3,993.4
California	12.8	-410.1	-307.4	-503.5	13.3	-1,740.0	-2,934.9
Nevada	-21.5	-19.2	-9.9	-37.4	-29.7	-71.5	-189.3
Oregon	-7.3	-27.5	-18.3	-85.0	-41.6	-82.3	-262.0
Washington	3.2	-65.9	-47.0	-193.7	-108.6	-196.3	-607.2
Alaska	1.6	-1.6	-7.0	-17.8	-34.0	-40.8	-99.6
Hawaii	2.3	-11.2	-11.2	-21.6	-7.8	-20.8	-70.3

Note: Detail may not add to totals because of rounding.

Table 4b
Effects of The Tax Reform Act of 1986 on Federal Tax Liabilities,
by Income Class, by State
(in percent changes)

Income Class (thousands)							
Under 10	10-20	20-30	30-50	50-100	Over 100	Total	
-5.4%	-13.3%	-8.8%	-9.6%	-5.6%	-14.0%	-10.1%	United States
-3.0	-10.0	-10.7	-11.6	-8.3	-16.3	-12.0	New England
20.7	-7.0	-9.7	-11.6	-7.5	-16.0	-11.9	Connecticut
-9.0	-16.6	-11.1	-12.0	-10.7	-12.9	-12.2	Maine
-13.8	-9.3	-11.6	-10.9	-8.5	-17.4	-12.3	Massachusetts
-3.3	-12.1	-10.7	-14.0	-11.8	-15.3	-13.0	New Hampshire
-66.2	-14.3	-7.8	-12.5	-3.3	-12.4	-10.2	Rhode Island
-15.1	-9.8	-9.8	-12.5	-8.7	-12.7	-10.8	Vermont
2.1	-13.9	-10.3	-9.6	-6.1	-15.3	-10.9	Mideast
-40.0	-11.6	-8.8	-10.3	-10.4	-16.1	-12.1	Delaware
-307.1	-15.9	-11.4	-7.9	-4.0	-13.9	-10.9	Washington, DC
10.2	-12.9	-9.6	-8.5	-7.2	-13.0	-9.5	Maryland
23.2	-17.5	-11.1	-11.4	-6.8	-15.3	-11.6	New Jersey
-0.9	-13.8	-9.9	-7.6	-3.7	-15.7	-10.4	New York
-16.0	-11.5	-10.4	-11.6	-8.9	-15.2	-11.7	Pennsylvania
33.1	-11.6	-10.3	-11.0	-7.7	-14.9	-10.7	Great Lakes
81.6	-10.6	-9.3	-10.1	-8.3	-15.9	-10.4	Illinois
-23.1	-13.7	-8.8	-11.0	-9.5	-16.0	-11.6	Indiana
22.4	-13.6	-9.6	-11.0	-6.7	-14.7	-10.3	Michigan
-9.5	-10.1	-12.4	-12.5	-7.3	-12.9	-11.3	Ohio
-6.5	-12.0	-10.2	-10.3	-6.7	-14.9	-10.3	Wisconsin
-21.5	-8.0	-6.0	-9.4	-6.9	-12.5	-9.1	Plains
-15.8	-7.0	-5.3	-9.3	-7.7	-18.8	-10.6	Iowa
-4.8	-6.5	-6.8	-10.7	-6.7	-11.3	-9.0	Kansas
-40.6	-5.5	-6.8	-7.6	-4.4	-10.3	-7.4	Minnesota
-12.8	-11.2	-6.6	-10.7	-8.4	-12.6	-10.2	Missouri
-20.9	-3.1	-4.1	-8.8	-8.8	-11.7	-8.3	Nebraska
1.6	-5.7	0.4	-6.6	-10.4	-11.0	-7.5	North Dakota
-728.6	-16.4	-2.4	-11.0	-3.9	-9.8	-9.5	South Dakota
-36.5	-16.7	-8.2	-10.3	-6.0	-13.3	-10.6	Southeast
-52.0	-15.4	-1.6	-9.4	-2.9	-13.6	-8.4	Alabama
-34.1	-18.5	-9.9	-11.6	-6.9	-10.1	-11.5	Arkansas
-4.7	-12.8	-8.0	-11.2	-6.0	-14.1	-10.9	Florida
-61.5	-18.0	-10.8	-8.8	-4.6	-12.5	-10.3	Georgia
-39.9	-15.3	-7.0	-7.8	-6.4	-18.2	-10.7	Kentucky
-25.7	-19.4	-10.1	-10.5	-8.5	-17.0	-12.7	Louisiana
-36.6	-28.3	-8.5	-9.2	-6.2	-11.1	-11.3	Mississippi
-36.0	-16.9	-7.3	-10.6	-4.3	-9.0	-9.3	North Carolina
-229.8	-17.5	-6.5	-8.6	-4.8	-15.1	-10.5	South Carolina
-76.6	-26.1	-9.1	-11.5	-7.3	-13.4	-12.4	Tennessee
0.2	-13.9	-8.7	-9.6	-7.0	-10.7	-9.4	Virginia
-70.1	-10.9	-12.1	-14.5	-8.4	-15.4	-12.9	West Virginia
-17.6	-14.9	-9.3	-10.3	-5.7	-14.9	-11.1	Southwest
13.9	-12.1	-3.6	-7.0	-3.5	-11.4	-6.9	Arizona
-49.4	-14.6	-9.6	-8.3	-4.7	-14.2	-10.2	New Mexico
-39.3	-5.3	-6.6	-8.9	-5.2	-14.9	-9.8	Oklahoma
-20.4	-17.2	-10.8	-11.4	-6.3	-15.3	-12.0	Texas
-23.3	-8.7	-5.1	-6.6	-4.0	-9.4	-6.9	Rocky Mountain
-13.1	-7.9	-5.0	-5.4	-4.2	-9.3	-6.5	Colorado
-29.7	-4.7	-4.4	-7.9	-4.3	-5.3	-6.0	Idaho
-42.0	-10.9	-3.6	-11.3	-5.1	-7.9	-8.7	Montana
-41.4	-10.7	-7.7	-5.1	-2.3	-10.4	-6.7	Utah
-3.4	-13.5	-1.8	-9.9	-5.1	-14.2	-9.4	Wyoming
-3.7	-12.7	-6.1	-5.8	-1.2	-12.1	-7.1	Far West
5.2	-12.7	-6.2	-4.7	0.1	-11.9	-6.5	California
-66.2	-13.7	-5.4	-8.7	-7.8	-13.7	-11.2	Nevada
-36.5	-11.0	-4.2	-9.6	-5.4	-11.3	-8.5	Oregon
7.5	-13.7	-6.9	-9.1	-6.0	-14.8	-9.4	Washington
22.9	-2.9	-9.1	-9.6	-8.5	-12.2	-9.4	Alaska
13.2	-8.9	-6.4	-6.2	-2.0	-6.7	-5.2	Hawaii

Table 5a
Effects of The Tax Reform Act of 1986 on Federal Tax Liabilities,
by Provision, by State
(in millions of dollars)

