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# *Significant Features of Fiscal Federalism*

*Volume 1*

*Budget Processes  
and Tax Systems*

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1990

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Advisory Commission  
on Intergovernmental Relations  
January 1990 M-169



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# Preface

In 1961, ACIR published *Tax Overlapping in the United States*, its first “almanac of the principal taxes involved in local, state, and federal fiscal relations.” Its purpose was to facilitate the charge to ACIR (P.L. 86-380) to “recommend the most desirable allocation of revenues among the several levels of government and the methods of coordinating and simplifying their tax laws.” *Tax Overlapping in the United States* combined a review of earlier research briefs and material assembled largely by the Office of Tax Analysis of the U.S. Department of the Treasury.

During the next three decades, ACIR’s fiscal almanac was expanded from comparisons of tax rates among governments to include descriptions of tax structures and fiscal trends, including intergovernmental aid arrangements.

Throughout the 1960s and most of the 1970s—under several titles—the almanac was published every two to three years. The report appeared as *Significant Features of Fiscal Federalism* for the first time in 1976; in 1979, it became an annual, single-volume survey of tax rates and fiscal trends.

In the early 1980s, state-by-state historical profiles were introduced and local tax surveys were expanded. Since 1986, *Significant Features* data on state tax revenue and state-local revenues and expenditures have been made available in computer format, increasing its reach and usefulness.

The 1988 edition of *Significant Features* represented an important departure from the earlier reports. It was published as a two-volume set, with the first volume released in January to coincide with the beginning of state legislative sessions and the reconvening of the Congress. Volume 1 is devoted to the federal, state, and local tax systems and budget processes. Every attempt is made to assure that the data are as timely as possible, to fit the needs of policymakers, their staffs, and analysts.

Volume 2 focuses on economic and fiscal trend data. This volume is based on the data for revenues and expenditures compiled annually by the U.S. Bureau of the Cen-

sus. The Census data, and information generated from ACIR surveys of state departments of revenue, result in a book of special interest to policy analysts. Here one can find a wealth of information on intergovernmental aid flows, government expenditures by type of government and by function, alternative measures of tax and revenue collections, summaries of ACIR’s estimates of fiscal capacity and effort by state, and state-by-state intergovernmental fiscal profiles.

This is the first of the two 1990 *Significant Features* volumes: *Budget Processes and Tax Systems*. Although similar in format and purpose to the 1988 and 1989 editions, the content has been changed somewhat. All economic data, and all information on tax and revenue collections, expenditures, and state and local fiscal capacity have been moved to Volume 2. Descriptive material has been added on state budget processes and requirements for balanced budgets, detailed tables have been included on corporate net income taxation and apportionment practices by states, and information has been added on state severance taxes.

There also has been an expansion of the data on the federal government, including information on the federal budget process, estate and gift tax rates, exemptions, and state death tax credits, federal individual and corporate income taxes, Old Age Survivors’ Disability and Hospitalization Insurance (Social Security) taxes, and selected excise taxes.

In the Preface to the 1961 edition of *Tax Overlapping*, the Commission urged users to communicate to ACIR any shortcomings in the scope and presentation of the publication. Many changes have been made over the years, and, once again, as we did at the beginning, we encourage users of the current volume to let us know what further improvements might be made.

**Robert D. Hawkins, Jr.**  
Chairman

# Acknowledgments

Clay Dursthoff was responsible for the overall data collection and preparation of this volume. Elliott Dubin expanded the coverage on federal tax rates. David Foertschbeck compiled the information on state individual and corporate income taxes and property tax relief. Other ACIR staff members also were involved in the review and production processes, and the publication of these volumes would not have been possible without their help.

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ers' Association; Marcia Howard, National Association of State Budget Officers; Corina Eckl, Steven D. Gold, and Martha Fabricius, National Conference of State Legislatures; Henry Wulf and the staff of the Governments Division, U.S. Bureau of the Census; and, especially, the staffs of the state and local government departments throughout the country for responding to our numerous requests and questions.

**John Kincaid**  
**Executive Director**

**Robert D. Ebel**  
**Director, Government Finance**

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*Section I*

# **Budget Processes and Tax and Expenditure Limits**

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Table 1  
The Federal Budget Process

The Executive Budget Process	Timing	The Congressional Budget Process
Agencies subject to executive branch review submit initial budget request materials.	September 1	
Fiscal year begins.	October 1	Fiscal year begins.
President's initial GRH* sequester order takes effect (amounts are withheld from obligation pending issuance of final order).	October 1	
OMB* reports on changes in initial GRH estimates and determinations resulting from legislation enacted and regulations promulgated after its initial report to Congress.	October 10 October 15	CBO* issues revised GRH report to OMB and Congress.
President issues final GRH sequester order, which is effective immediately, and transmits message to Congress within 15 days of final order.	October 15	
Agencies not subject to executive branch review submit budget request materials.	October 15 November 15	Comptroller General issues GRH compliance report.
Legislative branch and the judiciary submit budget request materials. President transmits the budget to Congress.	November-December 1st Monday after January 3	Congress receives the President's budget.
OMB sends allowance letters to agencies.	January-February February 15 February 25	CBO reports to the Budget Committees on the President's budget. Committees submit views and estimates to Budget Committee in their own house.
OMB and the President conduct reviews to establish presidential policy to guide agencies in developing the next budget.	April-June	
	April 1	Senate Budget Committee reports concurrent resolution on the budget.
	April 15 May 15	Congress completes action on concurrent resolution. House may consider appropriations bills in the absence of a concurrent resolution on the budget.
	June 10	House Appropriations Committee reports last appropriations bill.
	June 15 June 30	Congress completes action on reconciliation legislation. House completes action on annual appropriations bills.
President transmits the mid-session review, updating the budget estimates. OMB provides agencies with policy guidance for the upcoming budget.	July 15	Congress receives mid-session review of the budget.
Date of "snapshot" of projected deficits for the upcoming fiscal year for initial OMB and CBO GRH reports.	July-August August 15	
OMB issues its initial GRH report providing estimates and determinations to the President and Congress.	August 20 August 25	CBO issues its initial GRH report to OMB and Congress.
President issues initial GRH sequester order and sends message to Congress within 15 days.	August 25	

\* CBO—Congressional Budget Office  
GRH—Gramm-Rudman-Hollings (*Balanced Budget and Emergency Deficit Control Act of 1985*)  
OMB—Office of Management and Budget

Source: Executive Office of the President, Office of Management and Budget, *Mid-Session Review of the Budget*, July 1989.

Table 2

## State Budget Processes and Calendars

State	Budget Guidelines to Agencies	Agency Requests Submitted To Governor	Agency Hearings Held	Governor's Budget Sent to Legislature	Legislature Adopts Budget	Fiscal Year Begins	Legislative Sessions/ Budget Cycles
Alabama	July/August	October/November	December/January	January/February/April	May/July	October 1	Annual/Annual
Alaska	July	September/October	October/November	December	May	July 1	Annual/Annual
Arizona	June	September	October/November	January	April	July 1	Annual/Annual
Arkansas	May	August	August/September	September/December	April	July 1	Biennial/Biennial
California	July	September/November	November/December	January	March/June	July 1	Annual/Annual
Colorado	June	August	December/January	November	March/April	July 1	Annual/Annual
Connecticut	July	September	December	January	May	July 1	Annual/Annual
Delaware	August	September/October	October/December	January	June	July 1	Annual/Annual
Florida	July/August	October/November	n.p.	February	June	July 1	Annual/Biennial
Georgia	June	September	October/December	January	March	July 1	Annual/Annual
Hawaii	May/June	August	November	January	April 1	July 1	Annual/Biennial
Iaho	May	September	n.p.	January	March	July 1	Annual/Annual
Illinois	July	November/December	November/December	March	June	July 1	Annual/Annual
Indiana	June	September	October/November	January	April/May	July 1	Annual/Biennial
Iowa	June	September	December	January	April	July 1	Annual/Annual
Kansas	July	September/October	November	January	April	July 1	Annual/Annual
Kentucky	July	October	December	January	March	July 1	Biennial/Biennial
Louisiana	October	December	January	April	July	July 1	Annual/Annual
Maine	July	September	December	January/February	June	July 1	Annual/Biennial
Maryland	July	September/October	October/December	January	April	July 1	Annual/Annual
Massachusetts	July	September	October/November	January	June	July 1	Annual/Annual
Michigan	May	September/October	October/November	January	June	October 1	Annual/Annual
Minnesota	June/July	October	n.p.	January	May	July 1	Annual/Biennial
Mississippi	June	August	September	November	March	July 1	Annual/Annual
Missouri	June/July	October	October/November	January	April/June	July 1	Annual/Annual
Montana	June	August/September	n.p.	December	April	July 1	Biennial/Biennial
Nebraska	July	September	January	January	March	July 1	Biennial/Biennial
Nevada	July	September	September/December	January	June	July 1	Biennial/Biennial
New Hampshire	May	October 1	December	February 15	June	July 1	Annual/Biennial
New Jersey	May/June	October	n.p.	January	June	July 1	Annual/Annual
New Mexico	June/July	September	October/November	January	February/March	July 1	Annual/Annual
New York	June/July	September	November	January	March	April 1	Annual/Annual
North Carolina	June	September	October	February	July	July 1	Biennial/Biennial
North Dakota	March	July/August	July/September	December	April	July 1	Biennial/Biennial
Ohio	July	September	October	February	June	July 1	Annual/Biennial
Oklahoma	July	September	September/October	January	May/June	July 1	Annual/Annual
Oregon	April	September	September/November	December 1	June	July 1	Biennial/Biennial
Pennsylvania	August	October/November	December	February	June	July 1	Annual/Annual
Rhode Island	June	October	November	February/March	June	July 1	Annual/Annual
South Carolina	July	August	August	January	June	July 1	Annual/Annual

Table 2 (cont.)

**State Budget Processes and Calendars**

<b>State</b>	<b>Budget Guidelines to Agencies</b>	<b>Agency Requests Submitted To Governor</b>	<b>Agency Hearings Held</b>	<b>Governor's Budget Sent to Legislature</b>	<b>Legislature Adopts Budget</b>	<b>Fiscal Year Begins</b>	<b>Legislative Sessions/ Budget Cycles</b>
<b>South Dakota</b>	July	September	September	December	March	July 1	Annual/Annual
<b>Tennessee</b>	August	October	November	January	May	July 1	Annual/Annual
<b>Texas</b>	March/April	June/July	August/October	January	May	September 1	Biennial/Biennial
<b>Utah</b>	July	September	October	December	February	July 1	Annual/Annual
<b>Vermont</b>	June	September	September/October	January	May	July 1	Annual/Biennial
<b>Virginia</b>	May	September	October/December	January	March	July 1	Annual/Biennial
<b>Washington</b>	April	August/September	October	December	May	July 1	Annual/Biennial
<b>West Virginia</b>	July	August	n.p.	n.p.	n.p.	July 1	Annual/Annual
<b>Wisconsin</b>	April	October	March	June	July	July 1	Annual/Biennial
<b>Wyoming</b>	August	September	November	December	March	July 1	Annual/Biennial

n.p. -- no provision

Source: National Association of State Budget Officers, *Budgetary Processes in the States, 1987*.

Table 3

**State Balanced Budgets and Deficit Limitations:  
Constitutional and Statutory Provisions**

State	Governor Must Submit a Balanced Budget	Legislature Must Pass a Balanced Budget	Governor Must Sign a Balanced Budget	May Carry Over Deficit For One Year Maximum	May Not Carry Over Deficit Into Next Biennium	May Not Carry Over Deficit Into Next Fiscal Year	Constitutional Limit on General Obligation Debt <sup>1</sup>
Alabama	C,S	YR	YR	NP	NP	YR	YR
Alaska <sup>2</sup>							
Arizona	S	S	S	NP	NP	YR	\$350,000
Arkansas	S	NP	NP	NP	YR	YR	NP
California	YR	NP	YR	YR <sup>3</sup>	NP	YR <sup>3</sup>	300,000
Colorado	S	C	C	C	C	C	YR
Connecticut	YR	YR	YR	NP	NP	NP	NP
Delaware	C	C	C	NP	YR	YR	NP
Florida	S	C	NP	NP	NP	YR	NP
Georgia	YR	YR	YR	NP	NP	NP	4
Hawaii	C,S	NP	C,S	NP	NP	NP	5
Idaho	C	C	NP	NP	NP	YR	2,000,000
Illinois	C	C	NP	NP	NP	NP	NP
Indiana	C	C	C	NP	YR	YR	0
Iowa	C	C	NP	NP	NP	NP	250,000
Kansas	S	S	NP	NP	YR	YR	1,000,000
Kentucky	C	C	C	NP	YR	YR	500,000
Louisiana	YR	YR	YR	NP	NP	NP	6
Maine	YR	NP	NP	NP	NP	NP	2,000,000
Maryland	C	C	NP	YR <sup>7</sup>	YR <sup>7</sup>	YR <sup>7</sup>	NP
Massachusetts	C,S	NP	NP	NP	NP	NP	NP
Michigan	C	C	C	NP	YR	YR	0
Minnesota	C,S	C,S	C,S	S	C,S	NP	NP
Mississippi	S	NP	NP	NP	NP	NP	8
Missouri	C	C	C	NP	NP	YR	0
Montana	C	C	NP	YR	YR	YR	NP
Nebraska	C	C	C	NP	NP	NP	100,000
Nevada	S	C	NP	NP	NP	NP	AV
New Hampshire	S	NP	YR	NP	YR	YR	NP
New Jersey	C	C	C	NP	YR	YR	9
New Mexico	NP	NP	YR	NP	NP	YR	AV
New York	C	NP	C	C	NP	NP	V
North Carolina	C	C	C	NP	YR	YR	YR
North Dakota	YR	YR	YR	NP	YR	NP	NP
Ohio	YR	YR	YR	NP	YR	YR	10
Oklahoma	S	NP	NP	NP	YR	YR	V
Oregon	C,S	C,S	C,S	NP	NP	NP	50,000
Pennsylvania	C	C	S	C	NP	NP	YR
Rhode Island	C,S	C,S	C,S	NP	NP	YR	V
South Carolina	C	C	C	NP	YR	YR	11
South Dakota	C	C	C	NP	NP	YR	100,000
Tennessee	C	C	C	NP	NP	YR	NP
Texas	C	C	C	NP	NP	NP	200,000
Utah	S	C	NP	NP	YR	YR	AV
Vermont	NP	NP	NP	NP	NP	NP	NP
Virginia	S	NP	NP	NP	S	S	V,T
Washington	S	NP	NP	NP	YR	NP	T
West Virginia <sup>2</sup>							
Wisconsin	NP	NP	NP	NP	NP	NP	AV
Wyoming	YR	YR	YR	NP	YR	YR	AV



Table 3 (cont.)

**State Balanced Budgets and Deficit Limitations:  
Constitutional and Statutory Provisions**

**Key**

AV—Percentage of property value

T—Percentage of taxes

C—Constitutional provision

V—Popular vote required for any debt

NP—No provision

YR—Yes/restriction applies

S—Statutory provision

<sup>1</sup> Different provisions may apply to other long- and short-term debts.

<sup>2</sup> Information not available.

<sup>3</sup> May carry over only with legislative concurrence.

<sup>4</sup> Not more than 10% of prior year's net general revenues.

<sup>5</sup> Not to exceed 20% of average of General Fund revenues for 3 fiscal years preceding; may not be exceeded by popular vote.

<sup>6</sup> Limited to 10% of 3-year average of Bond Security and Redemption Fund.

<sup>7</sup> General Fund must have positive balance at end of fiscal year of proposed budget.

<sup>8</sup> 5% of General Fund.

<sup>9</sup> 5% of General Fund.

<sup>10</sup> Highway, \$500 million; coal, \$100 million.

<sup>11</sup> Limited to 5% of last completed fiscal year revenue for capital improvement bonds.

Source: National Association of State Budget Officers, *Budgetary Processes in the States, 1987*.

Table 4

## Gubernatorial Veto Authority for Major Budget Items

State	Funding for a Line Item	Funding for an Entire Program or Agency	Language Accompanying Appropriation	Language in Footnote or Following an Appropriation Explaining How Money is Spent	Proviso or Contingency Language on Expenditure of Appropriation	Only Entire Bill	Power to Reduce (R) Appropriation or Substitute (S) New Measure for Consideration	Other
Alabama							S	X <sup>1</sup>
Alaska	X						R	
Arizona	X	X						
Arkansas	X	X						
California	X	X	X	X	X		R	
Colorado	X	X		X <sup>2</sup>	X <sup>2</sup>			
Connecticut	X	X						
Delaware	X							
Florida	X							
Georgia	X	X	X	X	X			
Hawaii	X							
Idaho	X							
Illinois	X	X					R <sup>3</sup>	
Indiana						X		
Iowa	X	X	X	X	X			X <sup>4</sup>
Kansas	X							
Kentucky	X	X			X			
Louisiana <sup>5</sup>	X	X	X	X	X			
Maine						X		X <sup>6</sup>
Maryland								X <sup>7</sup>
Massachusetts	X	X	X	X	X		R	
Michigan	X	X	X <sup>8</sup>					
Minnesota	X	X						
Mississippi	X	X	X	X	X			
Missouri	X	X					R	
Montana	X	X <sup>9</sup>					9	
Nebraska	X	X					R	
Nevada						X		
New Hampshire						X <sup>10</sup>		X <sup>10</sup>
New Jersey	X	X	X	X	X		R	
New Mexico				X	X			
New York	X	X	X	X	X			X <sup>11</sup>
North Carolina <sup>12</sup>							No Veto	
North Dakota	X	X	X	X	X			
Ohio	X	X	X	X	X			
Oklahoma	X	X		X				
Oregon	X	X					R	X <sup>13</sup>
Pennsylvania	X	X					R	
Rhode Island						X		
South Carolina	X	X	X	X	X			
South Dakota	X							
Tennessee	X	X					R	
Texas	X	X						X
Utah	X							X
Vermont								
Virginia	X	X	X	X	X		R	
Washington	X	X	X	X	X			
West Virginia	X	X	X					
Wisconsin	X	X	X		X		14	X <sup>14</sup>
Wyoming	X	X		X	X			
Totals	40	32	16	17	18	5	S-1; R-11	10

Table 4 (cont.)  
**Gubernatorial Veto Authority for Major Budget Items**

**Notes**

X—governor has veto authority.

*Language Accompanying Appropriation* means descriptive language that is next to the appropriation. This may be a title or short description.

*Footnote Language* means language that describes how dollars are to be spent. Footnotes also may be called legislative intent language. Footnotes usually appear on the bottom of the page with the corresponding appropriation.

*Proviso Language* means language that explains what the executive, legislative, or judicial agency has to do to receive an appropriation. This is also known as contingency language.

<sup>1</sup> The governor may veto the bill entirely or offer executive amendments, which may delete or add figures and language.

<sup>2</sup> Only if language is unconstitutional.

<sup>3</sup> Governor has reduction veto power on a particular line item. The amount the governor approves becomes law unless veto is overridden by legislature. The Constitution prohibits substantive language in an appropriations bill.

<sup>4</sup> As a result of a Supreme Court suit, the governor, in item vetoing, must veto a complete section—that may be done only in an appropriations bill. Prior to this suit, the governor was item vetoing words. However, court cases are again pending. (The governor has recently vetoed phrases and sentences in sections of appropriations bills.)

<sup>5</sup> The governor may veto anything that shows up as a line item.

<sup>6</sup> The governor may veto only the entire bill.

<sup>7</sup> The governor has no veto power. Maryland has strong executive budget.

<sup>8</sup> Distinct item of appropriations. If line item vetoed, language also is vetoed as a rule.

<sup>9</sup> If a bill originally passed by 2/3 vote and the legislature has adjourned, the secretary of state may poll the legislative membership by mail for a veto override vote. The governor also has an “amendatory veto” on non-appropriations bills, which provides for the legislature to consider his recommendations.

<sup>10</sup> Constitution prohibits budget footnotes in appropriations bill that establish, amend, or repeal sections of state laws not related to operating expenses.

<sup>11</sup> The governor may veto any legislative “addition” to the budget only.

<sup>12</sup> The governor has no veto power.

<sup>13</sup> The governor also may veto single-item appropriations bills.

<sup>14</sup> The only way that a governor may reduce an appropriated amount is to line item part of the appropriation figure. For example, if \$100,000 was appropriated, a zero and a comma could be struck to make the figure \$10,000 or all but the last zero could be struck to provide a zero dollar appropriation.

Source: National Conference of State Legislatures, *Legislative Budget Procedures in the 50 States: A Guide to Appropriations and Budget Processes*, September 1988.

Table  
Description of State

State and Adoption Year Type of Limit, Methods of Approval	Limit Applies to—	Limit Is
<b>Alaska</b> <sup>1</sup> 1982 Constitutional Expenditure Legislative Referendum	State appropriations	Appropriations shall not exceed \$2.5 billion by more than the cumulative percentage change in population and inflation since 7/1/81.
<b>Arizona</b> 1978 Constitutional Expenditure Legislative Referendum	Appropriations of state tax revenues	Appropriations of state tax revenues shall not exceed 7 percent of state personal income.
<b>California</b> 1979 Constitutional Expenditure Citizen Initiative	Appropriations of state revenues	Yearly growth in appropriations limit shall not exceed percentage increase in population and inflation.
<b>Colorado</b> 1977 Statutory Expenditure Legislative Vote	State general fund appropriations	Yearly growth of state general fund appropriations.
<b>Delaware</b>	State general fund appropriations	98 percent of estimated general fund revenue and prior year's unencumbered funds.
<b>Hawaii</b> 1978 Constitutional Revenue	State general fund appropriations	Growth of appropriations limited to rate of growth of state economy—defined as preceding 3 years average growth rate of personal income (Act 277).
<b>Idaho</b> 1980 Statutory Expenditure Legislative Vote	State general fund appropriations	Appropriations shall not exceed 5.33 percent of state personal income.
<b>Louisiana</b> 1979 Statutory Revenue Legislative Vote	State tax revenue	Tax revenue shall not exceed: $\frac{\text{FY78-79 tax revenue}}{1977 \text{ state personal income}}$
<b>Massachusetts</b> 1986 Statutory Revenue Initiative Petition	State revenue	The average growth of wages and salaries of the previous 3 years.
<b>Michigan</b> 1978 Constitutional Revenue Citizen Initiative	State revenue	Revenue shall not exceed: $\frac{\text{FY78-79 state revenue}}{1977 \text{ state personal income}} \times$ the greater of state personal income in prior calendar year or average state personal income over previous 3 calendar years.
<b>Missouri</b> 1980 Constitutional Revenue and Expenditure Citizen Initiative	State revenue and expenditure	Revenue shall not exceed: $\frac{\text{FY 80-81 state revenue}}{1979 \text{ state personal income}} \times$ the greater of state personal income in prior calendar year or average state personal income over previous 3 calendar years.

<sup>1</sup> Automatic vote for reconsideration of limit in 1986 continued the provision.



## Tax and Expenditure Limits

Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
Limit may be exceeded for capital projects or appropriations to the permanent fund if the bill is (1) approved by the governor or 75 percent of the legislature and (2) approved by voters.	None	
Requires 2/3 approval of each house of the legislature on specific additional appropriations.	Legislature shall provide for adjustments to limit if court order or legislative enactment transfers responsibility between state and local governments or between federal and state governments.	No provision
In the event of an emergency, the appropriations limit may be exceeded provided increased expenditures are compensated for by reduced expenditures over 3 following years. Alternatively, the limit may be changed by voters but the change is operative for only 4 years.	(1) The appropriations limit shall be altered if program responsibility is transferred from one government entity to another, from government to private entity, or from funding through general revenues to funding through special revenues. (2) The state shall provide the funding when it requires local government to provide a program. (3) Appropriations required for purposes of complying with federal requirements are not under limit.	Surplus revenues shall be returned by revision of tax rates or fee schedules within next 2 fiscal years.
Statute may be amended at any time by majority vote of legislature.	None	General fund revenues in excess of limit and after retention of unrestricted general fund year-end balance of 6 percent of revenues shall be used for tax relief, capital construction, highway expenditures, and water projects.
Declaration of an emergency and 3/5 vote of each chamber.	None	Available for appropriations in ensuing fiscal year.
Requires 2/3 approval of each house of the legislature on specific additional appropriations.	Adjustments to limit shall be made if court order or legislative enactment transfers responsibility between state and local governments or between federal and state governments.	No provision
Statute may be amended at any time by majority of legislature. Certain tax sources are excluded from computation.	None	State tax revenue in excess of limit shall be deposited in the Tax Surplus Fund; appropriations from that fund may be made for paying tax refunds.
Statute may be amended by vote of legislature.	Vote of legislature	Proportional personal income tax credit.
Government must first specify an emergency; then the legislature must concur by 2/3 vote in each house.	(1) Limit may be adjusted if program responsibility is transferred from one level of government to another. (2) State is prohibited from reducing current proportion of local services financed through state aid. (3) No new program shall be required of local governments unless cost is paid by state. (4) The proportion of total state spending paid to all units of local government as a group shall not be reduced below proportion for FY78-79.	Revenues exceeding limit by 1 percent or more shall be used for tax refunds set in proportion to income tax liability. Excess less than 1 percent may be transferred to the State Budget Stabilization Fund.
Governor must first specify an emergency, then the legislature must concur by 2/3 vote in each house.	(1) Limit may be adjusted if program responsibility is transferred from one level of government to another. (2) State is prohibited from reducing current proportion of local services financed through state aid. (3) No new program shall be required of local governments unless cost is paid by state.	Revenues exceeding by 1 percent or more shall be refunded pro rata based on income tax liability. Excess less than 1 percent shall be transferred to the general revenue fund.

Table  
Description of State

State and Adoption Year	Type of Limit, Methods of Approval	Limit Applies to—	Limit Is
<b>Montana</b>	1981 Statutory Expenditure Legislative Vote	State appropriations	State biennial appropriations shall not exceed state appropriations for the preceding biennium plus the product of preceding biennial appropriations and the growth percentage. The growth percentage is the percentage difference between average state personal income for 3 calendar years immediately preceding the next biennium and the average state personal income for the 3 calendar years immediately preceding the current biennium.
<b>Nevada</b>	1979 Statutory Expenditure NON-BINDING Legislative Vote	Governor's proposed general fund expenditures	Proposed biennial expenditures authorized for the 1975-76 biennium x [1 + percentage population change since 7/1/74] x [1 + percentage inflation]
<b>New Jersey</b> <sup>2</sup>	1976 Statutory Expenditure Legislative Vote	State appropriations	Fiscal year appropriations shall not exceed: FY state per capita income, prior state per capita income multiplied by appropriations in prior FY.
<b>Oklahoma</b>	1985 Constitutional Expenditure Board of Equalization	Appropriated revenues	(1) 12 percent yearly increase (adjusted for inflation) (2) 95 percent of certified revenue
<b>Oregon</b>	1979 Statutory Expenditure Legislative Vote	State general fund appropriations	The rate of growth of appropriations in each biennium shall not exceed rate of growth of state personal income in 2 preceding calendar years.
<b>Rhode Island</b>	1977	Governor's general fund appropriations request	Yearly growth in governor's general fund appropriations request shall not exceed 6 percent.
<b>South Carolina</b>	1980, 1984 Constitutional Expenditure Legislative Referendum	State appropriations	Yearly growth in state appropriations shall not exceed average growth of personal income over 3 preceding years or 9.5 percent of total state personal income, whichever is greater. Also, the number of state employees is tied to state population.
<b>Tennessee</b>	1978 Constitutional Expenditure Constitutional Convention Referendum	Appropriations of state tax revenues	Growth in state appropriations shall not exceed growth in state personal income.
<b>Texas</b>	1978 Constitutional Expenditure Legislative Referendum	Appropriations of state tax revenues	Growth of biennial appropriations shall not exceed rate of growth of state personal income.
<b>Utah</b>	1979 Statutory Expenditure NEVER IMPLEMENTED Legislative Vote	State appropriations	Growth in appropriations may not exceed 85 percent of the increase in state personal income.
<b>Washington</b>	1979 Statutory Revenue Citizen Initiative	State tax revenue	Growth in tax revenues shall not exceed average rate of growth of state personal income over 3 years.

<sup>2</sup>Expired 1983.

5 (cont.)

**Tax and Expenditure Limits**

Provisions for Waiver	Provisions in the Case of Transfer of Responsibility for Government Programs	Treatment of Surpluses
Governor must declare an emergency. Legislature must then approve specific additional expenditures by 2/3 vote of each house.	None	No provision
Not applicable because nonbinding.	None	No provision
Must be approved by majority of voters in state referendum at a general election prior to fiscal year in which limit is to be exceeded.	Adjustment to limit shall be made if program responsibility is transferred between state and local governments.	No provision
None	None	Revenue to general fund in excess of estimate (up to 10 percent) shall be deposited in a Rainy Day Fund.
Statute may be amended at any time by majority of legislature.	Adjustment to limit shall be made if program funding is transferred from general fund to non-general fund sources or vice versa.	Revenue exceeding close of session revenue forecast by 2 percent or more shall be used for tax refunds proportional to income tax liability.
Not applicable because nonbinding.	None	No provision
Limit may be exceeded for one year by a 2/3 vote of the legislature if it first declares a financial emergency. Also, every 5 years the legislature may review the composition of the limit.	None	Excess revenues may be spent to match federal programs, for debt purposes, tax relief, or transferred to reserve fund.
Specific additional amount may be approved by majority vote of the legislature.	State must share in cost if it increases expenditure requirements of local governments.	No provision
Specific additional amount may be approved by majority vote of the legislature if it first adopts a resolution that an emergency exists.	None	No provision
Limit may be exceeded by 2/3 vote of legislature if fiscal emergency is declared by legislature and legislature follows required procedures for publicizing its intent and holding public hearing.	<p>(1) Limit shall be adjusted if program responsibility is transferred between state and local governments or from the federal government to the state.</p> <p>(2) Limit shall be decreased if funding source moved from sources covered under limit to sources exempt from limit. Revenue from exempt sources that is moved to nonexempt accounts shall come under the limit.</p>	Revenue in excess of limit up to 2 percent of appropriations may be kept in unappropriated state funds balances; other excess revenue shall be rebated to taxpayers.
Emergency must be declared by 2/3 vote of legislature then legislature must approve specific additional appropriations by 2/3 vote.	<p>(1) Limit shall be adjusted if program responsibility is transferred between state and local governments or between state and federal government.</p> <p>(2) State must reimburse local governments for increased cost if legislature imposes program responsibility on local governments.</p>	Excess revenue becomes part of state tax revenue for next fiscal year.

Source: National Conference of State Legislatures, *Legislative Budget Procedures in the 50 States: A Guide to Appropriations and Budget Processes*, September 1988.





*Section II*

# **Federal Taxes**

Table 6  
**Federal Individual Income Tax (Average and Marginal Tax Rates),  
 Selected Income Groups and Years, 1954-88**

Adjusted Gross Income <sup>a</sup>	Average Rate (percent) <sup>b</sup>								Marginal Tax Rate (percent) <sup>c</sup>							
	1954-63	1965	1970 <sup>d</sup>	1975	1979-80 <sup>e</sup>	1984	1985	1988	1954-63	1965	1970 <sup>d</sup>	1975	1979-80 <sup>e</sup>	1984	1985	1988
<b>Current Dollars</b>																
<b>Single</b>																
<b>No Dependents</b>																
5,000	16.4	13.4	13.7	8.1	5.0	3.9	3.5	0.2	22.0	19.0	19.5	19.0	16.0	12.0	12.0	15.0
10,000	21.0	17.4	17.3	14.8	11.8	9.2	8.9	7.6	34.0	28.0	25.6	20.2	21.0	16.0	16.0	15.0
20,000	29.5	24.6	22.0	20.6	19.2	14.7	14.3	11.3	50.0	42.0	34.8	34.0	34.0	26.0	26.0	15.0
25,000	33.3	27.9	24.4	23.5	21.9	16.8	16.5	13.2	56.0	48.0	39.0	38.0	39.0	30.0	26.0	28.0
35,000	39.4	33.2	28.7	27.7	26.3	20.2	19.8	17.0	62.0	53.0	46.1	45.0	44.0	34.0	34.0	28.0
50,000	45.6	38.5	34.5	33.4	32.1	24.7	24.1	19.5	72.0	60.0	61.5	60.0	55.0	42.0	42.0	28.0
75,000	52.9	44.3	42.1	40.9	39.3	30.1	29.6	22.9	78.0	64.0	65.6	64.0	63.0	48.0	48.0	33.0
<b>Married</b>																
<b>2 Dependents<sup>f</sup></b>																
5,000	8.4	5.8	5.8	6.0	-10.0 <sup>g</sup>	-10.0 <sup>g</sup>	-11.0 <sup>g</sup>	-14.0 <sup>g</sup>	20.0	15.0	15.0	10.0 <sup>g</sup>	—	—	—	—
10,000	13.7	11.1	11.2	7.1	3.7	2.9	1.3 <sup>g</sup>	-8.6 <sup>g</sup>	22.0	19.0	19.5	19.0	16.0	12.0	24.2	—
20,000	19.0	16.1	16.1	13.7	11.3	8.7	8.4	5.4	30.0	25.0	25.6	25.0	24.0	18.0	16.0	15.0
25,000	21.3	18.0	18.0	16.4	14.0	10.7	10.3	7.3	38.0	32.0	28.7	28.0	28.0	22.0	18.0	15.0
35,000	25.8	21.9	21.9	20.5	18.8	14.5	14.0	9.5	47.0	39.0	40.0	39.0	37.0	28.0	25.0	28.0
50,000	32.0	27.3	27.3	26.0	24.2	18.6	18.2	13.1	56.0	48.0	49.2	48.0	43.0	33.0	33.0	28.0
75,000	39.5	34.1	34.1	32.8	31.2	24.1	23.5	17.1	65.0	55.0	56.4	55.0	54.0	42.0	42.0	33.0
<b>Constant (1980) Dollars<sup>h</sup></b>																
<b>Single</b>																
<b>No Dependents</b>																
5,000	12.0	7.5	4.0	3.9	5.0	5.6	5.6	4.7	20.0	16.8	16.0	16.0	16.0	14.0	14.0	15.0
10,000	15.5	13.8	11.4	10.9	11.8	10.5	10.5	19.8	22.0	21.5	21.0	19.0	21.0	18.0	18.0	15.0
20,000	19.3	17.0	16.7	17.9	19.2	16.7	16.6	15.2	30.0	25.6	22.7	30.0	34.0	26.0	26.0	28.0
25,000	21.0	18.7	19.0	20.9	21.9	18.8	18.7	17.2	34.0	27.7	31.0	34.0	39.0	34.0	30.0	28.0
35,000	24.4	21.1	23.2	24.9	26.3	22.7	22.6	19.3	43.0	31.8	38.0	44.0	44.0	38.0	38.0	33.0
50,000	29.6	24.8	27.7	30.0	32.1	27.3	27.1	22.5	50.0	41.0	45.0	55.0	55.0	48.0	48.0	33.0
75,000	36.7	30.2	34.4	37.5	39.1	32.6	32.5	25.0	62.0	51.2	60.0	63.0	63.0	50.0	50.0	33.0
<b>Married</b>																
<b>2 Dependents<sup>f</sup></b>																
5,000	—	—	-10.0 <sup>g</sup>	-10.0 <sup>g</sup>	-10.0 <sup>g</sup>	-7.8 <sup>g</sup>	-8.7 <sup>g</sup>	-12.2 <sup>g</sup>	—	—	-10.0 <sup>g</sup>	-10.0 <sup>g</sup>	—	-12.5 <sup>g</sup>	—	—
10,000	6.1	5.8	1.4	1.4	3.7	4.7	4.7	-1.2 <sup>g</sup>	20.0	16.8	26.0 <sup>g</sup>	26.5 <sup>g</sup>	16.0	14.0	14.0	—
20,000	12.2	11.4	10.3	10.3	11.3	10.5	10.4	8.3	22.0	19.5	18.5	21.0	24.0	22.0	22.0	15.0
25,000	13.7	12.9	12.8	12.8	14.0	13.0	12.9	9.7	22.0	22.6	22.0	24.0	28.0	25.0	25.0	15.0
35,000	16.1	15.3	17.4	17.4	18.8	16.9	16.7	13.2	26.0	25.6	28.0	32.0	37.0	33.0	33.0	28.0
50,000	19.0	18.3	22.8	22.8	24.2	21.4	21.3	16.8	30.0	32.8	39.0	43.0	44.0	38.0	38.0	28.0
75,000	23.6	23.3	29.4	29.4	31.2	26.7	26.6	20.4	43.0	43.0	50.0	54.0	42.0	42.0	42.0	33.0

Table 6 (cont.)