	Provisions				Total
	1	2	3	4	
	Changes in Itemized Deductions	Changes in Personal Exemptions, Standard Deduction, and Earned Income Credit	Changes in Tax Rates	Changes in All Other Provisions	
United States	\$ 21,183.7	\$ -36,861.7	\$ -48,824.0	\$ 28,569.1	\$ -35,932.9
New England	1,157.7	-2,347.1	-3,413.5	1,594.9	-3,008.0
Connecticut	430.5	-645.8	-1,325.9	590.9	-950.3
Maine	62.0	-190.4	-116.3	80.5	-164.2
Massachusetts	494.6	-1,040.8	-1,530.6	657.1	-1,419.7
New Hampshire	64.8	-222.7	-209.7	109.6	-258.0
Rhode Island	75.8	-166.5	-164.4	111.1	-144.0
Vermont	30.0	-80.9	-66.6	45.7	-71.8
Mideast	4,194.7	-7,128.8	-10,891.9	5,627.5	-8,198.5
Delaware	85.3	-89.2	-139.7	78.7	-124.9
Washington, DC	74.7	-100.3	-195.0	84.0	-136.6
Maryland	464.5	-736.7	-1,052.5	601.0	-723.7
New Jersey	858.5	-1,639.8	-2,521.0	1,296.3	-2,006.0
New York	2,040.2	-2,819.5	-4,938.9	2,427.3	-3,290.9
Pennsylvania	721.5	-1,733.3	-2,044.8	1,140.2	-1,916.4
Great Lakes	3,206.4	-6,517.6	-7,926.5	4,669.3	-6,568.4
Illinois	1,032.6	-1,810.0	-2,812.6	1,596.4	-1,993.6
Indiana	359.0	-832.2	-856.9	496.9	-833.2
Michigan	797.9	-1,600.2	-1,832.6	1,144.0	-1,490.9
Ohio	721.9	-1,534.1	-1,787.1	1,005.5	-1,643.8
Wisconsin	295.0	-691.1	-637.3	426.5	-606.9
Plains	1,211.2	-2,438.8	-2,734.5	1,927.5	-2,034.6
Iowa	150.5	-327.4	-355.8	214.6	-318.1
Kansas	187.1	-360.5	-449.9	310.6	-312.7
Minnesota	346.1	-611.2	-696.5	530.8	-430.8
Missouri	364.1	-754.7	-872.9	554.0	-709.5
Nebraska	95.2	-212.8	-205.8	172.5	-150.9
North Dakota	34.2	-80.7	-89.8	83.2	-53.1
South Dakota	34.0	-91.5	-63.8	61.8	-59.5
Southeast	4,355.3	-8,458.1	-8,962.3	5,475.9	-7,589.2
Alabama	348.1	-586.9	-495.6	376.3	-358.1
Arkansas	103.5	-299.0	-332.9	180.7	-247.7
Florida	1,014.2	-1,764.7	-2,717.1	1,427.6	-2,040.0
Georgia	557.5	-1,052.6	-963.1	606.3	-851.9
Kentucky	231.0	-472.7	-450.0	292.7	-399.0
Louisiana	279.2	-529.6	-728.1	373.9	-604.6
Mississippi	131.3	-301.8	-225.9	163.4	-233.0
North Carolina	483.0	-965.6	-753.2	572.6	-683.2
South Carolina	246.6	-490.6	-350.3	232.9	-361.4
Tennessee	342.4	-791.3	-670.3	410.6	-708.6
Virginia	546.4	-956.0	-1,181.5	722.2	-868.9
West Virginia	72.1	-227.3	-194.3	116.7	-232.8
Southwest	1,870.6	-3,401.9	-5,261.5	3,014.6	-3,778.2
Arizona	363.2	-477.6	-544.7	355.7	-303.4
New Mexico	96.0	-196.6	-182.4	125.0	-158.0
Oklahoma	233.7	-350.4	-555.6	304.4	-367.9
Texas	1,177.7	-2,377.3	-3,978.8	2,229.5	-2,948.9
Rocky Mountain	591.4	-926.8	-1,089.1	831.8	-592.7
Colorado	330.2	-443.1	-672.9	476.8	-309.0
Idaho	58.0	-112.1	-84.6	85.6	-53.1
Montana	37.5	-94.2	-75.7	64.8	-67.6
Utah	129.9	-214.8	-165.6	147.9	-102.6
Wyoming	35.8	-62.6	-90.3	56.7	-60.4
Far West	4,422.4	-5,408.8	-8,200.9	5,193.9	-3,993.4
California	3,775.2	-4,293.7	-6,739.8	4,323.4	-2,934.9
Nevada	103.3	-156.5	-260.8	124.7	-189.3
Oregon	147.7	-328.4	-336.1	254.8	-262.0
Washington	396.2	-630.2	-864.2	491.0	-607.2
Alaska	48.3	-82.8	-182.1	117.0	-99.6
Hawaii	125.7	-151.0	-161.7	116.7	-70.3

Note: Detail may not add to totals because of rounding.

Table 5b
Effects of The Tax Reform Act of 1986 on Federal Tax Liabilities,
by Provision, by State
(in percent changes)