**Federal Individual Income Tax (Average and Marginal Tax Rates),  
Selected Income Groups and Years, 1954-88**

**Notes**

— Represents zero.

<sup>a</sup> Refers to income after exclusions.

<sup>b</sup> Tax liability divided by stated adjusted gross income.

<sup>c</sup> The highest rate at which last dollar of taxable income (adjusted gross income less deductions and personal exemptions) is taxed. For example, a married couple with taxable income of \$40,000 would have the first \$29,750 of taxable income taxed at 15%; the additional \$10,250 of taxable income would be taxed at 28%. The total tax liability would be \$7,332.50.

<sup>d</sup> Includes tax surcharge.

<sup>e</sup> 1981 tax liability and tax rates are 98.75% of the 1980 rates.

<sup>f</sup> Only one spouse is assumed to work outside the home.

<sup>g</sup> Refundable earned income credit.

<sup>h</sup> Amount of adjusted gross income equivalent to adjusted gross income in 1980 dollars was calculated by using NIPA personal consumption deflator (1972 = 100). The values of the deflator are: 1960, 71.9; 1970, 92.5; 1975, 125.3; 1980, 178.9; 1984, 220.4; 1985, 227.3; and 1988, 269.6.

Source: ACIR computations and U.S. Department of the Treasury, unpublished data.

Table 7

## Federal Individual Income Tax Rates and Exemptions, 1913-89

Years	Personal Exemptions			Rates (range in percent)	Taxable Income Brackets†	
	Single	Married- Joint Return	Dependents		Lowest: Amount Under	Highest: Amount Over
1913-15	\$3,000	\$4,000	None	1.0-7.0	\$20,000	\$500,000
1916	3,000	4,000	None	2.0-15.0	20,000	2,000,000
1917	1,000	2,000	\$200	2.0-67.0	2,000	2,000,000
1918	1,000	2,000	200	6.0-77.0	4,000	1,000,000
1919-20	1,000	2,000	200	4.0-73.0	4,000	1,000,000
1921	1,000	2,500 <sup>a</sup>	400	4.0-73.0	4,000	1,000,000
1922	1,000	2,500 <sup>a</sup>	400	4.0-56.0	4,000	200,000
1923	1,000	2,500 <sup>a</sup>	400	3.0-56.0	4,000	200,000
1924	1,000	2,500	400	1.5 <sup>b</sup> -46.0	4,000	500,000
1925-28	1,500	3,500	400	1.125 <sup>b</sup> -25.0	4,000	100,000
1929	1,500	3,500	400	0.375 <sup>b</sup> -24.0	4,000	100,000
1930-31	1,500	3,500	400	1.125 <sup>b</sup> -25.0	4,000	100,000
1932-33	1,000	2,500	400	4.0-63.0	4,000	1,000,000
1934-35	1,000	2,500	400	4.0 <sup>c</sup> -63.0	4,000	1,000,000
1936-39	1,000	2,500	400	4.0 <sup>c</sup> -79.0	4,000	5,000,000
1940	800	2,000	400	4.4 <sup>c</sup> -81.1	4,000	5,000,000
1941	750	1,500	400	10.0 <sup>c</sup> -81.0	2,000	5,000,000
1942-43 <sup>d</sup>	500	1,200	350	19.0 <sup>c</sup> -88.0	2,000	200,000
1944-45	500	1,000	500	23.0-94.0 <sup>e</sup>	2,000	200,000
1946-47	500	1,000	500	19.0-86.45 <sup>e</sup>	2,000	200,000
1948-49 <sup>f</sup>	600	1,200	600	16.6-82.13 <sup>e</sup>	2,000	200,000
1950	600	1,200	600	17.4-84.36 <sup>e</sup>	2,000	200,000
1952-53	600	1,200	600	20.4-91.0 <sup>e</sup>	2,000	200,000
1954-63	600	1,200	600	20.0-91.0 <sup>e</sup>	2,000	200,000
1964	600	1,200	600	16.0-77.0	500	100,000
1965-67	600	1,200	600	14.0-70.0	500	100,000
1968	600	1,200	600	14.0-75.25 <sup>g</sup>	500	100,000
1969	600	1,200	600	14.0-77.0 <sup>g</sup>	500	100,000
1970	625	1,250	625	14.0-71.75 <sup>g</sup>	500	100,000
1971	675	1,350	675	14.0-70.0	500	100,000
1972-76	750	1,500	750	14.0-70.0	500	100,000
1977-78	750	1,500	750	0.0-70.0	3,200	203,200
1979-81	1,000	2,000	1,000	0.0-70.0 <sup>h</sup>	3,400	215,400
1982	1,000	2,000	1,000	0.0-50.0	3,400	85,600
1983	1,000	2,000	1,000	0.0-50.0	3,400	109,400
1984	1,000	2,000	1,000	0.0-50.0	3,400 <sup>i</sup>	162,400 <sup>i</sup>
1985	1,040 <sup>j</sup>	2,080 <sup>j</sup>	1,040 <sup>j</sup>	0.0-50.0	3,540 <sup>i</sup>	169,020 <sup>i</sup>
1986	1,080 <sup>j</sup>	2,160 <sup>j</sup>	1,080 <sup>j</sup>	0.0-50.0	3,670 <sup>i</sup>	175,250 <sup>i</sup>
1987	1,900	3,800	1,900	11.0-38.5	3,000	90,000
1988	1,950 <sup>k</sup>	3,900 <sup>k</sup>	1,950 <sup>k</sup>	15.0-28.0 <sup>l</sup>	29,750	29,750
1989	2,000 <sup>j</sup>	4,000 <sup>j</sup>	2,000 <sup>j</sup>	15.0-28.0 <sup>l</sup>	30,950	30,950
1990	j	j	j	15.0-28.0 <sup>l</sup>	32,450	32,450

† Married couple filing joint return.

<sup>a</sup> Married exemption is \$2,000 if net income exceeds \$5,000.<sup>b</sup> After earned income credit equal to 25% of tax on earned income, lowest bracket only.<sup>c</sup> Before earned income credit equal to 25% of tax on earned income.<sup>d</sup> Exclusive of Victory Tax.<sup>e</sup> Subject to maximum effective rate limitation: 90% for 1944-45, 85.5% for 1946-47, 80% for 1950, 87.2% for 1951, 88% for 1952-53, and 87% for 1954-59.<sup>f</sup> Beginning in 1948, blind taxpayers, or taxpayer and spouse, 65 years old or older are allowed an additional exemption.<sup>g</sup> Includes surcharge of 7.5% in 1968, 10% in 1969, and 2.5% in 1970; lowest bracket unaffected. The maximum effective rate on earned income was 60% in 1970.<sup>h</sup> The tax liability was reduced by 1.25% for all taxable income brackets in 1981.<sup>i</sup> All brackets adjusted for changes in the Consumer Price Index.<sup>j</sup> Personal exemptions adjusted for changes in the Consumer Price Index for 1985, 1986, 1989, and thereafter.<sup>k</sup> The personal exemption is phased out for certain higher income taxpayers, beginning in 1981.<sup>l</sup> Beginning in 1988, the first calendar year of the two-bracket system, the benefits of rate graduation will be phased out so that high income taxpayers will pay the 28% rate on all taxable income. This requires a rate adjustment that imposes an additional 5% tax on taxable income within the specified range. For example, a married couple filing a joint return in 1990, with taxable income over \$78,400 but less than \$162,700, would pay a marginal rate of 33%. For taxable income over \$162,700, the marginal rate is 28%.Sources: U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970, Part 2*; Tax Foundation, *Facts and Figures on Government Finance, 1988-89 Edition*; U.S. Treasury Department, Internal Revenue Service, *Statistics of Income, Individual Income Tax Returns*, various years; Research Institute of America, *1990 Master Federal Tax Manual*.

Table 8  
Federal Corporate Income Tax Rates and Exemptions,  
Income Years 1909-89

Year	Income Brackets and Specific Dollar Exemptions	Rate <sup>a</sup> (percent)	Year	Income Brackets and Specific Dollar Exemptions	Rate <sup>a</sup> (percent)
1909-13	\$5,000 exemption	1	1951	First \$25,000	28.75 <sup>d</sup>
1913-15	No exemption after 3/1/13	1		Over \$25,000	50.75 <sup>d</sup>
1916	None	2	1952-53	First \$25,000	30 <sup>d</sup>
1917	None	6		Over \$25,000	52 <sup>d</sup>
1918	\$2,000 exemption	12 <sup>a</sup>	1964	First \$25,000	22
1919-21	\$2,000 exemption	10 <sup>a</sup>		Over \$25,000	50
1922-24	\$2,000 exemption	12.5	1965-67	First \$25,000	22
1925	\$2,000 exemption	13		Over \$25,000	48
1926-27	\$2,000 exemption	13.5	1968-69	First \$25,000	24.2 <sup>e</sup>
1928	\$3,000 exemption	12		Over \$25,000	52.8 <sup>e</sup>
1929	\$3,000 exemption	11	1970	First \$25,000	22.55 <sup>e</sup>
1930-31	\$3,000 exemption	12		Over \$25,000	49.2 <sup>e</sup>
1932-35	None	13.75 <sup>b</sup>	1971-74	First \$25,000	22
1936-37	Graduated normal tax ranging from—			Over \$25,000	48
	First \$2,000	8 <sup>b</sup>	1975-78	First \$25,000	20
	Over \$40,000	15 <sup>b</sup>		\$25,000 to \$50,000	22
	Graduated surtax on undistributed profits ranging from—			Over \$50,000	48
		7-27 <sup>b</sup>	1979-81	First \$25,000	17
1938-39	First \$25,000	12.5-16 <sup>b</sup>		\$25,000 to \$50,000	20
	Over \$25,000	19 <sup>c</sup>		\$50,000 to \$75,000	30
				\$75,000 to \$100,000	40
1940	First \$25,000	14.85-18.7 <sup>b</sup>		Over \$100,000	46
	\$25,000 to \$31,964.30	38.3 <sup>b</sup>	1982	First \$25,000	16
	\$31,964.30 to \$38,565.89	36.9 <sup>b</sup>		\$25,000 to \$50,000	19
	Over \$38,565.89	24 <sup>b</sup>		\$50,000 to \$75,000	30
1941	First \$25,000	21-25 <sup>b</sup>		\$75,000 to \$100,000	40
	\$25,000 to \$38,461.54	44 <sup>b</sup>		Over \$100,000	46
	Over \$38,461.54	31 <sup>b</sup>	1983-86	First \$25,000	15
1942-45	First \$5,000	25 <sup>b</sup>		\$25,000 to \$50,000	18
	\$5,000 to \$20,000	27 <sup>b</sup>		\$50,000 to \$75,000	30
	\$20,000 to \$25,000	29 <sup>b</sup>		\$75,000 to \$100,000	40
	\$25,000 to \$50,000	53 <sup>b</sup>		Over \$100,000	46
	Over \$50,000	40 <sup>b</sup>	1987-90 <sup>f</sup>	First \$50,000	15
1946-49	First \$5,000	21		\$50,000 to \$75,000	25
	\$5,000 to \$20,000	23		\$75,000 to \$100,000	34
	\$20,000 to \$25,000	25		\$100,000 to \$335,000	39 <sup>g</sup>
	\$25,000 to \$50,000	53		Over \$335,000	34
	Over \$50,000	38			
1950	First \$25,000	23 <sup>d</sup>			
	Over \$25,000	42 <sup>d</sup>			

<sup>a</sup> In addition to the rates shown, in 1918, profits above \$3,000 plus 8% of invested capital were subjected to a graduated tax ranging from 30 to 65% and a "war profits" tax of 100% of the profits above \$3,000 plus the greater of (1) average prewar net income plus or minus 10% of the increase or decrease in invested capital, or (2) 10% of invested capital. The sum of the excess profits tax and the war profits tax could not exceed 30% of the net income above \$3,000 and not exceed \$20,000 plus 80% of the net income over \$25,000. In 1919 and 1920, the war profits tax was repealed and the excess profits tax was 20% to 40% of the profits over \$3,000 plus 8% of the invested capital, (not to exceed 20% of net income over \$3,000).

<sup>b</sup> From 1933 to 1935, 5% of the profits above 12.5% of adjusted declared value of capital stock was imposed. From 1936 to 1939, the tax ranged from 6% to 12% on profits over 10% of adjusted declared value. From 1940 to 1945 these tax rates were 6.6% to 13.2%. In addition, profits exceeding 95% of the average net income 1936-39, plus adjustments, were taxed at graduated rates of 25-50% in 1941, 35-60% in 1942-43, 90% in 1944, and 95% in 1945.

<sup>c</sup> Less adjustments: 14.025% of dividends received and 2.5% of dividends paid.

<sup>d</sup> Additional tax of 30% of profits exceeding 85% of net income (average of three highest years, 1946-49) adjusted by changes in capital stock (1946-49) was imposed in 1950 (83% of net income in 1951-53). Total tax limited to 62% of excess profits net income before deduction of excess profit credit (\$25,000). In 1951, the maximum excess profits tax limited to 17.25% of excess profit net income before deduction of excess profit credit of \$25,000. For 1952-53, the maximum excess profits tax limited to 18% of excess profit net income before deduction of excess profit credit.

<sup>e</sup> Includes surcharge of 10% in 1968 and 1969, and 2.5% in 1970.

<sup>f</sup> Rates shown effective for tax years beginning on or after 7/1/87. Income in tax years that include 7/1/87 (other than the first date of such year) is subject to a blended rate.

<sup>g</sup> This provision phases out the benefit of graduated rates for corporations with taxable income between \$100,000 and \$335,000. Corporations with taxable income above \$335,000, in effect, pay a flat rate of 34%.

Source: Tax Foundation, *Facts and Figures on Government Finance, 1988-89 Edition* and Commerce Clearing House, *U.S. Master Tax Guide, 1989*.

Table 9  
Federal Excise Tax Rates on Selected Items  
Selected Years 1944-89

Item Taxed (base)	Rates as of December 31 <sup>a</sup>			
	1944	1954	1964	1989
<b>Alcoholic beverages</b>				
Distilled spirits (per proof gallon)	9.00	10.50	10.50	12.50
Still wines (\$ per wine gallon)				
Not over 14 percent alcohol	0.15	0.17	0.17	0.17
14 to 21 percent alcohol	0.60	0.67	0.67	0.67
21 to 24 percent alcohol <sup>b</sup>	2.00	2.25	2.25	2.25 <sup>c</sup>
Beer (per 31-gallon barrel)	8.00	9.00	9.00	9.00 <sup>d</sup>
<b>Tobacco products</b>				
Small cigars (less than 3 lbs per 1,000)	0.75	0.75	0.75	0.75
Large cigars (more than 3 lbs per 1,000)	2.50 to 20.00	2.50 to 20.00	2.50 to 20.00	8.3% of wholesale price
Cigarettes (per pack of 20)	0.07	0.08	0.08	0.16 <sup>e</sup>
Tobacco and snuff (\$ per lb)	0.18	0.10	0.10	<sup>f</sup>
<b>Manufacturers excise taxes</b>				
Gasoline (per gallon)	0.015	0.02	0.02	0.09 <sup>g</sup>
Lubricating oils (per gallon)	0.06	0.06	0.06	<sup>h</sup>
Automobiles (sales price)	7%	10%	10%	<sup>i</sup>
Automotive accessories (sales price)	5%	8%	8%	<sup>j</sup>
Trucks and trailers (sales price)	7%	10%	10%	12%
Highway tires (per lb)	0.05	0.05	0.10	.15 to .50 <sup>k</sup>
"Gas Guzzler" (per auto)	—	—	—	<sup>l</sup>
Firearms, shells, and cartridges (sales price)	11%	11%	11%	11%
Pistols and revolvers (sales price)	10%	10%	10%	10%
Bows and arrows (sales price)	—	—	—	11%
Sport fishing equipment (sales price)	—	10%	10%	10%
<b>Stamp and documentary taxes<sup>l</sup></b>				
<b>Retailers excise taxes</b>				
Diesel fuel for highway vehicles (per gallon)	—	—	—	0.15
Gasohol (10 percent or more alcohol-gasoline blend)	—	—	—	0.03
Gasoline used in noncommercial aviation (per gallon)	—	—	—	0.12
Fuels other than gasoline, noncommercial aviation	—	—	—	0.14
Inland waterways fuel (per gallon)	—	—	—	0.10 <sup>m</sup>
<b>Other excise taxes</b>				
Air passenger ticket (ticket price)	15%	10%	5%	8%
International departures (per person)	—	—	—	3.00
Domestic air cargo (value)	—	—	—	5%
Local telephone service (amount paid)	15%	10%	10%	3%
Long-distance and teletype service (amount paid)	25%	10%	10%	3%
Certain vaccines (per dose)	—	—	—	<sup>n</sup>
Foreign insurance policies (premiums paid)				
Life insurance (premium paid)	1%	1%	1%	1%
Other insurance (premium paid)	4%	4%	4%	4%
Wagering (amount wagered except parimutuel)	10%	10%	10%	2% <sup>o</sup>
Leaking underground storage tanks (per gallon)	—	—	—	0.001
<b>Environmental ("Superfund") excise taxes</b>				
Domestic crude oil (per barrel)	—	—	—	0.082
Imported petroleum products (per barrel)	—	—	—	0.117
Feedstock chemicals and certain imported substances (per ton)	—	—	—	.22 to 4.87
Use of harbors and ports (percent of cargo)	—	—	—	0.04%
Use tax on heavy highway vehicles (per ton)	—	—	6.00	<sup>p</sup>
Coal (per ton)				
Underground mines	—	—	—	1.10
Surface mines	—	—	—	0.55



*Table 9 (cont.)*  
**Federal Excise Tax Rates on Selected Items**  
**Selected Years 1944-89**

**Notes**

- <sup>a</sup> Rates are expressed in dollars per unit, except where otherwise noted.
- <sup>b</sup> Wines over 24% alcohol are taxed at rate for distilled spirits.
- <sup>c</sup> Artificially carbonated wines, \$2.40; champagnes and sparkling wines, \$3.40.
- <sup>d</sup> Rate is \$7.00 per barrel for the first 600,000 barrels removed each year by small domestic producers (less than 2,000,000 barrels per year).
- <sup>e</sup> Cigarettes weighing more than 3 lbs. per 1,000 are taxed at \$.336 per pack.
- <sup>f</sup> Rates are: snuff, \$.24; chewing tobacco, \$.08; and pipe tobacco, \$.45.
- <sup>g</sup> Rate for alcohol fuels (more than 85% methanol or ethanol) \$03.
- <sup>h</sup> Repealed 8/16/71.
- <sup>i</sup> Repealed 1/7/83.
- <sup>j</sup> Repealed 1/1/66.
- <sup>k</sup> Tires under 40 lbs., no tax; over 40 but less than 70 lbs., \$.15 per lb. over 40 lbs.; over 70 but less than 90lbs., \$4.50 plus \$.30 per lb. over 70 lbs.; over 90 lbs., \$10.50 plus \$.50 per lb. over 90 lbs.
- <sup>l</sup> Rates range from \$500 per vehicle if fuel economy rating is greater than 21.5 mpg to \$3,850 per vehicle if fuel economy rating is less than 12.5 mpg.
- <sup>m</sup> Rate is scheduled to rise to \$.20 per gallon in 1995 and thereafter.
- <sup>n</sup> Vaccine Injury Compensation Trust fund. Rates are: Diphtheria, Pertussis, and Tetanus (DPT) \$4.56; Measles, Mumps, Rubella (MMR) \$4.44; Polio, \$0.29; DT only, \$.06.
- <sup>o</sup> Rate is 0.25% of wagers in states where wagering is authorized by state law.
- <sup>p</sup> Vehicles over 55,000 lbs. but less than 75,000 lbs., \$100 plus \$22 per 1,000 lbs. over 55,000; over 75,000 lbs., \$550.

Sources: Tax Foundation, *Facts and Figures on Government Finance, 1988-89 Edition*; Joint Committee on Taxation, *Schedule of Present Federal Excise Taxes, as of January 1, 1989*; Research Institute of America, *1990 Master Federal Tax Manual*.

Table 10  
**Old Age Survivors', Disability, and Hospitalization Insurance (Social Security)**  
**Rates and Maximum Contributions**  
**Calendar Years 1937-2000**

Years	Annual Maximum Taxable Earnings	Contribution Rate (percent)									Maximum Tax	
		Combined Employer and Employee	Employer and Employee, Each			Self-Employed Person			Employee or Employer	Self-Employed		
			Total	Old Age Survivors'	Disability	Hospital	Total	Old Age Survivors'			Disability	Hospital
1937-49	\$3,000	2.00%	1.00%	1.00%	—	—	—	—	—	—	\$30.00	—
1950	3,000	3.00	1.5	1.5	—	—	—	—	—	—	45.00	—
1951-53	3,600	3.00	1.5	1.5	—	—	2.25	2.25	—	—	54.00	81.00
1954	3,600	4.00	2.0	2.0	—	—	3.0	3.0	—	—	72.00	108.00
1955-56	4,200	4.00	2.0	2.0	—	—	3.0	3.0	—	—	84.00	126.00
1957-58	4,200	4.50	2.25	2.0	0.25	—	3.375	3.0	0.375	—	94.50	141.75
1959	4,800	5.00	2.5	2.25	0.25	—	3.75	3.375	0.375	—	120.00	180.00
1960-61	4,800	6.00	3.0	2.75	0.25	—	4.5	4.125	0.375	—	144.00	216.00
1962	4,800	6.25	3.125	2.875	0.25	—	4.7	4.325	0.375	—	150.00	225.60
1963-65	4,800	7.25	3.625	3.375	0.25	—	5.4	5.025	0.375	—	174.00	259.20
1966	6,600	8.40	4.2	3.5	0.35	0.35	6.15	5.275	0.525	0.35	277.20	405.90
1967	6,600	8.80	4.4	3.55	0.35	0.5	6.4	5.375	0.525	0.5	290.40	422.40
1968	7,800	8.80	4.4	3.325	0.475	0.6	6.4	5.0875	0.7125	0.6	343.20	499.20
1969	7,800	9.60	4.8	3.725	0.475	0.6	6.9	5.5875	0.7125	0.6	374.40	538.20
1970	7,800	9.60	4.8	3.65	0.55	0.6	6.9	5.475	0.825	0.6	374.40	538.20
1971	7,800	10.40	5.2	4.05	0.55	0.6	7.5	6.075	0.825	0.6	405.60	585.00
1972	9,000	10.40	5.2	4.05	0.55	0.6	7.5	6.075	0.825	0.6	468.00	675.00
1973	10,800	11.70	5.85	4.3	0.55	1.0	8.0	6.205	0.795	1.0	631.80	864.00
1974	13,200	11.70	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9	772.20	1,042.80
1975	14,100	11.70	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9	824.85	1,113.90
1976	15,300	11.70	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9	895.05	1,208.70
1977	16,500	11.70	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9	965.25	1,303.50
1978	17,700	12.10	6.05	4.275	0.775	1.0	8.1	6.01	1.09	1.0	1,070.85	1,433.70
1979	22,900	12.26	6.13	4.33	0.75	1.05	8.1	6.01	1.04	1.05	1,403.77	1,854.90
1980	25,900	12.26	6.13	4.52	0.56	1.05	8.1	6.2725	0.7775	1.05	1,587.67	2,097.90
1981	29,700	13.30	6.65	4.7	0.65	1.3	9.3	7.025	0.975	1.3	1,975.05	2,762.10
1982	32,400	13.40	6.7	4.575	0.825	1.3	9.35	6.8125	1.2375	1.3	2,170.80	3,029.40
1983	35,700	13.40	6.7	4.775	0.625	1.3	9.35	7.1125	0.9375	1.3	2,391.90	3,337.95
1984	37,800	14.00	7.0 <sup>a</sup>	5.2	0.5	1.3	14.0 <sup>b</sup>	10.4	1.0	2.6	2,646.00 <sup>a</sup>	5,292.00 <sup>b</sup>
1985	39,600	14.10	7.05	5.2	0.5	1.35	14.1 <sup>b</sup>	10.4	1.0	2.7	2,791.80	5,583.60 <sup>b</sup>
1986	42,000	14.30	7.15	5.2	0.5	1.45	14.3 <sup>b</sup>	10.4	1.0	2.9	3,003.00	6,006.00 <sup>b</sup>
1987	43,800	14.30	7.15	5.2	0.5	1.45	14.3 <sup>b</sup>	10.4	1.0	2.9	3,131.70	6,263.40 <sup>b</sup>
1988	45,000	15.02	7.51	5.53	0.53	1.45	15.02 <sup>b</sup>	11.06	1.06	2.9	3,379.50	6,759.00 <sup>b</sup>
1989	48,000	15.02	7.51	5.53	0.53	1.45	15.02 <sup>b</sup>	11.06	1.06	2.9	3,604.80	7,209.60 <sup>b</sup>
1990-99	<sup>c</sup>	15.30	7.65	5.6	0.6	1.45	15.3	11.2	1.2	2.9	<sup>c</sup>	<sup>c</sup>
2000 and up	<sup>c</sup>	15.30	7.65	5.49	0.71	1.45	15.3	10.98	1.42	2.9	<sup>c</sup>	<sup>c</sup>

<sup>a</sup> Includes credit of 0.3% of remuneration in 1984.

<sup>b</sup> Includes credits against self-employment income of 2.7% in 1984; 2.3% in 1985; and 2.0% in 1986 through 1989.

<sup>c</sup> Based on automatic adjustment in proportion to increases in average earnings whenever there has been cost-of-living benefit adjustment in the preceding year. The maximum tax will vary accordingly.

Source: U.S. Department of Labor, Social Security Administration, *Social Security Bulletin, Annual Statistical Supplement*, various years.

Table 11

**Federal Death Taxes and the State "Pick-Up" Credit**  
(General Description)

Federal death taxes are made up of two components—gift taxes and estate taxes. Gift taxes are levied on the donor, *while the donor is alive*, on transfers above \$10,000 (\$20,000 for joint gifts), *per donee*, for a single year. Estate taxes are levied on the entire taxable estate (gross estate less administrative expenses, bequests to spouse, debts, charitable contributions, and funeral expenses) *after the death of the donor*. Gift taxes paid during the donor's lifetime are credited dollar for dollar against estate taxes due at time of death.

Although estate and gift tax rates begin at the first dollar of taxable estate, there is a unified credit of \$192,800 against transfer tax liability. This is equivalent to a \$600,000 exemption. In addition to the unified credit, a credit for state death taxes is also allowed; see the table below for maximum state death tax credit ("Pick-Up").

Unified Transfer Tax Rates <sup>1</sup>			Maximum State Death Tax Credit		
Taxable Estate	Tax on Lower Amount	Rate on Excess	Adjusted Taxable Estate <sup>2</sup>	Federal Credit	Rate on Excess
\$10,000 or less	\$0	18%	\$40,000-89,999	\$0	0.8%
10,000-19,999	1,800	20	90,000-139,999	400	1.6
20,000-39,999	3,800	22	140,000-239,999	1,200	2.4
40,000-59,999	8,200	24	240,000-439,999	3,600	3.2
60,000-79,999	13,000	26	440,000-639,999	10,000	4.0
80,000-99,999	18,200	28	640,000-839,999	18,000	4.8
100,000-149,999	23,800	30	840,000-1,039,999	27,600	5.6
150,000-249,999	38,800	32	1,040,000-1,539,999	38,800	6.4
250,000-499,999	70,800	34	1,540,000-2,039,999	70,800	7.2
500,000-749,999	155,800	37	2,040,000-2,539,999	106,800	8.0
750,000-999,999	248,300	39	2,540,000-3,039,999	146,800	8.8
1,000,000-1,249,999	345,800	41	3,040,000-3,539,999	190,800	9.6
1,250,000-1,499,999	448,300	43	3,540,000-4,039,999	238,800	10.4
1,500,000-1,999,999	555,800	45	4,040,000-5,039,999	290,800	11.2
2,000,000-2,499,999	780,800	49	5,040,000-6,039,999	402,800	12.0
2,500,000-2,999,999	1,025,800	53	6,040,000-7,039,999	522,800	12.8
over 3,000,000 <sup>3</sup>	1,290,800	55	7,040,000-8,039,999	650,800	13.6
			8,040,000-9,039,999	786,800	14.4
			9,040,000-10,039,999	930,800	15.2
			over 10,040,000	1,082,800	16.0

<sup>1</sup> For decedents dying from 1984 through 1992.

<sup>2</sup> Taxable estate less \$60,000.

<sup>3</sup> On taxable estates between \$10,000,000 and \$21,040,000, an additional tax of 5% of the transfer above \$10,000,000 is imposed.



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*Section III*

# **State and Local Taxes: An Overview**

Table 12

### Dates of Adoption of Major State Taxes

Individual Income*					
Before 1911	1911-20	1921-30	1931-40	1941-60	Since 1961
Hawaii, 1901	Wisconsin, 1911	North Carolina, 1921	Idaho, 1931	District of Columbia, 1947	West Virginia, 1961
Total, 1	Mississippi, 1912	South Carolina, 1922	Tennessee, 1931 <sup>1</sup>	Alaska, 1949	Indiana, 1963
	Oklahoma, 1915	New Hampshire, 1923 <sup>1</sup>	Utah, 1931	Total, 2	Michigan, 1967
	Massachusetts, 1916	Arkansas, 1929	Vermont, 1931		Nebraska, 1967
	Virginia, 1916	Georgia, 1929	Alabama, 1933		Connecticut, 1969 <sup>2</sup>
	Delaware, 1917	Oregon, 1930	Arizona, 1933		Illinois, 1969
	Missouri, 1917	Total, 6	Kansas, 1933		Maine, 1969
	New York, 1919		Minnesota, 1933		Ohio, 1971
	North Dakota, 1919		Montana, 1933		Pennsylvania, 1971
	Total, 9		New Mexico, 1933		Rhode Island, 1971
			Iowa, 1934		New Jersey, 1976
			Louisiana, 1934		Total, 11
			California, 1935		
			Kentucky, 1936		<b>Repealed</b>
			Colorado, 1937		Alaska, 1979
			Maryland, 1937		
			Total, 16		Broad-based tax, 41
					Grand Total, 44

\* States without an individual income tax: Alaska; Florida; Nevada; South Dakota; Texas; Washington; Wyoming. States with limited tax: Connecticut (capital gains, interest, and dividends); New Hampshire (interest and dividends); Tennessee (interest and dividends).

Corporation Income*					
Before 1911	1911-20	1921-30	1931-40	1941-60	Since 1961
Hawaii, 1901	Wisconsin, 1911	Mississippi, 1921	Idaho, 1931	District of Columbia, 1947	Indiana <sup>3</sup> , 1963
Total, 1	Connecticut, 1915	North Carolina, 1921	Oklahoma, 1931	Rhode Island, 1947	Michigan, 1967
	Virginia, 1915	South Carolina, 1922	Utah, 1931	Alaska, 1949	Nebraska, 1967
	Missouri, 1917	Tennessee, 1923	Vermont, 1931	Delaware, 1957	West Virginia, 1967
	Montana, 1917	Arkansas, 1929	Alabama, 1933	New Jersey, 1958	Illinois, 1969
	New York, 1917	California, 1929	Arizona, 1933	Total, 5	Maine, 1969
	Massachusetts, 1919	Georgia, 1929	Kansas, 1933		New Hampshire, 1970
	North Dakota, 1919	Oregon, 1929	Minnesota, 1933		Florida, 1971
	Total, 8	Total, 8	New Mexico, 1933		Ohio, 1971
			Iowa, 1934		Total, 9
			Louisiana, 1934		
			Pennsylvania, 1935		<b>Repealed</b>
			Kentucky, 1936		Michigan, 1976
			Colorado, 1937		
			Maryland, 1937		Grand Total, 45
			Total, 15		

\* States without a corporation income tax: Nevada, South Dakota, Texas, Washington, and Wyoming. Michigan repealed the corporate income tax in 1976 and replaced it with a single business tax, which is a modified value-added tax. The District of Columbia has a franchise tax.

General Sales*			
1931-40	1941-50	1951-60	Since 1961
Mississippi, 1932—Arizona, 1933	Connecticut, 1947	Georgia, 1951	Texas, 1961
California, 1933—Illinois, 1933	Maryland, 1947	Maine, 1951	Wisconsin, 1961
Indiana <sup>3</sup> , 1933—Iowa, 1933	Rhode Island, 1947	South Carolina, 1951	Idaho, 1965
Michigan, 1933—New Mexico, 1933	Tennessee, 1947	Pennsylvania, 1953	New York, 1965
North Carolina, 1933—Oklahoma, 1933	District of Columbia, 1949	Nevada, 1955	Massachusetts, 1966
South Dakota, 1933—Utah, 1933	Florida, 1949	Kentucky, 1960	New Jersey, 1966
Washington, 1933—West Virginia, 1933	Total, 6	Total, 6	Virginia, 1966
Missouri, 1934—Ohio, 1934			Minnesota, 1967
Arkansas, 1935—Colorado, 1935			Nebraska, 1967
Hawaii, 1935—North Dakota, 1935			Vermont, 1969
Wyoming, 1935—Alabama, 1936			Total, 10
Kansas, 1937—Louisiana, 1938			
Total, 24			Grand Total, 46

\* States without a general sales tax: Alaska, Delaware, Montana, New Hampshire, and Oregon.

Table 12 (cont.)

**Dates of Adoption of Major State Taxes**

<b>Gasoline</b>		<b>Since 1931</b>
<b>1911-20</b>	<b>1921-30</b>	
Colorado, 1919	Arizona, 1921—Arkansas, 1921—Connecticut, 1921	Hawaii, 1932
New Mexico, 1919	Florida, 1921—Georgia, 1921—Louisiana, 1921—Montana, 1921	Alaska, 1946
North Dakota, 1919	North Carolina, 1921—Pennsylvania, 1921—Washington, 1921	Total, 2
Oregon, 1919	Maryland, 1922—Mississippi, 1922—South Carolina, 1922	
Kentucky, 1920	South Dakota, 1922—Alabama, 1923—California, 1923	
Total, 5	Delaware, 1923 —Idaho, 1923—Indiana, 1923—Maine, 1923	
	Nevada, 1923—New Hampshire, 1923—Oklahoma, 1923	
	Tennessee, 1923—Texas, 1923—Utah, 1923—Vermont, 1923	
	Virginia, 1923—West Virginia, 1923—Wyoming, 1923	
	District of Columbia, 1924—Iowa, 1925—Kansas, 1925	
	Michigan, 1925—Minnesota, 1925—Missouri, 1925—Nebraska, 1925	
	Ohio, 1925—Rhode Island, 1925—Wisconsin, 1925—Illinois, 1927	
	New Jersey, 1927—Massachusetts, 1929—New York, 1929	
	Total, 44	Grand Total, 51
<b>Cigarettes</b>		
<b>1921-30</b>	<b>1931-40</b>	<b>1941-50</b>
Iowa, 1921	Ohio, 1931—Texas, 1931	Illinois, 1941
South Carolina, 1923	Louisiana, 1932—Mississippi, 1932	Maine, 1941
South Dakota, 1923	Oklahoma, 1933—Alabama, 1935	Delaware, 1943
Utah, 1923	Arizona, 1935—Connecticut, 1935	Florida, 1943
Tennessee, 1925	Washington, 1935—Kentucky, 1936	New Mexico, 1943
Kansas, 1927	Georgia, 1937—Pennsylvania, 1937	Idaho, 1945
North Dakota, 1927	Vermont, 1937—Hawaii, 1939	Indiana, 1947
Arkansas, 1929	Massachusetts, 1939	Michigan, 1947
Total, 8	New Hampshire, 1939—New York, 1939	Minnesota, 1947
	Rhode Island, 1939—Wisconsin, 1939	Montana, 1947
	Total, 19	Nebraska, 1947
		Nevada, 1947
		West Virginia, 1947
		New Jersey, 1948
		Alaska, 1949
		District of Columbia, 1949
		Total, 16
		Grand Total, 51
<b>Distilled Spirits</b>		
	<b>1933-40</b>	<b>Since 1941</b>
	Arizona, 1933—Colorado, 1933—Delaware, 1933—Indiana, 1933—Maryland, 1933—Massachusetts, 1933	Alaska, 1959
	New Jersey, 1933—New York, 1933—Rhode Island, 1933—District of Columbia, 1934—Illinois, 1934	Kansas, 1948
	Kentucky, 1934—Louisiana, 1934—Minnesota, 1934—Missouri, 1934—New Mexico, 1934—Wisconsin, 1934	Oklahoma, 1959
	Arkansas, 1935—California, 1935—Florida, 1935—Nebraska, 1935—Nevada, 1935	Mississippi, 1966
	South Carolina, 1935—South Dakota, 1935—Texas, 1935—North Dakota, 1936	Total, 4
	Connecticut, 1937—Georgia, 1937—Hawaii, 1939—Tennessee, 1939	
	Total <sup>4</sup> , 30	Grand Total <sup>4</sup> , 34

<sup>1</sup> Interest and dividends only.