Provision					
1	2	3	4	Total	
Changes in Itemized Deductions	Changes in Personal Exemptions, Standard Deduction, and Earned Income Credit	Changes in Tax Rates	Changes in All Other Provisions		
5.6%	-9.2%	-18.3%	8.0%	-10.1%	United States
4.4	-8.5	-18.6	6.4	-12.0	New England
5.1	-7.2	-16.0	7.4	-11.9	Connecticut
4.4	-12.9	-9.0	6.0	-12.2	Maine
4.1	-8.2	-18.2	5.7	-12.3	Massachusetts
3.1	-10.4	-10.9	5.5	-13.0	New Hampshire
5.1	-10.5	-11.5	7.8	-10.2	Rhode Island
4.3	-11.1	-10.2	6.9	-10.8	Vermont
5.3	-8.5	-14.1	7.5	-10.9	Mideast
3.3	-8.8	-18.5	7.7	-12.1	Delaware
5.7	-7.2	-15.1	6.7	-10.9	Washington, DC
5.8	-8.6	-18.4	7.9	-9.5	Maryland
4.7	-8.5	-14.2	7.5	-11.6	New Jersey
6.1	-7.9	-15.0	7.7	-10.4	New York
4.2	-9.6	-12.5	7.0	-11.7	Pennsylvania
4.9	-9.5	-12.8	7.6	-10.7	Great Lakes
5.0	-8.3	-14.1	8.3	-10.4	Illinois
4.8	-10.4	-12.0	6.9	-11.6	Indiana
5.2	-9.8	-12.5	7.9	-10.3	Michigan
4.7	-9.8	-12.3	6.9	-11.3	Ohio
4.8	-10.6	-10.9	7.3	-10.3	Wisconsin
5.2	-9.7	-12.0	8.6	-9.1	Plains
4.8	-9.8	-11.8	7.2	-10.6	Iowa
5.1	-9.2	-12.6	9.0	-9.0	Kansas
5.6	-9.3	-11.6	9.2	-7.4	Minnesota
5.0	-9.7	-12.5	8.0	-10.2	Missouri
5.0	-10.4	-11.2	9.5	-8.3	Nebraska
4.6	-9.9	-12.2	11.8	-7.5	North Dakota
5.1	-12.6	-10.1	9.8	-9.5	South Dakota
5.8	-10.5	-12.5	7.7	-10.6	Southeast
7.7	-11.9	-11.4	8.8	-8.4	Alabama
4.6	-12.4	-11.1	8.4	-11.5	Arkansas
5.2	-8.5	-14.3	7.6	-10.9	Florida
6.4	-11.2	-11.5	7.3	-10.3	Georgia
5.9	-11.3	-12.1	7.9	-10.7	Kentucky
5.6	-9.9	-15.1	7.9	-12.7	Louisiana
6.1	-13.0	-11.2	8.0	-11.3	Mississippi
6.2	-11.9	-10.3	7.8	-9.3	North Carolina
6.8	-12.6	-10.3	6.8	-10.5	South Carolina
5.7	-12.4	-12.0	7.2	-12.4	Tennessee
5.6	-9.2	-12.5	7.8	-9.4	Virginia
3.8	-11.5	-11.1	6.5	-12.9	West Virginia
5.2	-8.8	-14.9	8.8	-11.1	Southwest
7.9	-9.5	-12.0	8.1	-6.9	Arizona
5.9	-11.2	-11.7	8.1	-10.2	New Mexico
5.9	-8.2	-14.1	8.1	-9.8	Oklahoma
4.5	-8.6	-15.8	9.1	-12.0	Texas
6.4	-9.3	-12.1	9.6	-6.9	Rocky Mountain
6.4	-8.0	-18.3	10.0	-6.5	Colorado
6.2	-11.0	-9.3	9.6	-6.0	Idaho
4.6	-10.8	-9.7	8.3	-8.7	Montana
8.0	-12.0	-10.5	9.6	-6.7	Utah
5.3	-8.5	-13.5	8.8	-9.4	Wyoming
7.4	-8.3	-13.7	9.2	-7.1	Far West
7.8	-8.2	-18.9	9.6	-6.5	California
5.8	-8.2	-14.9	7.4	-11.2	Nevada
4.5	-9.5	-10.7	8.2	-8.5	Oregon
5.8	-8.6	-13.0	7.6	-9.4	Washington
4.3	-6.9	-16.2	11.1	-9.4	Alaska
8.7	-9.5	-11.2	8.6	-5.2	Hawaii

Table 6a
Effects of The Tax Reform Act of 1986 on State Tax Liabilities,
by Income Class, by State
(in millions of dollars)

	Income Class (thousands)						Total
	Under 10	10-20	20-30	30-50	50-100	Over 100	
United States	\$ 301.3	\$ 279.8	\$ 438.3	\$ 1,294.5	\$ 1,378.8	\$ 1,495.1	\$ 5,187.8
New England	4.0	3.2	5.8	7.2	12.4	-0.5	32.6
Connecticut (a)	-0.5	-0.1	0.9	1.5	4.5	28.5	34.7
Maine	1.5	3.0	5.0	12.8	8.1	7.9	38.5
Massachusetts	3.4	5.7	6.3	12.0	6.5	-24.0	10.3
New Hampshire (a)	*	*	*	-0.1	*	*	-0.1
Rhode Island	-0.9	-4.4	-3.6	-13.2	-3.1	-9.3	-34.4
Vermont	0.5	-1.0	-2.8	-5.8	-3.6	-3.6	-16.4
Midwest	22.6	68.9	95.7	260.1	291.7	428.9	1,167.7
Delaware	1.7	2.5	1.7	6.1	5.9	16.3	34.2
Washington, DC	0.9	1.9	4.9	5.4	11.7	23.0	47.9
Maryland	4.8	14.6	15.6	39.5	45.2	35.7	155.2
New Jersey	-2.1	-0.8	-2.9	-4.0	-5.5	-36.0	-51.5
New York	20.4	52.4	80.8	215.8	243.3	401.8	1,014.8
Pennsylvania	-3.1	-1.7	-4.4	-2.7	-8.9	-11.9	-32.9
Great Lakes	143.3	59.3	48.4	118.8	140.4	164.3	673.9
Illinois	31.0	17.3	10.4	20.4	28.2	-4.8	102.4
Indiana	5.1	2.9	3.2	6.9	9.6	11.1	38.6
Michigan	95.8	24.9	18.8	20.6	33.6	52.7	241.1
Ohio	7.1	9.2	12.3	45.1	51.8	95.6	221.1
Wisconsin	4.3	5.0	8.7	25.8	17.2	9.7	70.7
Plains	15.0	31.3	62.0	196.9	174.1	239.9	719.5
Iowa	-1.1	5.6	12.1	31.9	24.8	38.9	112.3
Kansas	4.1	9.2	12.3	39.9	38.6	47.1	151.1
Minnesota	11.0	22.8	31.5	91.8	75.5	92.6	325.5
Missouri	*	-3.4	10.9	47.7	45.0	68.6	168.7
Nebraska	0.8	-2.2	-4.1	-11.7	-7.9	-4.9	-29.8
North Dakota	0.2	-0.7	-0.7	-2.7	-1.9	-2.4	-8.3
South Dakota (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Southeast	22.2	24.2	51.3	215.2	208.3	219.6	740.1
Alabama	-1.2	4.1	2.6	13.7	8.9	2.0	30.0
Arkansas	*	-1.3	0.6	2.2	-5.2	-3.0	-6.8
Florida (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Georgia	10.8	19.8	23.3	65.4	64.0	54.2	237.4
Kentucky	6.2	11.9	12.0	35.6	22.5	27.2	115.4
Louisiana	0.7	4.5	9.2	37.0	34.6	56.4	142.4
Mississippi	-0.7	-0.5	1.4	5.0	4.0	-1.9	7.2
North Carolina	-0.9	-7.2	-5.7	-0.4	1.2	-19.4	-32.4
South Carolina	-0.5	-21.7	-16.0	-4.0	15.2	18.3	-8.7
Tennessee (a)	*	*	-0.1	-0.2	-0.2	-0.3	-0.7
Virginia	5.7	12.6	21.1	51.8	51.3	66.5	208.7
West Virginia	2.1	2.0	2.9	9.1	12.0	19.6	47.6
Southwest	8.4	22.0	36.5	80.2	72.5	105.1	324.9
Arizona	2.3	5.1	9.8	21.6	23.5	40.1	102.4
New Mexico	3.1	4.7	6.4	16.5	15.0	16.3	61.9
Oklahoma	3.0	12.2	20.3	42.1	34.0	48.7	160.6
Texas (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Rocky Mountain	7.9	14.2	26.0	90.4	76.1	128.7	343.5
Colorado	6.0	13.3	17.5	51.7	44.8	90.4	223.7
Idaho	0.4	-4.5	-3.8	-2.1	3.1	7.6	0.8
Montana	*	0.9	2.9	9.1	5.5	9.9	28.4
Utah	1.5	4.5	9.4	31.7	22.7	20.8	90.6
Wyoming (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Far West	76.0	53.1	106.4	308.6	382.2	187.4	1,113.7
California	62.2	32.8	83.5	268.8	357.2	147.1	951.5
Nevada (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Oregon	13.8	20.3	22.9	39.8	25.0	40.3	162.2
Washington (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Alaska (b)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Hawaii	1.9	3.6	6.2	17.1	21.1	21.7	71.9

Note: Detail may not add to totals because of rounding.