<sup>2</sup> Capital gains, interest, and dividends only.

<sup>3</sup> Gross income tax—in 1963 Indiana enacted a 2% retail sales and use tax.

<sup>4</sup> Exclusive of the excises by the 16 states that own and operate liquor stores, and exclusive of North Carolina, where county stores operate under state supervision.

Source: ACIR staff compilation based on Commerce Clearing House, *State Tax Reporter*.

Table 13  
State Taxes by Major Source, 1989

State	Corporate Franchise <sup>1</sup>	Corporate Income <sup>2</sup>	Personal Income	Sales and Use	Severance	Property <sup>3</sup>	Death <sup>4</sup>	Transfer and Document Recording
United States	27	47	44	47	38	15	51	38
Alabama	Y	Y	Y	Y	Y		Y	Y <sup>5</sup>
Alaska		Y		Y	Y		Y	
Arizona		Y	Y	Y	Y		Y	Y
Arkansas		Y	Y	Y	Y		Y	Y
California		Y	Y	Y	Y		Y	Y
Colorado		Y	Y	Y	Y		Y	Y
Connecticut		Y	Y <sup>6</sup>	Y			Y	Y
Delaware	Y	Y	Y				Y	Y
District of Columbia		Y	Y	Y			Y	Y
Florida		Y		Y	Y	Y	Y	Y
Georgia	Y	Y	Y	Y	Y	Y	Y	Y
Hawaii		Y	Y	Y			Y	Y
Idaho		Y	Y	Y	Y		Y	
Illinois	Y	Y	Y	Y	Y	Y	Y	Y
Indiana		Y	Y	Y	Y	Y	Y	
Iowa	Y	Y	Y	Y			Y	Y
Kansas	Y	Y	Y	Y	Y		Y	Y
Kentucky	Y	Y	Y	Y	Y	Y	Y	Y
Louisiana	Y	Y	Y	Y	Y	Y	Y	
Maine		Y	Y	Y	Y		Y	Y
Maryland	Y <sup>7</sup>	Y	Y	Y	Y		Y	Y
Massachusetts		Y	Y	Y			Y	Y
Michigan		Y <sup>8</sup>	Y	Y	Y	Y <sup>9</sup>	Y	Y
Minnesota		Y	Y	Y	Y		Y	Y
Mississippi	Y	Y	Y	Y	Y		Y	Y
Missouri	Y	Y	Y	Y	Y		Y	
Montana		Y	Y		Y		Y	
Nebraska	Y	Y	Y	Y	Y		Y	Y
Nevada				Y	Y		Y	Y
New Hampshire	Y	Y	Y <sup>6</sup>			Y	Y	Y
New Jersey		Y	Y	Y			Y	Y
New Mexico	Y	Y	Y	Y	Y		Y	
New York	Y <sup>7</sup>	Y	Y	Y			Y	Y
North Carolina	Y	Y	Y	Y	Y	Y	Y	Y
North Dakota		Y	Y	Y	Y		Y	
Ohio		Y	Y	Y	Y	Y	Y	
Oklahoma	Y	Y	Y	Y	Y		Y	Y
Oregon	Y	Y	Y		Y		Y	
Pennsylvania	Y	Y	Y	Y		Y	Y	Y
Rhode Island	Y	Y	Y	Y			Y	Y
South Carolina	Y	Y	Y	Y			Y	Y
South Dakota		Y		Y	Y		Y	Y
Tennessee	Y	Y	Y <sup>6</sup>	Y	Y	Y	Y	Y
Texas	Y			Y	Y	Y	Y	
Utah		Y	Y	Y	Y		Y	
Vermont		Y	Y	Y			Y	Y
Virginia	Y	Y	Y	Y	Y	Y	Y	Y
Washington	Y			Y	Y		Y	Y
West Virginia	Y		Y	Y	Y	Y	Y	Y
Wisconsin		Y	Y	Y	Y		Y	Y
Wyoming	Y			Y	Y		Y	

<sup>1</sup> Excludes franchise taxes imposed specifically on public utilities and franchise taxes measured by net income.

<sup>2</sup> Includes franchise taxes measured by net income and bank excise taxes measured by income.

<sup>3</sup> Includes bank shares, capital stock, and special intangibles taxes.

<sup>4</sup> Includes estate, gift, inheritance, or generation skipping transfers. All states have either an estate tax or generation skipping transfer tax to absorb the federal estate tax credit for state death taxes paid.

<sup>5</sup> Document recording tax applies to shares of stock.

<sup>6</sup> Connecticut: applies only to dividends, capital gains, and income from taxable estates; New Hampshire and Tennessee: applies only to income from intangibles.

<sup>7</sup> Maryland: applies to financial institutions only; New York: applies to cooperative agricultural corporations only.

<sup>8</sup> Single business tax.

<sup>9</sup> Intangibles tax does not apply if intangibles income is subject to single business tax.

Source: Commerce Clearing House, *State Tax Guide*.



Table 14

**Summary of Major 1989 Tax Actions, by Tax**

**PERSONAL INCOME TAXES<sup>1</sup>**

**Broad Increase (5 states)**

Connecticut	increased tax on capital gains 150 percent by conforming to federal treatment, and also increased dividends and interest tax
Illinois	increased tax from 2.5 percent to 3 percent for two years
Massachusetts	increased tax from 5 percent to 5.75 percent for two years
Montana	imposed 5 percent surtax for one year
Vermont	allowed temporary tax rate decrease to expire

**Broad Decrease (6 states)**

Hawaii	reduced rates, provided new credit for health expenses, increased standard deduction, and provided one-time rebate
Kansas	reduced tax rates and increased child care credit
Maine	restructured rates, increased personal exemption and standard deduction, and changed indexing provisions
Nebraska	reduced rates, increased standard deduction, and enacted child care credit
New York	allowed previously legislated reduction to take effect
South Carolina	reduced tax rates and liberalized indexing provisions

**Narrow Increase (3 states)**

Arizona	eliminated several deductions, e.g., consumer interest
Michigan	eliminated exclusion of lottery winnings
Ohio	revised personal exemptions and credits

**Narrow Decrease (3 states)**

Maryland	increased personal exemption by \$100
Virginia	provided new credit for middle-income groups
Wisconsin	increased property tax credit, enacted earned income tax credit, and made other changes

**CORPORATION INCOME TAXES**

**Broad Increase (5 states)**

Connecticut	imposed 20 percent surtax
Illinois	imposed 20 percent surtax for two years
Missouri	increased rates for two years to help fund refunds for federal pension recipients
Montana	imposed 5 percent surtax for one year
Rhode Island	increased rate from 8 percent to 9 percent

**Broad Decrease (1 state)**

Texas	allowed temporary franchise tax increase to expire
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**Narrow Increase (3 states)**

New York	
Tennessee	
West Virginia	

**SALES TAXES**

**Large Increase (4 states)**

Connecticut	increased rate from 7.5 percent to 8 percent and broadened base considerably
Georgia	increased rate from 3 percent to 4 percent, added motor fuel to base, and exempted unprocessed groceries
Kansas	increased rate from 4 percent to 4.25 percent to increase transportation funding
West Virginia	repealed exemption for food

**Small Increase (9 states)**

Arizona	extended tax to out-of-state mail order sales
Florida	extended tax to transient rentals
Idaho	extended tax to out-of-state mail order sales
Illinois	extended tax to canned computer software
Maine	extended tax to videotape rentals
Missouri	increased rate 0.2 percent for nine months to help fund refunds for federal pension recipients
New York	extended tax to out-of-state mail order sales and floor coverings
Rhode Island	extended tax to long distance telephone calls
Tennessee	extended tax to interstate telephone calls and out-of-state buyers of cars, boats, and aircraft

**Small Decrease (2 states)**

Louisiana	reduced rate on food, drugs, and utilities from 3 percent to 2 percent as of January 1990
South Dakota	liberalized low-income sales tax credit and treatment of trade-ins

Table 14 (cont.)

**Summary of Major 1989 Tax Actions, by Tax**

**MOTOR FUEL TAXES**

**Increase by Legislation at Least 1 Cent (16 states)**

Colorado	2 cents in 1989 and 2 more cents in 1990
District of Columbia <sup>2</sup>	2.5 cents
Illinois	3 cents in 1989 and 3 more cents in 1990
Kansas	4 cents in 1989 and 3 more cents in 1992
Maine	1 cent
Nevada	2 cents, diesel only; also increased rate for UST cleanup
New Mexico	2 cents
North Carolina	5.25 cents
Ohio	3.2 cents in 1989 and 2 more cents in 1990
Oklahoma	1 cent, for UST cleanup; expires when fund reaches certain amount
Oregon	2 cents
Rhode Island	5 cents
Tennessee	4 cents
Vermont	2 cents; also 9 cents on diesel over two-year period
West Virginia	5 cents
Wyoming	1 cent, for UST cleanup

**Other Changes (8 states)**

Arkansas	0.2 cent increase for UST cleanup until fund reaches certain amount
Maine	increased as a result of formula that determines tax rate
Mississippi	increased 1 cent as part of phased increases enacted in previous years
Nebraska	increased as a result of formula that determines tax rate; increased 0.3 cents for UST cleanup.
South Carolina	increased 1 cent as part of phased increases enacted in previous years
Virginia	0.2 cent increase for UST cleanup
Washington	0.5 percent tax on first possession of petroleum products within state for pollution liability insurance program
Wisconsin	decreased as a result of formula that determines tax rate

**CIGARETTE TAXES**

**Increase (13 states)**

Alaska	16 cents
Connecticut	14 cents
Illinois	10 cents
Maine	3 cents in 1989 and 6 more cents over following two years
Montana	2 cents
New Hampshire	4 cents
Nevada	15 cents
New York	12 cents
North Dakota	3 cents
Oregon	1 cent
Rhode Island	10 cents
Washington	3 cents
Wyoming	4 cents

**Decrease**

Iowa	3 cents, as prescribed by previous legislation
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**ALCOHOLIC BEVERAGE TAXES**

**Increase (8 states)**

Connecticut
District of Columbia
Maine
New York
North Dakota
Rhode Island
Vermont
Washington

Table 14 (cont.)

Summary of Major 1989 Tax Actions, by Tax

**MISCELLANEOUS TAXES<sup>3</sup>**

**Increase (18 states)**

Alaska	oil companies
Arizona	property tax
Arkansas	tourism
Connecticut	real estate transfers and petroleum gross receipts
District of Columbia	real estate transfers
Florida	insurance premiums, car rentals
Idaho	illegal drugs
Illinois	real estate transfers
Massachusetts	real estate transfers
Montana	insurance premiums
Nevada <sup>1</sup>	severance and insurance premiums
New Hampshire	real estate transfers
New York	real estate transfers, and motor vehicle and professional licenses
North Carolina	business licenses
North Dakota	illegal drugs, insurance premiums
Oregon	motor vehicle registration fees
Rhode Island	hotel/motel charges, real estate transfers, utility gross receipts
Washington	carbonated beverages
West Virginia	franchise, severance, and utilities

**Decrease (6 states)**

Hawaii	liberalized eligibility for renter credit
Indiana	repealed the intangible tax, increased the homestead exemption credit
Kansas	enacted credit to cushion property tax increases and increased property tax circuit breaker benefits
Maine	increased property tax circuit breaker benefits and provided new homestead credit
Texas	allowed temporary insurance tax increase to expire
Wisconsin	telecommunications gross receipts tax

<sup>1</sup> Eleven states changed the treatment of state and federal pensions—Arizona, Colorado, Iowa, Missouri, North Dakota, Oklahoma, Oregon, South Carolina, Virginia, West Virginia, and Wisconsin. Iowa made several changes, including increasing tax on capital gains and enacting earned income tax credit, but net effect was revenue neutral. North Carolina enacted a major revenue-neutral reform.

<sup>2</sup> District of Columbia is counted as a state.

<sup>3</sup> This table excludes some relatively minor tax changes.

Source: National Conference of State Legislatures, *State Budget Actions in 1989*.

Table 15

**1989 Tax Changes by State**

The "total" tax change for each state is expressed in annual rates, as if FY 1990 rates had been in effect for a full year, and may include changes not shown separately, especially in cases where individual changes affected less than \$2 million of revenue.

Extensions of tax increases scheduled to expire, fee increases, and revenue from accelerating collections or improved compliance and administration are not reflected in totals. Such items are indicated by \*.

Decreases in revenue are indicated by ( ).

Revenue from conforming to federal income tax changes is not included.

State	Tax	Tax Revenue (millions)
Alabama	No major tax actions	
Alaska	Increased cigarette tax	FY90 = \$7.2
	Increased oil production tax	FY90 = \$235
		TOTAL = \$242.2
Arizona	Extended personal income tax credit to offset portion of windfall resulting from federal tax reform	FY90 = (\$150)*
	Increased personal income tax by reducing deductions, including state pension exclusion	FY90 = \$16.8
	Increased state property tax	FY90 = \$45.2
	Imposed sales tax on mail order sales	FY90 = \$22.6
		FY90 = \$7
		TOTAL = \$91.6
Arkansas	Increased motor fuel tax for underground storage tank (UST) cleanup	FY90 = \$5
	Enacted new tourism tax	FY90 = \$4.4
	Extended enterprise zone tax incentives	FY90 = (\$3.9)*
		TOTAL = \$9.4
California	Increased gasoline tax, contingent on June 1990 referendum to amend state spending limitation	
	Increased sales tax rate	
Colorado	Increased gasoline tax	FY90 = \$58.2
		Annual = \$63.5
	Increased personal income tax on military pensions	FY90 = \$7.4
		TOTAL = \$70.9
Connecticut	Increased corporate income tax	FY89 = \$35
		FY90 = \$177
	Increased sales tax rate	FY90 = \$161
	Expanded sales tax base to cover many additional services and mail order sales	FY90 = \$197
	Increased capital gains tax	FY89 = \$25
		FY90 = \$98
	Increased dividend and interest tax	FY89 = \$21
		FY90 = \$57
	Increased cigarette tax	FY89 = \$11.5
		FY90 = \$43.2
	Increased alcoholic beverage tax	FY89 = \$7.9
		FY90 = \$20.3
	Increased real estate transfer tax	FY90 = \$33.5
	Increased petroleum gross receipts tax for UST cleanup	FY90 = \$15
		TOTAL = \$802
Delaware	No major tax actions	
District of Columbia	Increased gasoline tax	
	Increased alcoholic beverage tax	
	Increased real estate transfer tax	
Florida	Repealed sales tax exemption for transient rentals	FY90 = \$9.5
	Broadened base of insurance premiums tax	FY90 = \$55
	Imposed new charge on rental cars	FY90 = \$13
		TOTAL = \$77.5
Georgia	Increased sales tax rate	FY89 = \$91
		FY90 = \$687
	Exempted unprocessed food from the sales tax	Annual = (\$180)
	Expanded sales tax base to mail order sales	
		TOTAL = \$687
Hawaii	Reduced personal income tax by reducing rates, increasing standard deduction, providing child care credit, and liberalizing eligibility for renter credit	FY90 = (\$51)
	Provided one-time income tax rebate	FY90 = (\$123)
		TOTAL = (\$174)