(a) State has a very limited income tax.

(b) State has no income tax.

*Less than \$50,000.

**Less than 0.05%.

Table 6b
Effects of The Tax Reform Act of 1986 on State Tax Liabilities,
by Income Class, by State
(in percent changes)

Income Class (thousands)							
Under 10	10-20	20-30	30-50	50-100	Over 100	Total	
34.8%	4.8%	4.7%	6.2%	8.3%	9.1%	7.4%	United States
3.7	0.6	0.8	0.5	1.4	**	0.7	New England
-5.0	-5.3	33.3	57.7	16.5	10.6	11.1	Connecticut(a)
42.9	9.1	9.5	11.5	10.6	14.3	11.6	Maine
8.6	1.3	1.1	1.1	0.9	-3.2	0.3	Massachusetts
**	**	**	-2.3	**	**	-0.4	New Hampshire (a)
-180.0	-15.3	-8.1	-13.0	-4.6	-16.8	-11.5	Rhode Island
20.8	-5.2	-9.3	-12.3	-8.9	-11.9	-9.9	Vermont
10.7	4.8	4.1	5.1	6.9	8.5	6.3	Midwest
42.5	8.7	4.1	5.8	6.9	17.9	9.6	Delaware
23.1	3.5	6.4	6.1	11.0	16.6	10.2	Washington, DC
13.0	6.2	5.7	6.7	8.0	10.9	7.7	Maryland
-31.3	-0.5	-1.2	-0.7	-1.0	-5.7	-2.4	New Jersey
52.7	8.5	6.6	7.4	9.9	11.4	9.4	New York
-2.6	-0.5	-0.9	-0.3	-1.8	-3.5	-1.2	Pennsylvania
120.1	5.4	2.7	2.6	4.5	7.8	5.3	Great Lakes
85.7	5.7	2.7	2.2	4.3	-1.0	3.6	Illinois
13.6	1.6	1.4	1.3	3.1	7.6	2.7	Indiana
371.3	8.4	3.4	1.6	3.3	11.9	7.1	Michigan
33.3	5.1	2.8	4.5	8.0	13.3	7.4	Ohio
614.3	3.8	2.6	3.1	3.6	3.0	3.4	Wisconsin
22.2	5.9	7.8	9.9	12.8	24.5	12.6	Plains
-8.1	6.7	9.0	9.8	12.8	26.2	12.5	Iowa
46.6	15.4	13.1	21.8	21.2	33.9	22.7	Kansas
38.1	10.4	9.9	10.2	11.9	22.2	12.9	Minnesota
**	-2.7	-5.6	11.0	17.2	37.3	14.0	Missouri
20.5	-6.0	-8.7	-10.7	-10.6	-6.6	-8.6	Nebraska
20.0	-9.2	-7.8	-8.9	-11.7	-14.4	-10.2	North Dakota
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	South Dakota (b)
11.9	1.9	2.9	6.2	8.6	13.2	6.9	Southeast
-4.3	3.8	1.8	5.8	5.1	2.3	3.8	Alabama
**	-1.8	0.7	1.3	-6.0	-3.0	-1.3	Arkansas
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Florida(b)
49.8	9.4	7.2	11.0	13.6	19.8	12.5	Georgia
27.9	9.2	8.6	11.6	13.1	30.1	13.4	Kentucky
17.5	11.7	15.1	22.9	25.5	51.6	27.9	Louisiana
-50.0	-3.1	3.5	5.2	7.0	-2.7	2.6	Mississippi
-1.7	-2.3	-1.5	-0.1	0.3	-5.9	-1.5	North Carolina
-5.1	-19.1	-9.9	-1.2	7.9	15.5	-0.9	South Carolina
**	**	-0.9	-1.7	-2.6	-2.0	-1.3	Tennessee (a)
19.9	5.8	6.0	7.5	9.0	18.0	9.4	Virginia
29.2	6.0	4.6	6.4	13.3	19.9	11.0	West Virginia
140.0	15.9	17.1	14.7	16.2	27.6	18.9	Southwest
16.0	6.3	10.8	10.3	12.7	40.2	15.0	Arizona
11.9	123.7	28.1	23.2	24.0	21.3	29.4	New Mexico
52.6	23.1	20.3	16.0	17.0	23.8	19.4	Oklahoma
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Texas (b)
20.2	6.7	8.7	12.8	17.6	42.7	17.3	Rocky Mountain
41.1	14.6	12.7	15.1	18.9	46.2	22.0	Colorado
6.8	-11.9	-7.8	-2.1	6.6	23.0	0.3	Idaho
**	3.6	9.7	11.2	15.9	41.4	14.3	Montana
10.3	7.6	11.3	17.6	20.0	42.4	18.1	Utah
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Wyoming (b)
56.0	8.5	8.5	10.2	11.1	4.0	8.5	Far West
58.0	7.0	8.4	10.5	11.4	3.3	8.1	California
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Nevada (b)
48.4	12.9	8.9	8.6	8.0	16.4	11.1	Oregon
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Washington (b)
N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Alaska (b)
40.4	6.4	8.6	12.3	16.2	29.4	15.1	Hawaii

Table 7a
Effects of The Tax Reform Act of 1986 on State Tax Liabilities,
by Provision, by State
(in millions of dollars)

	Provisions				Total
	1	2	3	4	
	Changes in Itemized Deductions	Changes in Personal Exemptions, Standard Deduction, and Earned Income Credit	Changes in Tax Rates	Changes in All Other Provisions	
United States	\$ 2,571.4	\$ 470.4	\$ 244.6	\$ 1,901.4	\$ 5,187.8
New England	79.5	-47.5	-52.1	52.7	82.6
Connecticut (a)	-2.0	*	*	36.7	34.7
Maine	14.2	5.5	1.2	17.6	38.5
Massachusetts	43.4	2.2	*	-35.3	10.3
New Hampshire (a)	-0.1	*	*	*	-0.1
Rhode Island	16.2	-35.9	-34.8	30.1	-34.4
Vermont	7.8	-19.3	-18.5	13.6	-16.4
Midwest	585.3	109.4	-1.6	474.6	1,167.7
Delaware	9.9	4.3	-0.1	20.1	34.2
Washington, DC	22.1	*	*	25.8	47.9
Maryland	65.0	13.2	*	57.0	155.2
New Jersey	-3.5	*	*	-48.0	-51.5
New York	473.9	91.9	-1.5	450.5	1,014.8
Pennsylvania	-2.1	*	*	-30.8	-32.9
Great Lakes	108.5	167.8	19.7	377.9	673.9
Illinois	20.3	36.7	*	45.4	102.4
Indiana	9.6	*	*	29.0	38.6
Michigan	23.3	122.8	*	95.0	241.1
Ohio	29.8	5.2	*	186.1	221.1
Wisconsin	25.5	8.1	19.7	22.4	70.7
Plains	255.8	49.6	69.7	344.4	719.5
Iowa	33.5	26.1	43.1	9.6	112.3
Kansas	34.9	35.7	19.8	60.7	151.1
Minnesota	112.9	38.1	6.0	168.5	325.5
Missouri	50.9	-3.9	53.3	68.4	168.7
Nebraska	18.2	-37.6	-42.5	32.1	-29.8
North Dakota	5.4	-8.8	-10.0	5.1	-8.3
South Dakota (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Southeast	358.0	18.4	89.5	274.2	740.1
Alabama	4.9	23.3	22.0	-20.2	30.0
Arkansas	2.4	0.1	*	-9.3	-6.8
Florida (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Georgia	100.5	23.9	*	113.0	237.4
Kentucky	35.2	34.4	26.2	19.6	115.4
Louisiana	28.4	30.9	41.3	41.8	142.4
Mississippi	13.5	*	*	-6.3	7.2
North Carolina	0.2	*	*	-32.6	-32.4
South Carolina	54.9	-115.3	*	51.7	-8.7
Tennessee (a)	-0.7	*	*	*	-0.7
Virginia	101.6	15.7	*	91.4	208.7
West Virginia	17.1	5.4	*	25.1	47.6
Southwest	81.7	65.1	37.6	140.5	324.9
Arizona	5.6	24.6	38.0	34.2	102.4
New Mexico	20.1	11.3	*	30.5	61.9
Oklahoma	56.0	29.2	-0.4	75.8	160.6
Texas (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Rocky Mountain	105.6	35.0	75.9	127.0	343.5
Colorado	56.1	44.2	54.3	69.1	223.7
Idaho	12.0	-29.2	*	18.0	0.8
Montana	8.0	5.1	8.0	7.3	28.4
Utah	29.5	14.9	13.6	32.6	90.6
Wyoming (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Far West	955.9	72.6	5.9	79.3	1,113.7
California	902.8	21.8	-0.3	27.2	951.5
Nevada (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Oregon	53.1	50.8	6.2	52.1	162.2
Washington (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Alaska (b)	N.A.	N.A.	N.A.	N.A.	N.A.
Hawaii	41.1	*	*	30.8	71.9

Note: Detail may not add to totals because of rounding.

(a) State has very limited income tax. (b) State has no income tax.

*Less than \$50,000.

**Less than 0.05%.

Table 7b
Effects of The Tax Reform Act of 1986 on State Tax Liabilities,
by Provision, by State
(in percent changes)

Provisions					
1	2	3	4	Total	
Changes in Itemized Deductions	Changes in Personal Exemptions, Standard Deduction, and Earned Income Credit	Changes in Tax Rates	Changes in All Other Provisions		
3.7%	0.6%	0.3%	2.8%	7.6%	
1.6	-1.0	-1.1	1.1	0.7	United States
-0.6	**	**	11.7	11.1	New England
4.1	1.5	0.3	5.3	11.6	Connecticut(a)
1.2	0.1	**	-0.9	0.3	Maine
-0.4	**	**	**	-0.4	Massachusetts
5.2	-10.8	-11.7	6.7	-11.5	New Hampshire (a)
4.5	-10.6	-11.3	8.2	-9.9	Rhode Island
3.1	0.6	**	2.6	6.3	Vermont
2.7	1.1	**	5.6	9.6	Midwest
4.6	**	**	5.5	10.2	Delaware
4.1	0.6	**	2.8	7.7	Washington, DC
-0.2	**	**	-2.2	-2.4	Maryland
4.3	0.8	**	4.2	9.4	New Jersey
-0.1	**	**	-1.2	-1.2	New York
0.8	1.3	0.1	3.0	5.3	Pennsylvania
0.7	1.2	**	1.6	3.6	Great Lakes
0.7	**	**	2.1	2.7	Illinois
0.7	3.5	**	2.8	7.1	Indiana
1.0	0.2	**	6.2	7.4	Michigan
1.2	0.1	0.9	1.1	3.4	Ohio
5.5	1.0	1.4	7.6	15.9	Wisconsin
3.7	2.8	4.5	1.1	12.5	Plains
5.0	4.9	2.6	9.1	22.7	Iowa
4.3	1.4	0.2	6.7	12.9	Kansas
4.1	-0.3	4.1	5.7	14.0	Minnesota
5.0	-9.8	-12.3	9.3	-8.6	Missouri
6.3	-9.7	-12.2	6.3	-10.2	Nebraska
N.A.	N.A.	N.A.	N.A.	N.A.	North Dakota
3.3	0.2	0.8	2.6	6.9	South Dakota (b)
0.6	3.0	2.7	-2.6	3.8	Southeast
0.4	**	**	-1.7	-1.3	Alabama
N.A.	N.A.	N.A.	N.A.	N.A.	Arkansas
5.1	1.2	**	6.0	12.5	Florida (b)
4.1	3.8	2.8	2.3	13.4	Georgia
5.3	5.5	7.0	8.2	27.9	Kentucky
4.7	**	**	-2.2	2.6	Louisiana
**	**	**	-1.5	-1.5	Mississippi
5.6	-11.1	**	5.5	-0.9	North Carolina
-1.3	**	**	**	-1.3	South Carolina
4.5	0.7	**	4.1	9.4	Tennessee (a)
3.9	1.2	**	5.8	11.0	Virginia
4.6	3.5	2.0	8.2	18.9	West Virginia
0.8	3.5	5.3	5.0	15.0	Southwest
8.9	4.6	**	14.5	29.4	Arizona
6.5	3.2	**	9.2	19.4	New Mexico
N.A.	N.A.	N.A.	N.A.	N.A.	Oklahoma
5.2	1.6	3.5	6.4	17.3	Texas (b)
5.4	4.0	4.8	6.8	22.0	Rocky Mountain
4.2	-9.9	**	6.6	0.3	Colorado
4.0	2.5	3.8	3.7	14.3	Idaho
5.7	2.7	2.4	6.5	18.1	Montana
N.A.	N.A.	N.A.	N.A.	N.A.	Utah
7.1	0.5	**	0.6	8.5	Wyoming (b)
7.5	0.2	**	0.2	8.1	Far West
N.A.	N.A.	N.A.	N.A.	N.A.	California
3.6	3.3	0.4	3.6	11.1	Nevada (b)
N.A.	N.A.	N.A.	N.A.	N.A.	Oregon
N.A.	N.A.	N.A.	N.A.	N.A.	Washington (b)
8.3	**	**	6.5	15.1	Alaska (b)
					Hawaii

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Table 8
**Number and Percentage of Taxable Federal Returns
 Made Nontaxable by The Tax Reform Act of 1986**