Table 15 (cont.)  
1989 Tax Changes by State

<b>Idaho</b>	Expanded sales tax base to mail order sales Provided sales tax exemption for certain vehicles Enacted tax on illegal drugs	FY90 = (\$2.8)
<b>Illinois</b>	Increased personal income tax Increased corporate income tax Expanded sales tax to canned computer software Increased motor fuel tax Increased cigarette tax Increased real estate transfer tax	FY90 = \$655 FY90 = \$97 FY90 = \$27 FY90 = \$192 FY90 = \$94 FY90 = \$13 TOTAL = \$1078
<b>Indiana</b>	Enacted new tax on financial institutions	FY90 = \$0
<b>Iowa</b>	Indexed personal income tax standard deduction, enacted earned income tax credit, and reformed capital gains provisions Revised income tax treatment of state and federal pensions Allowed temporary cigarette tax increase to expire	FY90 = \$0 FY90 = \$0 FY90 = (\$7) TOTAL = (\$7)
<b>Kansas</b>	Decreased personal income tax rates Enacted corporate child care credit Increased sales tax and exempted farm machinery Increased motor fuel tax Provided credit to cushion property tax increases resulting from reassessment Increased property tax circuit breaker	FY90 = (\$69.1) FY90 = (\$3) FY90 = \$41.6 FY90 = \$55.3 FY90 = (\$10) FY90 = (\$3.5) TOTAL = \$11.3
<b>Kentucky</b>	No regular legislative session	
<b>Louisiana</b>	Extended temporary sales tax on food, drugs, and utilities at 3 percent rate, with reduction to 2 percent after 6 months	FY90 = (\$66)
<b>Maine</b>	Reduced and reformed personal income tax Increased property tax circuit breaker and enacted homestead credit  Extended sales tax to video tape and equipment rentals Increased cigarette tax Increased alcoholic beverage taxes Enacted corporate investment tax credit Increased motor fuel tax as prescribed by previous law Extended sales tax to long-term hotel and property rentals	FY90 = (\$20) FY90 = (\$9.7) FY91 = (\$19.8) FY90 = \$6.2 FY90 = \$2.3 FY90 = \$4.4 FY91 = (\$5) FY90 = \$6  TOTAL = (\$10.8)
<b>Maryland</b>	Increased income tax personal exemption and modified other income tax provisions to reduce revenue	FY90 = (\$36.7)
<b>Massachusetts</b>	Increased personal income tax Increased real estate transfer tax (earmarked for local aid)	FY90 = \$446 FY90 = \$48 TOTAL = \$494
<b>Michigan</b>	Applied income tax to lottery winnings	FY90 = \$10
<b>Minnesota</b>	All tax changes were vetoed by governor, special session expected in September	
<b>Mississippi</b>	No major tax actions, but motor fuel tax increased as result of previous legislation	FY90 = \$16.7
<b>Missouri</b>	Increased sales tax to fund refunds for federal pension recipients Increased corporate income tax to fund refunds for federal pension recipients Revised treatment of state and federal pensions	FY90 = \$63 FY90-91 = \$96 FY90 = (\$10) TOTAL = \$99
<b>Montana</b>	Increased personal income tax for one year (revenue dedicated to schools) Increased corporation income tax for one year (revenue dedicated to schools) Increased the cigarette tax  Enacted child care tax credit Expanded base of insurance premiums tax	CY90 = \$13.5 CY90 = \$2.5 FY90 = \$0.9 FY91 = \$1.4 FY91 = (\$1) FY90 = \$3 TOTAL = \$19.4
<b>Nebraska</b>	Reduced personal income tax rates, increased personal exemption, and enacted child care credit Increased motor fuel tax as dictated by formula and also for UST cleanup	FY90 = (\$23.9)  FY90 = \$41 TOTAL = \$17.1
<b>Nevada</b>	Increased cigarette tax (and prevented scheduled rate decrease) Increased motor fuel tax for UST cleanup Increased insurance premiums tax Increased severance tax Expanded sales tax to mail order sales	FY90 = \$17.2 FY90 = \$4.7 FY90 = \$8.3 FY90 = \$23.7  TOTAL = \$53.9

Table 15 (cont.)  
1989 Tax Changes by State

<b>New Hampshire</b>	Increased cigarette tax	FY90 = \$4.5
	Increased real estate transfer tax	FY90 = \$11.6
		TOTAL = \$16.1
<b>New Jersey</b>	Accelerated tax on vehicle leases	FY90 = \$110*
<b>New Mexico</b>	Increased motor fuel tax	FY90 = \$16.6
<b>New York</b>	Allowed previously legislated personal income tax reduction to take effect	FY90 = (\$1,200) (liability basis)
	Increased cigarette tax and tax on other tobacco products	FY90 = \$201
	Increased alcoholic beverage taxes	FY90 = \$49
	Broadened base of real estate transfer tax	FY90 = \$66
	Increased corporation income taxes by increasing the minimum tax, broadening the base, restricting tax benefits of leveraged buyouts, and imposing a 2.5 percent surcharge on banks and insurance companies	FY90 = \$188
	Increased motor vehicle, professional, and other licenses and fees	FY90 = \$93
	Decreased motor fuel tax by formula	
	Expanded sales tax to mail order sales and floor coverings	FY90 = \$34 TOTAL = (\$569)
<b>North Carolina</b>	Increased motor fuel tax	FY90 = \$187
	Restructured business licenses	FY91 = \$231
	Reformed personal income tax by conforming to federal taxable income	FY91 = \$4.8
		FY90 = \$0 TOTAL = \$236
<b>North Dakota</b>	Increased personal income tax	FY90 = \$25.9
	Increased sales tax rate	FY89 = \$2.2
		FY90 = \$48.3
	Increased motor fuel tax	FY90 = \$6.3
	Increased cigarette tax	FY90 = \$2
	Increased insurance premium tax	FY90 = \$2.3
	Revised income tax treatment of state and federal pensions	FY90 = less than \$1
	Increased alcoholic beverage taxes	
	Enacted tax on illegal drugs	
		TOTAL = \$84.8
<b>Ohio</b>	Increased motor fuel tax	FY90 = \$144.8
	Revised personal income tax personal exemptions and credits	FY90 = \$10
	Closed loophole in filing for corporate reorganizations	FY90 = \$11.9
	Exempted investment coins and bullion from the sales tax	FY90 = (\$2.1)
		TOTAL = \$164.6
<b>Oklahoma</b>	Increased motor fuel tax for UST cleanup	FY90 = \$3.3
	Revised income tax treatment of state and federal pensions	FY90 = \$0
<b>Oregon</b>	Increased motor fuel tax	FY90-91 = \$11.2
	Increased motor vehicle registration fees	FY90-91 = \$27.7
	Revised treatment of state and local pensions	FY90 = \$1
	Increased cigarette tax (revenue earmarked for elderly transportation)	FY90 = \$1.6
	Reformed truck taxes	FY91 = \$2.4
	TOTAL = \$57.3	
<b>Pennsylvania</b>	Enacted new bank shares tax to replace one declared unconstitutional	FY90 = \$656.6*
	Delayed scheduled reduction of tax rate on mutual thrifts	FY90 = \$20*
<b>Rhode Island</b>	Increased motor fuel tax	FY90 = \$23.0
	Increased corporate income tax	FY90 = \$8.2
	Expanded the sales tax base to interstate phone calls	FY90 = 9.5
	Increased cigarette tax	FY90 = \$9.5
	Increased alcoholic beverage taxes	FY90 = \$4.0
	Applied income tax to lottery winnings	FY90 = \$1.5
	Delayed reduction of utility gross receipts tax rate	FY90 = \$4.3
	Increased real estate transfer tax (earmarked for local aid)	FY90 = \$1.8
	Enacted tax on hazardous materials	FY90 = \$2.6
	Increased taxes on insurance premiums, parimutuels, and hotel/motel lodgings	FY90 = \$5.3
	TOTAL = \$69.7	
<b>South Carolina</b>	Reduced personal income tax and strengthened indexing provisions (contingent on year-end general fund balance)	FY90 = \$0
	Increased motor fuel tax as result of earlier legislation	FY91 = (\$6.3)
	Revised income tax treatment of state and federal pensions	FY90 = \$20.3
		FY90 = \$0

Table 15 (cont.)  
1989 Tax Changes by State

<b>South Dakota</b>	Allowed trade-in allowance to be deducted from gross receipts under sales tax Liberalized sales tax credit for low-income households	FY90 = (\$2)
<b>Tennessee</b>	Increased motor fuel taxes  Broadened base of sales tax to interstate phone calls Broadened the base of corporate income tax	FY89 = \$13.4 FY90 = \$105.9 FY90 = \$17 FY90 = \$4 TOTAL = \$124.9
<b>Texas</b>	Allowed 20 percent temporary surcharge on insurance tax to expire Allowed temporary increase of corporation franchise tax to expire	FY90 = (\$90.4) FY90 = (\$187.5) TOTAL = (\$277.9)
<b>Utah</b>	No major tax actions	
<b>Vermont</b>	Allowed temporary income tax reduction to expire  Increased motor fuel tax Increased tax on alcoholic beverages	FY89 = \$7 FY90 = \$15 FY90 = \$8.9 FY90 = \$5.0
<b>Virginia</b>	Provided new income tax credit for certain income levels Provided exemption for pensions Increased gasoline tax for UST cleanup Provided corporate income tax credit for use of Virginia coal by utilities	FY90 = (\$100.1) FY90 = (\$69.3) FY90 = \$7.0 FY91 = (\$10.4) TOTAL = (\$172.8)
<b>Washington</b>	Increased motor fuel tax Increased cigarette tax Increased alcohol taxes Imposed tax on carbonated beverages	FY90 = \$9.3 FY90 = \$11.0 FY90 = \$9.3 FY90 = \$18 TOTAL = \$47.6
<b>West Virginia</b>	Repealed sales tax exemption for food and extended temporary rate increase  Repealed sales tax exemption for contract materials  Disallowed credits for corporate income tax Increased utility tax  Increased motor fuel tax Increased severance tax  Increased franchise tax  Revised income tax treatment of state and federal pensions	FY89 = \$40.7 FY90 = \$144.0 FY89 = \$5.0 FY90 = \$18.0 FY90 = \$18.0 FY89 = \$11.0 FY90 = \$65.0 FY90 = \$44.5 FY89 = \$7.5 FY90 = \$17.0 FY89 = \$8.0 FY90 = \$20.0 FY90 = (less than \$1) TOTAL = \$326.5
<b>Wisconsin</b>	Decreased motor fuel tax (by formula) Provided one-time property tax credit for homeowners, renters, and farmers Increased income tax credit for property taxes paid Revised personal credit on personal income tax Enacted earned income tax credit Revised treatment of federal pensions Reduced gross receipts tax on telecommunications	FY90 = (\$2) FY90 = (\$178.5) FY90 = (\$22.7) FY90 = (\$37.7) FY90 = (\$17.2) FY90 = (\$13) FY90 = (\$4.8) TOTAL = (\$200.5)
<b>Wyoming</b>	Increased motor fuel tax and reduced gasohol tax Increased cigarette tax Revised truck taxes Reduced severance tax	FY90 = \$6.5 FY90 = \$2 FY90 = \$0 FY90 = (less than \$1) TOTAL = \$8.4

Source: National Conference of State Legislatures, *State Budget Actions in 1989*.





# **State and Local Tax Rates and Bases by Type of Tax**

Individual Income Taxes  
Corporate Income Taxes  
General Sales Taxes  
Excise Taxes and Fees  
Property Taxes  
Transfer Taxes

Table 16

### Summary of State Government Individual Income Taxes, Personal Exemptions, Standard Deductions, and Deductibility of Federal Income Taxes Tax Year 1989

As of October 1989. Only basic rates, brackets, and exemptions are shown. Local income tax rates, even those mandated by the state, are not included. Taxable income rates and brackets listed below apply to single taxpayers and married taxpayers filing "combined separate" returns in states where this is permitted.

State	Tax Rates (range in percent)	Taxable Income Brackets		Personal Exemptions			Standard Deduction <sup>a</sup>			Federal Income Tax Deductible <sup>b</sup>
		Lowest: Amount Under	Highest: Amount Over	Single	Married- Joint Return	Dependents	Percent	Single	Married- Joint Return	
Alabama + *	2.0-5.0%	\$500	\$3,000	\$1,500	\$ 3,000	\$300	20%	\$2,000	\$4,000	yes
Alaska	No state income tax									
Arizona <sup>c</sup>	2.0-8.0	1,290	7,740	2,229	4,458	1,337	22.29	1,115	2,229	yes
Arkansas	1.0-7.0	3,000	25,000	20	40	20	10	1,000	1,000	no
California <sup>c</sup>	1.0-9.3	4,020	26,380	55 <sup>d</sup>	110 <sup>d</sup>	55 <sup>d</sup>	n.a.	2,070	4,140	no
Colorado	5 percent of modified federal taxable income									
Connecticut*	Limited income tax									
Delaware +	3.2-7.7	1,000	40,000	1,250	2,500	1,250	10	1,300	1,600	no
District of Columbia	6.0-9.5	10,000	20,000	1,160	2,320	1,160	n.a.	2,000	2,000	no
Florida	No state income tax									
Georgia	1.0-6.0	750	7,000	1,500	3,000	1,500	n.a.	2,300	3,000	no
Hawaii*	2.0-10.0	1,500	20,500	1,040	2,080	1,040	n.a.	1,500	1,900	no
Idaho	2.0-8.2	1,000	20,000	Same as federal <sup>e</sup>						no
Illinois	3.0	Flat rate		1,000	2,000	1,000	n.a.	n.a.	n.a.	no
Indiana +	3.4	Flat rate		1,000	2,000	1,000	n.a.	n.a.	n.a.	no
Iowa + <sup>c*</sup>	0.4-9.98	1,016	45,720	20 <sup>d</sup>	40 <sup>d</sup>	15 <sup>d</sup>	n.a.	1,230	3,030	yes
Kansas*	4.5-5.95	27,500	27,500	2,000	4,000	2,000	n.a.	3,000	5,000	yes
Kentucky +	2.0-6.0	3,000	8,000	20	40	20	n.a.	650	650	yes
Louisiana	2.0-6.0	10,000	50,000	4,500	9,000	1,000	Combined with exemptions			yes
Maine	2.0-8.5	4,000	16,000	2,000	4,000	2,000	n.a.	3,100	5,200	no
Maryland + *	2.0-5.0	1,000	3,000	1,100	2,200	1,100	15	2,000	4,000	no
Massachusetts*	5.0-10.0	Flat rate		2,200	4,400	1,000	n.a.	n.a.	n.a.	no
Michigan +	4.6	Flat rate		2,000	4,000	2,000	n.a.	n.a.	n.a.	no
Minnesota*	6.0-8.0	13,000	13,000	Same as federal <sup>e</sup>						no
Mississippi	3.0-5.0	5,000	10,000	6,000	9,500	1,500	15	2,300	3,400	no

Table 16 (cont.)

**Summary of State Government Individual Income Taxes, Personal Exemptions, Standard Deductions, and Deductibility of Federal Income Taxes  
Tax Year 1989**

State	Tax Rates (range in percent)	Taxable Income Brackets		Personal Exemptions			Standard Deduction <sup>a</sup>			Federal Income Tax Deductible <sup>b</sup>
		Lowest: Amount Under	Highest: Amount Over	Single	Married- Joint Return	Dependents	Percent	Single	Married- Joint Return	
Missouri + *	1.5-6.0	1,000	9,000	1,200	2,400	400	n.a.	Same as federal <sup>e</sup>		yes
Montana <sup>c</sup>	2.0-11.0	1,500	52,500	1,200	2,400	1,200	20	2,250	4,500	yes
Nebraska	2.0-5.9	1,800	27,000	1,180	2,360	1,180	n.a.	Same as federal <sup>e</sup>		no
Nevada	No state income tax									
New Hampshire*	Limited income tax									
New Jersey*	2.0-3.5	20,000	50,000	1,000	2,000	1,000	n.a.	n.a.	n.a.	no
New Mexico	1.8-8.5	5,200	64,000	2,000	4,000	2,000	n.a.	3,000	5,000	no
New York + *	4.0-7.5	5,500	13,000	0	0	1,000	n.a.	6,000	9,500	no
North Carolina*	6.0-7.0	12,750	12,750	2,000	4,000	2,000	n.a.	3,000	5,000	no
North Dakota*	2.6-12.0	3,000	50,000	Same as federal <sup>e</sup>						yes
Ohio + *	0.743-6.9	5,000	100,000	650	1,300	650	n.a.	n.a.	n.a.	no
Oklahoma*	0.5-6.0	1,000	7,500	1,000	2,000	1,000	15	2,000	2,000	yes
Oregon* <sup>c</sup>	5.0-9.0	2,000	5,000	94 <sup>d</sup>	188 <sup>d</sup>	94 <sup>d</sup>	n.a.	1,800	3,000	yes
Pennsylvania +	2.1	Flat rate		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	no
Rhode Island	22.96 percent of federal income tax liability									no
South Carolina <sup>c</sup>	3.0-7.0	4,000	10,000	Same as federal <sup>e</sup>						no
South Dakota	No state income tax									
Tennessee*	Limited income tax									
Texas	No state income tax									
Utah*	2.55-7.2	750	3,750	75 percent of federal exemptions			Same as federal <sup>e</sup>			yes
Vermont*	25 percent of federal income tax liability									no
Virginia*	2.0-5.75	3,000	16,000	800	1,600	800	n.a.	3,000	5,000	no
Washington	No state income tax									
West Virginia*	3.0-6.5	10,000	60,000	2,000	4,000	2,000	n.a.	n.a.	n.a.	no
Wisconsin*	4.9-6.93	7,500	15,000	0	0	50 <sup>d</sup>	n.a.	5,200	8,900	no
Wyoming	No state income tax									

Table 16 (cont.)

**Summary of State Government Individual Income Taxes, Personal Exemptions, Standard Deductions, and Deductibility of Federal Income Taxes  
Tax Year 1989**

**Notes**

n.a. = not applicable

+ = states in which one or more local governments levy a local income tax.

<sup>a</sup>The lesser of (1) the percentage indicated, multiplied by adjusted gross income, or (2) the dollar value listed. In some states, when a standard deduction computed using a percentage of AGI is less than the fixed amount shown above, a minimum dollar deduction is allowed. Maryland and Utah have a minimum deduction as well.

<sup>b</sup>A state provision that allows the taxpayer to deduct fully the federal income tax reduces the effective marginal tax rate for persons in the highest state and federal tax brackets by approximately 30% of the nominal tax rate—the deduction is of a lesser benefit to other taxpayers with lower federal and state top tax brackets.

<sup>c</sup>Indexed by an inflation factor.

<sup>d</sup>Tax credit per dependent. Taxpayers 65 or older receive a \$25 credit.

<sup>e</sup>See Table 7 for federal income tax regulations.

**\*State Notes**

<b>Alabama</b>	Social Security taxes are included in itemized deductions. Taxable income brackets for married filing joint over \$6,000, taxed at highest rate.	<b>Iowa</b>	Tax may not reduce after-tax income of taxpayer below \$5,000 (single) or \$7,500 (married filing joint, head-of-household, surviving spouse). Only limitation for the standard deduction is that the deduction otherwise allowable of \$1,230 or \$3,030 may not exceed the amount of income remaining after the federal tax deduction.
<b>Arizona</b>	Federal income taxes are deducted from taxable income. An additional deduction from income is allowed in the amount of 65% of federal tax liability or \$600, whichever is greater, but not to exceed \$10,000 for married filing joint or \$5,000 for all other filers.	<b>Kansas</b>	A child care credit equal to 25% of the federal child care credit is allowed to taxpayers claiming the federal credit. These rates and brackets apply to single persons not deducting federal income tax. For individuals deducting the tax, rates range from 4.75% of the first \$2,000 to 8.5% on income over \$30,000.
<b>Arkansas</b>	Tax credit per dependent. Taxpayers 65 or older receive a \$20 credit.	<b>Kentucky</b>	Tax credit per dependent. Taxpayers 65 or older receive a \$60 credit.
<b>Colorado</b>	Modifications for federal interest income, non-Colorado state and local interest income, and Colorado pension exclusion.	<b>Maryland</b>	All counties have a local income tax surcharge of at least 20% of the state tax liability; most counties have a surcharge of 50%. Personal exemption increases to \$1,200 in 1990. Blind and elderly get an additional exemption of \$1,000 beginning with 1989.
<b>Connecticut</b>	There is an income tax on interest, capital gains, and dividend income only. The rate of this tax ranges from 1% of interest and dividend income for taxpayers with an AGI of \$54,000-\$57,999 to 12% of such income of taxpayers with an AGI over \$100,000. Capital gains are taxed at 7% after an exemption of \$100 is applied.	<b>Massachusetts</b>	10% (flat rate) imposed on net capital gains, interest, and dividends of residents, and Massachusetts business income of nonresidents. All other net income taxed at 5%. No tax is imposed on a single person whose gross income is \$8,000 or less (\$12,000 married). Social Security taxes are deducted from taxable income up to \$2,000 per taxpayer.
<b>District of Columbia</b>	Exemption will increase to \$1,370 by 1991.	<b>Missouri</b>	For taxpayers itemizing deductions, Social Security taxes are deductible.
<b>Hawaii</b>	A refundable tax credit of \$45 per exemption is granted; credit of \$1.25 per exemption is granted for 1989; a refundable medical services excise tax credit of 4% of qualified medical expenses, subject to limitation, is granted. Tax credit per dependent. Taxpayers 65 or older receive a \$20 credit.	<b>Minnesota</b>	Additional rate of 0.5% on certain income classes to reflect federal phaseout of personal exemptions and the 15% federal rate bracket. Total rate on brackets of higher income is 8.5%.
<b>Idaho</b>	Idaho allows a refundable \$15/exemption credit.	<b>Montana</b>	Taxable income brackets, personal exemption level, and standard deduction levels are indexed annually for inflation.
<b>Illinois</b>	Effective 1/1/90, an additional \$1,000 exemption for persons 65 years of age or older. An additional \$1,000 exemption for persons who are blind.		
<b>Indiana</b>	Additional \$1,000 exemption if taxpayer or spouse is over 65 or blind.		

Table 16 (cont.)

**Summary of State Government Individual Income Taxes, Personal Exemptions, Standard Deductions, and Deductibility of Federal Income Taxes  
Tax Year 1989**

**State Notes (cont.)**

<b>New Hampshire</b>	There is a 5% tax on interest and dividends (excluding income from savings bank deposits) in excess of \$1,200 (\$2,400 married). There is no filing requirement for an individual whose total interest and dividend income, after deducting all interest from U.S. obligations, New Hampshire and Vermont banks or credit unions; and dividends from New Hampshire non-holding company bonds is less than \$1,200 (\$2,400 for joint filers) for a taxable period.	<b>Oklahoma</b>	These rates and brackets apply to single persons not deducting federal income tax. For individuals deducting the tax, rates range from 0.5% of the first \$1,000 to 10% on income over \$23,000.
<b>New Jersey</b>	No taxpayer is subject to tax if gross income is \$3,000 or less (\$1,500 married, filing separately).	<b>Oregon</b>	Federal tax deduction limited to \$3,000 (\$1,500 if married filing separately).
<b>New Mexico</b>	Several rebates are available for lower income taxpayers.	<b>Tennessee</b>	Interest and dividends taxed at 6%. Persons over 65 having total annual gross income derived from any and all sources of \$9,000 or less are exempt. Blindness is a basis for total exemption
<b>New York</b>	Rates are scheduled to be reduced further in 1990, when the top rate will be 7%.	<b>Utah</b>	One-half of federal tax liability is deductible.
<b>North Carolina</b>	Breaking point for higher marginal tax rate varies according to filing status. Taxable income brackets shown are for single taxpayers.	<b>Vermont</b>	Refundable state earned income tax credit (25% of federal credit, maximum \$227.50).
<b>North Dakota</b>	Information in table applies to the long form method. As an alternative, taxpayers may use the short form method where the tax is 14% of the adjusted federal income tax liability.	<b>Virginia</b>	Top tax bracket is increased to \$17,000 in 1990.
<b>Ohio</b>	Taxpayers take a \$20 tax credit per exemption.	<b>West Virginia</b>	Eliminated standard deduction; all itemized deductions prohibited and replaced with larger personal exemptions.
		<b>Wisconsin</b>	The standard deduction is gradually phased out as income increases; deduction is completely phased out at \$50,830 of AGI for single filers and \$55,000 of AGI for joint filers.

Source: ACIR staff compilations based on ACIR survey of state departments of revenue (Fall 1989) and Commerce Clearing House, *State Tax Guide*.

Table 17

## State Individual Income Taxes: Exclusions and Adjustments to Income, Tax Year 1989

State	Degree of Conformity to Federal	Exclusions <sup>1</sup>					Adjustments			Exhibit:
		Capital Gains	Pensions	Social Security Benefits	Unemployment Benefits	Lottery Winnings	Moving Expenses	Individual Retirement Account Contributions	Combined Separate Returns Allowed	
Federal Income Tax	—	No	No	\$25k/\$32k (50%)	No	No	Deduction	See note	No	
Alabama*	No	No	Limited	Exempt	Exempt	No	Limited	Federal amount	No	
Alaska	No state income tax									
Arizona*	AGI	No	Limited	Exempt	No	Up to \$5,000	No	Federal amount	JS	
Arkansas	No	No	Limited	Exempt	Exempt	No	Deduction	Federal amount	Yes	
California*	AGI	No	No	Exempt	Exempt	CA exempt	In state	Federal amount	JS	
Colorado*	TI	No	\$20k each	Federal amount	No	No	No	Federal amount	n.a.	
Connecticut*	Only interest, dividends and capital gains are taxed									
Delaware*	AGI	No	\$2k/\$3k each	Exempt	No	DE exempt	Deduction	Limited	Yes	
District of Columbia*	AGI	No	Limited	Exempt	No	No	Deduction	Federal amount	Yes	
Florida	No state income tax									
Georgia*	AGI	No	\$8k each	Exempt	No	No	Deduction	Federal amount	No	
Hawaii*	TI	No	Limited	Exempt	No	No	Deduction	Federal amount	JS	
Idaho*	TI	Limited	Limited	Exempt	No	No	Deduction	Federal amount	No	
Illinois*	AGI	No	Exempt	Exempt	No	No	No	Federal amount	n.a.	
Indiana*	AGI	No	Limited	Exempt	\$12k/\$18k (50%)	IN Exempt	No	Federal amount	n.a.	
Iowa*	AGI	No	No	Federal amount	No	No	Deduction	Federal amount	Yes	
Kansas*	AGI	No	Limited	Federal amount	No	No	Deduction	Federal amount	No	
Kentucky*	AGI	60%	Limited	Exempt	\$12k/\$18k (50%)	No	Limited	Limited	Yes	
Louisiana*	AGI	No	Limited	Exempt	No	No	Deduction	Federal amount	No	
Maine*	AGI	No	No	Exempt	No	No	Deduction	Federal amount	JS	
Maryland*	AGI	40%	\$10.1k each	Exempt	No	No	Deduction	Federal amount	Yes	
Massachusetts*	AGI	50%	No	Exempt	No	No	No	No	n.a.	
Michigan*	AGI	No	Limited	Exempt	No	No	No	Federal amount	n.a.	
Minnesota*	TI	No	No	Federal amount	No	No	Deduction	Federal amount	JS	
Mississippi*	No	No	Limited	Exempt	No	No	Deduction	Federal amount	Yes	

Table 17 (cont.)

## State Individual Income Taxes: Exclusions and Adjustments to Income, Tax Year 1989

State	Degree of Conformity to Federal	Exclusions <sup>1</sup>					Adjustments		Exhibit:
		Capital Gains	Pensions	Social Security Benefits	Unemployment Benefits	Lottery Winnings	Moving Expenses	Individual Retirement Account Contributions	Combined Separate Returns Allowed
Missouri*	AGI	No	No	Federal amount	No	No	Deduction	Federal amount	Yes
Montana*	AGI	No	Limited	Federal amount	Exempt	No	Deduction	Federal amount	Yes
Nebraska	AGI	No	No	Federal amount	No	No	Deduction	Federal amount	JS
Nevada	No state income tax								
New Hampshire*	Only interest and dividends are taxed								
New Jersey*	No	No	\$7.5k/\$10k	Exempt	Exempt	NJ exempt	No	No	No
New Mexico*	AGI	No	Limited	Exempt	\$12k/\$18k (50%)	No	Deduction	Federal amount	No
New York*	AGI	No	Limited	Exempt	No	No	Deduction	Limited amount	JS
North Carolina*	TI	No	Limited	Exempt	No	No	Deduction	Federal amount	JS
North Dakota*	Liability	No	Limited	Federal amount	No	No	Deduction	Federal amount	No
Ohio*	AGI	No	No	Exempt	No	No	No	Federal amount	JS
Oklahoma*	AGI	No	Limited	Exempt	No	No	Deduction	Federal amount	No
Oregon*	TI	No	Limited	Exempt	No	OR exempt	Deduction	Federal amount	No
Pennsylvania*	No	No	Limited	Exempt	Exempt	PA exempt	Special	No	n.a.
Rhode Island*	State tax calculated as a percentage of federal liability								
South Carolina*	Based on federal taxable income								
South Dakota	No state income tax								
Tennessee*	Very limited tax							No	Yes
Texas	No state income tax								
Utah*	TI	No	\$7.5k	Federal amount	No	No	Deduction	Federal amount	JS
Vermont*	State tax calculated as a percentage of federal liability								
Virginia*	AGI	No	No	Exempt	No	No	Deduction	Federal amount	Yes
Washington	No state income tax								
West Virginia*	AGI	No	Limited	Federal amount		WV Exempt	No	Federal amount	No
Wisconsin*	AGI	60%	Limited	Federal amount	\$12k/\$18k (50%)	No	Limited	Federal amount	JS
Wyoming	No state income tax								

Table 17 (cont.)

## State Individual Income Taxes: Exclusions and Adjustments to Income, Tax Year 1989

## Notes

<sup>1</sup> For interest and dividend income, see notes for exclusions to income.

## Exclusions to Income

## Interest Income

See state notes for Massachusetts, North Dakota, and Tennessee. Other interest income is subject to state taxation (except income from U.S. debt obligations and qualifying "tax exempt" bonds from in-state political entities). Taxpayers receiving interest from U.S. debt obligations must pay federal income tax on such interest.

## Dividend Income

See state notes for Kentucky, North Dakota, Oklahoma, and Tennessee. Unless otherwise indicated, all dividend income is subject to taxation.

## Degree of Conformity to Federal

The "starting point" for the state income tax will be federal adjusted gross income (AGI), or in some cases, federal taxable income (TI) or federal tax liability, with certain modifications to deal with areas where the state may wish to differ from federal rules.

## Capital Gains

Unless otherwise indicated, capital gains are taxed as ordinary income; no exclusion is permitted.

## Pensions

Unless otherwise indicated, all pension benefits (in excess of employee lifetime contributions) are taxed as ordinary income; no exclusion applies (aside from the employee's lifetime contributions).

*Limited*

Limited exclusion is permitted. See state notes for details.

*[Dollar Amount]*

The amount of pension benefits permitted to be excluded from income are indicated.

## Social Security

*Exempt*

All Social Security benefits are exempt. This means that the taxpayer is permitted to subtract "excess" or "federally taxable" Social Security benefits listed on the federal 1040 form from state adjusted gross (or taxable) income.

*Federal Amount*

50% of gross Social Security benefits are taxable for taxpayers with income greater than \$25,000 (single) or \$32,000 (married)—conforms to federal law.

## Unemployment Compensation

*Exempt*

All unemployment compensation is exempt.

*\$12k/\$18k (50%)*

At least 50% of unemployment benefits are taxable for taxpayers with income greater than \$12,000 (single) or \$18,000 (married)—same tax status as federal law provided in 1986. If income is high enough, all unemployment benefits are taxable.

Unless otherwise indicated, all unemployment compensation is taxable.

## Lottery Winnings

All lottery winnings are taxable.

*[State] Exempt*

Indicates only in-state lottery winnings are exempt.

## Adjustments to Income

## Moving Expenses

*Deduction*

Taxpayers are allowed to subtract—as an itemized deduction only—the amount of moving expenses claimed on federal tax returns. This does not necessarily indicate that this state tax provision ties directly to the federal code.

*No*

Adjustment for moving expenses not allowed.

## Individual Retirement Accounts

*Federal Amount*

Taxpayers are allowed to deduct the same amount as on the federal form 1040 for 1989. Maximum individual contribution is \$2,000, \$2,250 for married couple with one earner. No deductions are permitted for single persons with AGI above \$35,000, or married filing joint returns with AGI above \$50,000. This does not necessarily indicate that this state tax provision ties automatically to the federal code. If a state permits taxpayers to deduct other amounts, these amounts are listed.

*No*

Deductions for IRAs not permitted.

## Combined Separate Returns Allowed

*Yes*

For states that have graduated rate structures, a "marriage penalty" may occur if the income of the lower income spouse is less than the top income tax bracket; in effect, the lower income spouse is taxed at a marginal rate equal to or greater than the higher income spouse. To avoid this potential marriage



Table 17 (cont.)

**State Individual Income Taxes: Exclusions and Adjustments to Income, Tax Year 1989**

	penalty, numerous states permit two-income couples to file "combined separate returns"—where each spouse lists income, deductions, etc., separately on the same tax form. These states are designated "Yes."	<i>n.a.</i>	A marriage penalty does not occur in states that have flat tax rates, hence there is no need for combined separate returns or special tax rates for joint returns.
JS	States designated "JS" have special "joint rate schedules" for couples, substantially eliminating any marriage penalty.	No	A "no" indicates that two-earner couples may pay a higher tax amount than if they were filing as two unmarried individuals.

**\*State Notes**

<b>Alabama</b>	May exclude first \$10,000 of benefits received from military retirement system (including U.S. Public Health Service). The first \$8,000 of retirement pay received by a qualified Alabama peace officer and the first \$8,000 of retirement pay received by an eligible fire fighter may also be excluded. The following pensions are exempt: Alabama teachers retirement system, state employees retirement system, judicial retirement system, federal civil service retirement system and the federal railroad retirement system. Moving expenses are allowed as a deduction from gross income as long as the new job location is in the state.	<b>District of Columbia</b>	District and federal government retirees 62 years of age or older may exclude up to \$3,000 of pension, annuity, or survivor benefits. Taxpayers with regular taxable pensions are not subject to the limitation of earned income.
<b>Arizona</b>	Exclusion on civil service, military, state, and local retirement benefits: maximum is \$2,500 per taxpayer. Maximum exclusion on lottery winnings is \$5,000.	<b>Georgia</b>	Hawaii public employee retirement systems are exempt, as is any compensation received in the form of a pension for past services. Those persons 65 years of age or over receiving benefits from civil service, fire fighters, police (Idaho) and military retirement systems may deduct \$10,788/\$16,176. A capital gain exclusion of 60% is limited to certain kinds of property.
<b>Arkansas</b>	The first \$6,000 of employer-sponsored pension income is exempt. All benefits received from Arkansas state retirement system are excluded if retirement occurs by 12/31/89, after which date only \$6,000 exclusion is allowed. Moving expense deduction is per federal code. Legislation in 1989 phasing in a 60% exclusion for capital gains over a three-year period if the federal tax on gains is reduced.	<b>Hawaii</b>	Conforms prospectively to federal AGI, but has an addition modification for any capital gains income excluded from AGI.
<b>California</b>	Does not conform specifically to federal AGI, but adopted virtually all provisions as of 1/1/87.	<b>Idaho</b>	Civil service retirees may deduct up to \$2,000 (less Social Security benefits received). Military retirees may deduct up to \$2,000; military pay deduction up to \$2,000, and U.S. government obligations reported on federal returns.
<b>Colorado</b>	Colorado adopted a flat tax of 5% based on federal taxable income with a very limited number of exclusions and adjustments. There is a \$20,000 pension exclusion allowed to each pension recipient.	<b>Illinois</b>	Sixty percent of capital gains are excluded up to a maximum exclusion amount of \$17,500. The state will grant rebates to taxpayers affected by capital gains ceilings to the extent that the additional state revenue resulting from this ceiling exceeds \$8 million. Provides a special deduction for a portion of the gain on certain types of property beginning in tax year 1990. For tax years 1987-89, the state has provided a partial refund of tax paid on capital gains income.
<b>Connecticut</b>	For taxpayers over 65 years of age, any capital gain resulting from the sale of residence owned and used five of the eight preceding years is exempt from tax. No limits are imposed on the amount of the capital gain. This is a once-in-a-lifetime exclusion. The amount of gain included is defined with reference to the IRC in such a manner that federal change is incorporated automatically at the state level. Does not have a broad-based income tax.	<b>Indiana</b>	Benefits received from federal civil service annuities and Kansas state retirements systems are excluded.
<b>Delaware</b>	For tax year 1988, and thereafter, the state pension exclusion remains \$2,000 for persons under age 60 and is now \$3,000 for persons over age 60. A married taxpayer with adjusted gross income over \$10,000 filing a joint federal return and separate Delaware return must add back the IRA deduction amount.	<b>Iowa</b>	A \$100 (single)/\$200 (joint) exclusion on dividend income is allowed. Benefits received from Kentucky state retirement systems are excluded. Civil service retirement system and military retirement income are allowed an exclusion of \$4,000 per year. Moving expenses, employee business expenses, and individual retirement accounts are based on federal rules prior to the 1986 Tax Reform Act.
		<b>Kansas</b>	Louisiana state employees retirement and teacher retirement benefits are excluded. Federal retirement benefits are exempt for 1988 and subsequent taxable years. Up to \$6,000 exclusion for each person 65 or over with pension income taxable on federal form.
		<b>Kentucky</b>	
		<b>Louisiana</b>	

Table 17 (cont.)