	Number (000's)	Percent	State	Number (000's)	Percent
United States	4,437.0	5.8%	Southeast	1,354.9	7.2%
			Alabama	88.2	7.2
New England	190.1	3.4	Arkansas	47.9	7.3
Connecticut	24.1	1.7	Florida	287.0	6.6
Maine	35.2	8.0	Georgia	183.9	7.8
Massachusetts	86.9	3.3	Kentucky	66.4	6.3
New Hampshire	21.4	4.2	Louisiana	77.6	7.8
Rhode Island	13.4	3.4	Mississippi	76.1	12.0
Vermont	9.0	4.7	North Carolina	156.4	7.1
			South Carolina	87.9	8.0
Mideast	827.1	5.0	Tennessee	154.8	10.0
Delaware	11.8	5.3	Virginia	108.1	4.8
Washington, DC	17.5	6.9	West Virginia	20.7	4.4
Maryland	85.4	5.0	Southwest	409.8	5.7
New Jersey	204.3	5.8	Arizona	55.0	4.7
New York	346.3	5.2	New Mexico	24.3	5.8
Pennsylvania	161.8	4.1	Oklahoma	83.1	3.9
			Texas	297.4	6.3
Great Lakes	578.9	4.1	Rocky Mountain	110.3	5.1
Illinois	157.7	3.9	Colorado	53.2	5.0
Indiana	85.8	5.0	Idaho	8.2	3.0
Michigan	154.9	4.6	Montana	16.5	7.0
Ohio	134.0	3.8	Utah	26.7	5.7
Wisconsin	46.4	3.0	Wyoming	5.6	4.2
Plains	233.7	4.1	Far West	711.7	5.5
Iowa	33.2	4.3	California	567.0	5.5
Kansas	28.0	3.4	Nevada	24.1	6.6
Minnesota	56.8	3.8	Oregon	44.9	5.4
Missouri	78.5	4.7	Washington	75.6	5.2
Nebraska	12.4	2.5			
North Dakota	6.6	3.5	Alaska	1.2	0.7
South Dakota	18.2	9.1	Hawaii	19.3	5.0

(See state notes on next page.)

Table 9
**Number and Percentage of Taxable State Returns Made Nontaxable for
 State Income Taxes, by State**
 (for states which have enacted changes to
 standard deductions and personal exemptions, as of October 1987)

	Number (000's)	Percent	State	Number (000's)	Percent
United States	1,309.4	4.0%	Southeast		
New England			Alabama	N.A.	N.A.
Connecticut	N.A.	N.A.	Arkansas	10.0	1.5%
Maine	N.A.	N.A.	Florida	N.A.	N.A.
Massachusetts	N.A.	N.A.	Georgia	N.A.	N.A.
New Hampshire	N.A.	N.A.	Kentucky	N.A.	N.A.
Rhode Island	N.A.	N.A.	Louisiana	N.A.	N.A.
Vermont	N.A.	N.A.	Mississippi	N.A.	N.A.
Mideast			North Carolina	N.A.	N.A.
Delaware	4.5	1.5	South Carolina	N.A.	N.A.
Washington, DC	26.9	9.7	Tennessee	N.A.	N.A.
Maryland	6.0	0.8	Virginia	0.4	**
New Jersey	N.A.	N.A.	West Virginia	21.8	4.8
New York	245.1	8.7	Southwest		
Pennsylvania	N.A.	N.A.	Arizona	14.4	1.5
Great Lakes			New Mexico	1.8	0.8
Illinois	N.A.	N.A.	Oklahoma	N.A.	N.A.
Indiana	N.A.	N.A.	Texas	N.A.	N.A.
Michigan	N.A.	N.A.	Rocky Mountain		
Ohio	54.1	1.4	Colorado	86.6	7.9
Wisconsin	18.9	1.0	Idaho	N.A.	N.A.
Plains			Montana	N.A.	N.A.
Iowa	N.A.	N.A.	Utah	-11.8	-2.8
Kansas	N.A.	N.A.	Wyoming	N.A.	N.A.
Minnesota	226.2	18.2	Far West		
Missouri	N.A.	N.A.	California	591.8	6.6
Nebraska	N.A.	N.A.	Nevada	N.A.	N.A.
North Dakota	N.A.	N.A.	Oregon	•	**
South Dakota	N.A.	N.A.	Washington	N.A.	N.A.
			Alaska	N.A.	N.A.
			Hawaii	18.6	5.5

*Less than \$50,000.

**Less than 0.05%.

Table 9 (cont.)

**Number and Percentage of Taxable State Returns Made Nontaxable for
State Income Taxes, by State
(for states which have enacted changes to
standard deductions and personal exemptions, as of October 1987)**

Notes

The following state tax law changes were simulated for *Table 9*.

- AZ** Changed percentage of state AGI for standard deduction from 18.8% to 19.4%. Changed upper limit on standard deduction from \$917 (single returns) and \$1,834 (joint returns) to \$998 and \$1,996, respectively. Changed personal exemption from \$1,834 for each taxpayer and \$1,100 for each dependent to \$1,996 and \$1,198, respectively.
- AR** Changed personal exemption credit from \$17.50 for each taxpayer and \$6.00 for each dependent to \$20 per person.
- CA** Changed zero bracket amount from \$1,710 (single returns) and \$3,420 (joint returns) to \$1,880 and \$3,760, respectively. Changed personal exemption credit from \$43 to \$51.
- CO** Changed standard deduction from \$1,420 for all returns to federal amounts by filing status. Changed personal exemption from \$1,200 to federal amount.
- DE** Changed maximum standard deduction from \$1,000 for all returns to \$1,300 (single returns) and \$1,600 (joint returns). Changed personal exemption from \$1,000 to \$1,250.
- DC** Changed standard deduction from \$1,000 to \$2,000. Changed personal exemption from \$750 to \$1,370 (phased in by 1990).
- HI** Changed standard deduction from \$800 (single returns) and \$1,000 (joint returns) to \$1,000 and \$1,700, respectively.
- MD** Changed maximum standard deduction from \$1,500 (single returns) and \$3,000 (joint returns) to \$2,000 and \$4,000, respectively. Changed personal exemption from \$800 to \$1,000.
- MN** Changed standard deduction from 10% of AGI, up to a maximum of \$2,300, to federal amounts.
- NM** Changed standard deduction from \$3,000 (single returns), \$4,000 (joint returns) and \$3,500 (head-of-household returns), to federal amounts.
- NY** Changed standard deduction from \$2,600 (single returns) and \$3,000 (joint returns) to \$3,600 and \$5,300, respectively. Changed personal exemption from \$850 to \$900.
- OH** Changed personal exemption from \$650 to \$1,000.
- OR** Raised maximum standard deduction from \$1,500 to \$1,800.
- UT** Lowered standard deduction for single returns from 15% of AGI with a minimum of \$1,300 and a maximum of \$2,000, to 15% of AGI with a minimum of \$650 and a maximum of \$1,000.
- VA** Changed standard deduction from 15% of AGI with a minimum of \$1,300 and a maximum of \$2,000, to a flat \$2,000 (single returns) and \$4,000 (joint returns). Changed personal exemption from \$600 to \$800 (phased in by 1988).
- WV** Eliminated \$1,000 standard deduction. Changed personal exemption from \$800 to \$2,000.
- WI** Changed maximum standard deduction from \$7,200 to \$7,560 for joint returns and reduced phased-out range.