## State Individual Income Taxes: Exclusions and Adjustments to Income, Tax Year 1989

<b>Maryland</b>	Must reduce any pension exclusion amount by any Social Security that is received and must be 65 or over or totally disabled to take the exclusion.	<b>New York</b>	New York state, local, and federal pensions are exempt. For other retirement systems, persons over 59½ may exclude up to \$20,000.
<b>Massachusetts</b>	A \$100 (single)/\$200 (joint) exclusion on interest income is allowed for interest earned on savings deposits in the state. Allowable business expense is tied to federal law with some deviations.	<b>North Carolina</b>	Up to \$4,000 in state, local, or federal government (including military) retirement benefits are excludable. Up to \$2,000 in private retirement benefits are excludable. No more than \$4,000 in total retirement benefits may be excluded for each taxpayer. A tax credit equal to 6% (up to a maximum credit of \$300 per taxpayer) of dividends received while a North Carolina resident from corporations, other than S corporations, allocating 50% or more of their income or loss for the year to North Carolina may be deducted.
<b>Michigan</b>	Benefits received from federal and Michigan state or local government retirement systems are excluded.	<b>North Dakota</b>	Information in table applies to the long form method. As an alternative, taxpayers may use the short form method where the tax is a flat rate percentage of the adjusted federal income tax liability. Taxpayers must use the same filing status as for federal purposes. Because there is a graduated rate structure on the long form, a "marriage penalty" could occur, but due to the flat rate on the short form, there would be no "marriage penalty." Dividend exclusion is allowed only if derived from a corporation that conducts part or all of its business in North Dakota, and it must be prorated only for part of business in North Dakota. Pension exclusion is allowed to all civilian federal retirees, North Dakota highway patrol retirees, and North Dakota city police and fire fighter retirees, subject to the following limitations: (1) lesser of maximum allowed or the actual amount received; (2) reduced by social security benefits received. For military retirees, in addition to the above rules, must be 50 years of age or older.
<b>Minnesota</b>	An income exclusion is allowed to the elderly and the disabled based on income and filing status. The exclusion is \$10,000 for a married-joint return (if both qualify) reduced by nontaxable retirement and social security benefits and one-half of federal AGI over \$15,000. The dollar amounts in the formula are lower for others.	<b>Ohio</b>	Federal bond interest, disability and survivor's benefits, and railroad retirement benefits included in federal AGI are exempt.
<b>Mississippi</b>	Mississippi public employee retirement system benefits are exempt.	<b>Oklahoma</b>	A \$100 (single)/\$200 (joint) exclusion on dividend income is allowed. First \$5,500 of retirement system benefits from the state and political subdivisions, military, and U.S. civil service retirement systems are exempt.
<b>Missouri</b>	Lottery winnings of \$600 or more are subject to state and local earnings tax. Effective 7/1/89, all pension benefits are subject to taxation. However, government pensioners may be eligible for a \$3,000 exemption on benefits received between 7/1/89 and 12/31/89.	<b>Oregon</b>	Oregon state retirement system benefits are exempt. Federal public retirement system benefits: military under 62, no exemptions; 62 and over, \$5,000 exemption limit; nonmilitary, \$5,000 exemption limit.
<b>Montana</b>	Capital gains from installment sales prior to 1/1/87 are allowed a 40% exclusion. If 65 or over may exclude up to \$800 of interest and deduct up to \$3,600 of private pension plan benefits, and, beginning in 1990, will allow full exclusion of federal government retirement benefits. Montana public employee retirement system benefits are exempt. Moving expenses are allowed as an itemized deduction.	<b>Pennsylvania</b>	Capital gains are fully taxable, except for the sale of an individual residence, in which case the owner must be 55 years of age or older on the date of the sale and must have used the residence as principal residence for a total of three years during a five-year period preceding the sale. The maximum exclusion is \$100,000 per transaction. Moving adjustment limited to direct moving expenses.
<b>New Hampshire</b>	Interest excluded for savings on deposits in credit unions and banks in New Hampshire and Vermont. Dividends received from banks, credit unions, national banks, and building and loan associations in New Hampshire excluded. The exclusion amount for taxable dividends and interest is \$1,200 (\$2,400 joint) times the number of exemptions. Additional exemptions for age 65 and over and blind and handicapped persons.		
<b>New Jersey</b>	Over 55 years of age, once-in-a-lifetime exclusion of \$125,000 on sale of principal residence.		
<b>New Mexico</b>	New Mexico public employee, educational, and judicial retirement benefits are exempt. For 1989, federal civil service and military retirement income is exempt (pursuant to <i>Davis v. Michigan</i> decision). Persons 65 or over may exclude up to \$8,000 of income; amount depends on AGI and equals \$8,000 for federal AGI of \$18,000 or less (\$30,000 for married filing joint, \$15,000 for married filing separate), declines in \$1,000 increments for AGI over \$18,000 up to \$22,500 (over \$30,000 up to \$45,000 for married filing joint) and is \$0 above \$22,500 (\$45,000 for married filing joint). Income deductions are prorated by ratio of in-state source taxable income to federal taxable income.		

Table 17 (cont.)

**State Individual Income Taxes: Exclusions and Adjustments to Income, Tax Year 1989**

<b>Rhode Island</b>	Allows modification for interest from special "family education accounts"; and interest from the state of Rhode Island and its city and town obligations.		federal form. Vermont state lottery winnings are exempt, including winnings in the Tri-State Megabucks (Vermont, New Hampshire, Maine).
<b>South Carolina</b>	South Carolina retirement benefits are taxable except for a \$3,000 exclusion. \$3,000 may be excluded on benefits received from U.S. civil service retirement system. Age 65 or over may exclude \$3,000 of any other retirement income.	<b>Virginia</b>	For part-year residents, moving expenses from federal form 1040, will be allocated to Virginia only when the move is being made into the state. Moving expenses for part-year residents will not be allowed when the move is made outside of Virginia. Prizes of less than \$600 awarded by the Virginia State Lottery Department are excludable.
<b>Tennessee</b>	Interest income is excluded on bonds from the state and U.S. government, certificates of deposit, and passbook savings accounts. Dividends received from national banks, state banks of Tennessee, savings and loan associations in Tennessee and company credit unions are excluded. Each individual may exclude \$1,250 that may be applied against taxable dividend and interest income before computing the tax. Married couples filing jointly may exclude \$2,500 of taxable income before computing the tax.	<b>West Virginia</b>	Public safety retirement benefits are exempt. The first \$2,000 of either West Virginia state retirement system benefits or federal retirement benefits are exempt. Individuals over age 65 and/or permanently disabled are allowed an income exclusion of up to \$8,000.
<b>Utah</b>	Pension deduction amounts are limited by age and adjusted gross income shown as federal adjusted gross income. Persons 65 or over may include any income received to reach exclusion amount.	<b>Wisconsin</b>	Benefits received by persons who retired from or were members of the state teacher retirement system and certain Milwaukee City/County retirement systems, the federal civil service, or the military prior to 1/1/64 are excludable. Moving expenses related to a move within or into the state of Wisconsin are eligible for Wisconsin itemized credit.
<b>Vermont</b>	Residents 65 or over may exclude the lesser of \$1,000 or gains on		

Source: ACIR staff compilation based on ACIR survey of state departments of revenue (Fall 1989), and Commerce Clearing House, *State Tax Guide*.

Table 18

## State Itemized Deductions, Personal Income Tax, Tax Year 1989

(Y = Deductible, N = Nondeductible; see notes)

State	Federal Income Tax	Federal Social Security Tax	Real Property Tax	State Personal Property Tax	State General Sales Tax	Local General Sales Tax	State Income Tax	Local Income Tax	Medical Expenses <sup>1</sup>	Mortgage Interest	Other Interest <sup>2</sup>	Charitable Contributions	Casualty Losses <sup>3</sup>
<b>Exhibit: Federal Government*</b>	N	N	Y	Y	N	N	Y	Y	Y <sup>1</sup>	Y	Y <sup>2</sup>	Y	Y <sup>3</sup>
<b>Alabama*</b>	Y <sup>4</sup>	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	Y
<b>Alaska</b>	No income tax												
<b>Arizona*</b>	Y	N	Y	Y	Y	Y	Y	n.a.	Y	Y	Y	Y	Y
<b>Arkansas*</b>	N	N	Y	Y	N	N	N	n.a.	Y	Y	Y	Y	Y
<b>California*</b>	N	N	Y	Y	N	N	N	n.a.	Y	Y	Y	Y	Y
<b>Colorado*</b>	State income tax based on federal taxable income												
<b>Connecticut</b>	Only interest, dividends, and capital gains are taxed; no itemized deductions permitted												
<b>Delaware*</b>	N	N	Y	N	N	N	N	Y	Y	Y	Y	Y	Y
<b>District of Columbia*</b>	N	N	Y	Y	N	N	N	n.a.	Y	Y	Y	Y	Y
<b>Florida</b>	No income tax												
<b>Georgia*</b>	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
<b>Hawaii*</b>	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
<b>Idaho*</b>	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
<b>Illinois*</b>	N	N	Y	No itemized deductions permitted									
<b>Indiana*</b>	Very limited												
<b>Iowa*</b>	Y <sup>4</sup>	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
<b>Kansas*</b>	Y <sup>4</sup>	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
<b>Kentucky*</b>	Y <sup>4</sup>	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y
<b>Louisiana*</b>	Y <sup>4</sup>	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
<b>Maine</b>	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
<b>Maryland</b>	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
<b>Massachusetts*</b>	N	Y <sup>4</sup>	N	N	N	N	N	N	Y <sup>4</sup>	N	N	N	N
<b>Michigan*</b>	No itemized deductions permitted												
<b>Minnesota*</b>	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
<b>Mississippi</b>	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
<b>Missouri*</b>	Y <sup>4</sup>	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y	Y
<b>Montana*</b>	Y	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y

Table 18 (cont.)

## State Itemized Deductions, Personal Income Tax, Tax Year 1989

(Y = Deductible, N = Nondeductible; see notes)

State	Federal Income Tax	Federal Social Security Tax	Real Property Tax	State Personal Property Tax	State General Sales Tax	Local General Sales Tax	State Income Tax	Local Income Tax	Medical Expenses <sup>1</sup>	Mortgage Interest	Other Interest <sup>2</sup>	Charitable Contributions	Casualty Losses <sup>3</sup>
Nebraska*	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
Nevada	No income tax												
New Hampshire	Only interest and dividends are taxed; no itemized deductions permitted												
New Jersey*	N	N	Y	N	N	N	N	N	Y	N	N	N	N
New Mexico*	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
New York*	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
North Carolina	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
North Dakota*	Y <sup>4</sup>	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
Ohio*	No itemized deductions permitted												
Oklahoma*	Y <sup>4</sup>	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
Oregon*	Limited <sup>4</sup>	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
Pennsylvania*	No itemized deductions permitted												
Rhode Island*	Tax calculated as a percentage of federal liability												
South Carolina*	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
South Dakota	No income tax												
Tennessee	Only interest and dividends are taxed; no itemized deductions permitted												
Texas	No income tax												
Utah*	Y* <sup>4</sup>	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
Vermont	Tax calculated as a percentage of federal liability												
Virginia*	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
Washington	No income tax												
West Virginia	N	N	N	N	N	N	N	N	N	N	N	N	N
Wisconsin*	N	N	N	N	N	N	N	N	Special credit applies				
Wyoming	No income tax												

## Notes

n.a. — not applicable

<sup>1</sup> For federal tax purposes, unreimbursed medical expenses are deductible only to the extent such expenses exceed 7.5% of adjusted gross income. Most states that permit taxpayers to deduct unreimbursed medical expenses will follow the federal 7.5% floor.

<sup>2</sup> "Other Interest" includes interest paid on all loans except mortgage and home equity loans (e.g., consumer installment debt, auto/boat loans, student loans). The deductibility of these types of interest expenses will be phased out by 1993. In tax year 1987, 65% of such interest was deductible; 1988, 40%; 1989, 20%; 1990, 10%; none in 1991 and thereafter. Most states that permit taxpayers to deduct "other interest" are following the phase-out provisions of the federal tax code.

Table 18 (cont.)

## State Itemized Deductions, Personal Income Tax, Tax Year 1989

<sup>3</sup> For federal tax purposes, casualty losses must exceed \$100 per loss. Furthermore, only total annual losses in excess of 10% of adjusted gross income are deductible (i.e., a 10% "floor" exists for casualty loss deductions). Most states that permit taxpayers to deduct casualty losses apply the same restrictions as those imposed under the federal tax code.

<sup>4</sup> Not an itemized deduction; all taxpayers, including those filing nonitemized returns, may subtract this from state taxable income.

**\*State Notes**

<b>Federal Government</b>	In general, an individual is allowed itemized deductions for non-business expenses only to the extent that the aggregate of such deductions exceeds 2% of AGI. Items not subject to this floor, but which are subject to other limitations include: interest, certain state and local taxes, casualty, theft, and wagering losses, and expenses for medical and dental, and moving purposes.	<b>Indiana</b>	Allows a renters deduction of \$1,500 maximum and a \$1,000 maximum on insulation (material and labor). No other itemized deductions and no zero bracket.
<b>Alabama</b>	Medical deductions limited to expenses greater than 3% of adjusted gross income. A casualty loss deduction is permitted for losses in excess of \$100 (no 10% floor).	<b>Iowa</b>	Deductions are the same as on federal schedules except for Iowa income tax, which is not deductible. Other state income taxes are deductible. There are additional deductions allowable for mileage for charitable purposes, care of a disabled relative, and adoption expenses. A deduction is allowed for amounts incurred for tuition and textbooks for dependents attending grades K-12. Deduction per dependent may not exceed \$1,000.
<b>Arizona</b>	Renters may take a deduction for the property tax portion of rent payments. (In addition, renters are allowed a credit equal to 5% of the rent or a maximum of \$70.) Medical expenses are deductible, no floor. Dividends are deductible from corporations doing 50% or more of their business in Arizona (may not include any dividends already excluded). Federal tax liability is deductible. Other interest is 50% deductible.	<b>Kansas</b>	Deductions are the same as on federal schedules except for state income tax, which is not deductible. Federal tax liability may be deducted for taxpayers using appropriate rate schedule.
<b>Arkansas</b>	Medical deduction limited to expenses greater than 7.5% of adjusted income. Charitable contributions such as art and literary contributions are deductible.	<b>Kentucky</b>	Allows all taxpayers charitable contribution deductions. Benefits from several state pension systems are exempt from state taxation even though such benefits may be taxable under federal tax law.
<b>California</b>	Deductions are generally the same as federal except for state, foreign, and local taxes, which are not deductible.	<b>Louisiana</b>	Same deductions as allowed on federal schedules, limited to the amount in excess of the federal standard deduction. Full deduction allowed for federal income tax paid. Allows a \$100 credit for deafness, loss of limb, mental incapacity, and blindness. Also allows credit of 10% of federal credits for child care, elderly, energy, political contributions, and other credits, up to a maximum of \$25. State income tax itemized deductions allowed for out-of-state only.
<b>Colorado</b>	Deductions are the same as allowed for federal income tax purposes. (Previously, state and local taxes were not deductible and federal tax liability was deductible.)	<b>Massachusetts</b>	Allows deduction (limited to \$2,000 per taxpayer) for Social Security tax or contribution to Massachusetts retirement system; \$600 for each child under 12 years of age or federal child care expenses; 50% on rent paid up to \$2,500; and adoption fees in excess of 3% of AGI taxable at 5% and 5.375%. Medical deduction is same as on federal schedule (i.e., medical in excess of the 7.5% floor).
<b>Delaware</b>	All deductions are the same as on federal schedules except for state income tax, which is not deductible.	<b>Michigan</b>	No federal itemized deductions; credits are provided as follows: property tax; heating; solar; farmland preservation; city income tax; and contributions to Michigan colleges or universities, municipalities, libraries, art institutions, or public broadcasting stations. A deduction also allowed for military pay, payments to Michigan's prepaid tuition program, and amount for federal credit for elderly and disabled.
<b>District of Columbia</b>	Same as for federal schedules except for state income tax, which is not deductible. For tax purposes, District of Columbia is considered to be a state.	<b>Minnesota</b>	Only those taxpayers taking itemized deductions may deduct school expenses: tuition, transportation, and nonreligious textbooks, and rental fees for musical instruments for children in public or private schools (nonprofit), grades K through 12. Deductions are also al-
<b>Georgia</b>	All deductions are the same as federal schedules except for state income tax, which is limited to Georgia tax.		
<b>Hawaii</b>	Deductions are the same as on federal schedules.		
<b>Idaho</b>	Deductions are the same as on federal schedules except for state income tax, which is not deductible.		
<b>Illinois</b>	No "typical" standard deductions except for property tax (no zero-bracket). When federal standard deductions exceed withholdings, the amount is considered income for the following tax year. For Illinois state income tax purposes, there is no standard deduction, but individuals receive a \$1,000 exemption. An additional \$1,000 exemption if 65 or over, or blind, is effective 1/1/90.		

Table 18 (cont.)

State Itemized Deductions, Personal Income Tax, Tax Year 1989

<b>Missouri</b>	<p>lowed for children attending schools in surrounding states. Exclusion available on income for taxpayers age 65 and over and the disabled based on income and filing status.</p> <p>May deduct Social Security tax, railroad retirement tax, and self-employment tax paid only if taxpayer itemizes deductions. All taxpayers may deduct their federal tax liability. Local income tax may be deducted only if taxpayers itemize.</p>	<b>Ohio</b> <b>Oklahoma</b>	<p>No itemized deductions allowed, only adjustments to income.</p> <p>Deductions are the same as on federal schedules. Two tax rate schedules are available—one