Table 10
Additional Number and Percentage of Taxable State Returns
Made Taxable for State Income Taxes If States with Standard Deductions and
Personal Exemptions Increase Those Amounts to New Federal Levels,
as of October 1987

	Number (000's)	Percent	State	Number (000's)	Percent
United States	3,661.5	6.0%	Southeast		
			Alabama	800.5	24.9%
New England			Arkansas	55.1	8.2
Connecticut (a)	N.A.	N.A.	Florida (b)	N.A.	N.A.
Maine	43.4	11.0	Georgia	196.9	9.3
Massachusetts	132.4	4.8	Kentucky	124.3	11.4
New Hampshire (a)	N.A.	N.A.	Louisiana (f)	N.A.	N.A.
Rhode Island (c)	N.A.	N.A.	Mississippi	18.6	3.2
Vermont (c)	N.A.	N.A.	North Carolina	357.9	17.6
			South Carolina (e)	N.A.	N.A.
Mideast			Tennessee (a)	N.A.	N.A.
Delaware	51.0	17.1	Virginia	49.4	2.3
Washington, DC	21.5	8.6	West Virginia	66.5	14.0
Maryland	70.8	3.7	Southwest		
New Jersey	213.8	6.0	Arizona	73.3	7.6
New York	270.8	4.3	New Mexico (e)	N.A.	N.A.
Pennsylvania (d)	N.A.	N.A.	Oklahoma	57.3	6.1
			Texas (b)	N.A.	N.A.
Great Lakes			Rocky Mountain		
Illinois	130.8	2.3	Colorado (f)	N.A.	N.A.
Indiana	161.8	7.9	Idaho (e)	N.A.	N.A.
Michigan	535.4	14.1	Montana	42.8	17.2
Ohio	100.6	2.7	Utah	95.7	17.9
Wisconsin (f)	N.A.	N.A.	Wyoming (b)	N.A.	N.A.
Plains			Far West		
Iowa	23.4	2.9	California	166.5	2.0
Kansas	58.4	7.4	Nevada (b)	N.A.	N.A.
Minnesota (e)	N.A.	N.A.	Oregon	84.8	8.6
Missouri	115.0	6.9	Washington (b)	N.A.	N.A.
Nebraska (c)	N.A.	N.A.	Alaska (b)	N.A.	N.A.
North Dakota (c)	N.A.	N.A.	Hawaii	47.9	15.0
South Dakota (b)	N.A.	N.A.			

N.A.—Not Applicable

(a) State has a very limited income tax.

(b) State has no income tax.

(c) State tax is a percent of federal liability.

(d) State has no personal exemption or standard deduction.

(e) State personal exemption and standard deductions are the same as new federal amounts.

(f) State's combined personal exemption and standard deduction exceeds federal amounts.

Sample and Methodology

The tax return data used for this report are from the 1981 IRS public use Statistics of Income (SOI) file extrapolated to 1986 income levels. This data file contains a stratified random sample of approximately 140,000 tax returns taken from the total of over 95 million returns filed in 1981. Accordingly, each record on the file contains a statistical weight indicating the number of returns in the U.S. population that are represented by that record.

Data from the tax file have been statistically merged with demographic and economic data from the *Current Population Survey* of the U.S. Census Bureau. The merged SOI and Census data base contains approximately 300,000 records with about 500 items of information per record, including tax, demographic, and other data imputed to the merged file from other sources. Each record on the Policy Economics Group's file contains a code indicating the state of residence of the tax return. Use of this code allows the model to determine federal and state taxes by state.

Table A-1 presents the Policy Economics Group's estimates of the original distribution of the SOI sample by state. This distribution can only be estimated because the public use file does not contain a state designation for high-income taxpayers. For some less populous states, the number of tax returns in the

SOI sample is very small—1,000 returns or less. As a result, sampling error may cause statistically unreliable results for some sets of tax provisions or for some income classes within a state. Consequently, the data presented in this report should be interpreted as representing general tendencies and trends rather than the results that would necessarily hold if large state samples were used.

The Policy Economics Group's tax model follows the procedures that individual taxpayers follow in completing their federal and state income tax returns. Each record from the data base is processed as an individual tax return, calculating federal tax liability first and then state tax liability based on the legal couplings, if any, between that state and federal law. For those states that allow married couples to file separate returns, each federal return is "split" into a husband and wife based on data from the Census portion of the file. The state tax liability is computed first as a couple, and then as two separate returns. The option that produces the lower liability is then chosen as that couple's final tax. All tax liabilities by return are then summed to generate state totals for both federal and state taxes, incorporating the individual statistical weights for each return on the file.

Table A1
**Estimates of Original Distribution of SOI Sample,
 by State**

State	Returns	State	Returns
Alabama	2,145	Montana	942
Alaska	837	Nebraska	1,798
Arizona	2,940	Nevada	1,140
Arkansas	1,976	New Hampshire	938
California	15,742	New Jersey	4,398
Colorado	2,445	New Mexico	1,287
Connecticut	2,259	New York	10,546
Delaware	628	North Carolina	2,489
Washington, DC	801	North Dakota	695
Florida	6,006	Ohio	5,572
Georgia	2,732	Oklahoma	2,660
Hawaii	1,090	Oregon	1,841
Idaho	932	Pennsylvania	5,885
Illinois	6,646	Rhode Island	853
Indiana	2,664	South Carolina	1,601
Iowa	1,962	South Dakota	697
Kansas	1,945	Tennessee	2,301
Kentucky	2,136	Texas	10,205
Louisiana	2,389	Utah	1,595
Maine	985	Vermont	453
Maryland	2,418	Virginia	2,718
Massachusetts	3,137	Washington	2,373
Michigan	4,533	West Virginia	1,428
Minnesota	2,238	Wisconsin	2,339
Mississippi	2,102	Wyoming	684
Missouri	2,463	United States Total*	144,322

*Includes 751 returns for U.S. Territories.

Appendix B
Regional Tables

Table B1
Effects of The Tax Reform Act of 1986 on Federal Tax Liabilities,
by Income Class, by Region

	Income Class (thousands)						Total
	Under 10	10-20	20-30	30-50	50-100	Over 100	
(in millions of dollars)							
United States*	\$-124.6	\$-3,751.5	\$-3,815.7	\$-9,351.9	\$-4,736.8	\$-14,154.1	\$-35,932.9
New England	-5.4	-198.0	-341.2	-807.1	-424.1	-1,237.7	-3,008.0
Midwest	9.5	-807.2	-932.8	-1,862.7	-1,069.0	-3,537.0	-8,198.5
Great Lakes	198.3	-523.6	-786.6	-2,125.4	-1,197.8	-2,073.5	-6,568.4
Plains	-37.2	-153.2	-164.4	-674.9	-358.8	-672.9	-2,034.6
Southeast	-169.0	-1,133.0	-794.1	-2,010.4	-954.5	-2,528.2	-7,589.2
Southwest	-36.0	-343.8	-344.5	-865.5	-445.8	-1,742.5	-3,778.2
Rocky Mountain	-15.9	-62.2	-51.3	-173.9	-78.4	-211.6	-592.7
Far West	-12.8	-522.7	-382.6	-819.6	-166.6	-2,089.1	-3,993.4
(in percent changes)							
United States*	-5.4%	13.3%	-8.8%	-9.6%	-5.6%	-14.0%	-10.1%
New England	-3.0	-10.0	-10.7	-11.6	-8.3	-16.3	-12.0
Midwest	2.1	-13.9	-10.3	-9.6	-6.1	-15.3	-10.9
Great Lakes	33.1	-11.6	-10.3	-11.0	-7.7	-14.9	-10.7
Plains	-21.5	-8.0	-6.0	-9.4	-6.9	-12.5	-9.1
Southeast	-36.5	-16.7	-8.2	-10.3	-6.0	-13.3	-10.6
Southwest	-17.6	-14.9	-9.3	-10.3	-5.7	-14.9	-11.1
Rocky Mountain	-23.3	-8.7	-5.1	-6.6	-4.0	-9.4	-6.9
Far West	-3.7	-12.7	-6.1	-5.8	-1.2	-12.1	-7.1

*Includes Alaska and Hawaii, not included in regions.

Table B2
Effects of The Tax Reform Act of 1986 on Federal Tax Liabilities,
by Provision, by Region

	Provisions				Total
	1	2	3	4	
	Changes In Itemized Deductions	Changes In Personal Exemptions, Standard Deduction, and Earned Income Credit	Changes In Tax Rates	Changes In All Other Provisions	
(In millions of dollars)					
United States*	\$21,183.7	\$-36,861.7	\$-48,824.0	\$28,569.1	\$-35,932.9
New England	1,157.7	-2,347.1	-3,413.5	1,594.9	-3,008.0
Midwest	4,194.7	-7,128.8	-10,891.9	5,627.5	-8,198.5
Great Lakes	3,206.4	-6,517.6	-7,926.5	4,669.3	-6,568.4
Plains	1,211.2	-2,438.8	-2,734.5	1,927.5	-2,034.6
Southeast	4,355.3	-3,458.1	-8,962.3	5,475.9	-7,589.2
Southwest	1,870.6	-3,401.9	-5,261.5	3,014.6	-3,778.2
Rocky Mountain	591.4	-926.8	-1,089.1	831.8	-592.7
Far West	4,422.4	-5,408.8	-8,200.9	5,193.9	-3,993.4
(In percent changes)					
United States*	5.6%	-9.2%	-13.3%	8.0%	-10.1%
New England	4.4	-8.5	-13.6	6.4	-12.0
Midwest	5.3	-8.5	-14.1	7.5	-10.9
Great Lakes	4.9	-9.5	-12.8	7.6	-10.7
Plains	5.2	-9.7	-12.0	8.6	-9.1
Southeast	5.8	-10.5	-12.5	7.7	-10.6
Southwest	5.2	-8.8	-14.9	8.8	-11.1
Rocky Mountain	6.4	-9.3	-12.1	9.6	-6.9
Far West	7.4	-8.3	-13.7	9.2	-7.1

*Includes Alaska and Hawaii, not included in regions.

Table B3
Effects of The Tax Reform Act of 1986 on State Tax Liabilities,
by Income Class, by Region

	Income Class (thousands)						Total
	Under 10	10-20	20-30	30-50	50-100	Over 100	
	(In millions of dollars)						
United States*	\$301.3	\$279.8	\$498.3	\$1,294.5	\$,1978.8	\$1,495.1	\$5,187.8
New England	4.0	3.2	5.8	7.2	12.4	-0.5	32.6
Mideast	22.6	68.9	95.7	260.1	291.7	428.9	1,167.7
Great Lakes	143.3	59.3	48.4	118.8	140.4	164.3	673.9
Plains	15.0	31.3	62.0	196.9	174.1	239.9	719.5
Southeast	22.2	24.2	51.3	215.2	208.3	219.6	740.1
Southwest	8.4	22.0	36.5	80.2	72.5	105.1	324.9
Rocky Mountain	7.9	14.2	26.0	90.4	76.1	128.7	343.5
Far West	76.0	53.1	106.4	308.6	382.2	187.4	1,118.7
	(In percent changes)						
United States*	34.8%	4.8%	4.7%	6.2%	8.3%	9.1%	7.4%
New England	3.7	0.6	0.8	0.5	1.4	**	0.7
Mideast	10.7	4.8	4.1	5.1	6.9	8.5	6.3
Great Lakes	120.1	5.4	2.7	2.6	4.5	7.8	5.3
Plains	22.2	5.9	7.8	9.9	12.8	24.5	12.6
Southeast	11.9	1.9	2.9	6.2	8.6	13.2	6.9
Southwest	140.0	15.9	17.1	14.7	16.2	27.6	18.9
Rocky Mountain	20.2	6.7	8.7	12.8	17.6	42.7	17.3
Far West	56.0	8.5	8.5	10.2	11.1	4.0	8.5

*Includes Alaska and Hawaii, not included in regions.

**Less than 0.05%.

Table B4
Effects of The Tax Reform Act of 1986 on State Tax Liabilities,
by Provision, by Region

	Provisions				Total
	1	2	3	4	
	Changes in Itemized Deductions	Changes in Personal Exemptions, Standard Deduction, and Earned Income Credit	Changes in Tax Rates	Changes in All Other Provisions	
(In millions of dollars)					
United States*	\$2,571.4	\$470.4	\$244.6	\$1,901.4	\$5,187.8
New England	79.5	-47.5	-52.1	52.7	82.6
Midwest	585.3	109.4	-1.6	474.6	1,167.7
Great Lakes	108.5	167.8	19.7	377.9	673.9
Plains	255.8	49.6	69.7	344.4	719.5
Southeast	358.0	18.4	89.5	274.2	740.1
Southwest	81.7	65.1	37.6	140.5	324.9
Rocky Mountain	105.6	85.0	75.9	127.0	348.5
Far West	955.9	72.6	5.9	79.3	1,118.7
(In percent changes)					
United States*	3.7%	0.6%	0.3%	2.8%	7.6%
New England	1.6	-1.0	-1.1	1.1	0.7
Midwest	3.1	0.6	**	2.6	6.3
Great Lakes	0.8	1.3	0.1	3.0	5.3
Plains	5.5	1.0	1.4	7.6	15.9
Southeast	3.3	0.2	0.8	2.6	6.9
Southwest	4.6	3.5	2.0	8.2	18.9
Rocky Mountain	5.2	1.6	3.5	6.4	17.3
Far West	7.1	0.5	**	0.6	8.5

*Includes Alaska and Hawaii, not included in regions.

**Less than 0.05%.

Table B5
**Number of Taxable Returns Made Nontaxable
 by The Tax Reform Act of 1986,
 by Region**
 (in thousands)

	Federal	State Tax Changes	
		Enacted As of October 1987 ¹	Conformance With Federal Law ²
United States*	4,437.0	1,809.4	3,661.5
New England	190.1	N.A.	175.8
Mideast	827.1	282.5	627.9
Great Lakes	578.9	68.0	928.6
Plains	233.7	226.2	196.8
Southeast	1,354.9	31.7	1,164.2
Southwest	409.8	15.7	130.6
Rocky Mountain	110.3	74.8	138.5
Far West	711.7	591.8	251.3

*Includes Alaska and Hawaii, not included in regions.

¹For states which have enacted changes to standard deductions and personal exemptions.

²Additional change if states with standard deductions and personal exemptions increase those amounts to new federal levels.

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The Commission is composed of 26 members—nine representing the federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Representatives by the Speaker of the House.

Each Commission member serves a two-year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooper-

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After selecting specific intergovernmental issues for investigation, ACIR follows a multistep procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts, and interested groups. The Commission then debates each issue and formulates its policy position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies

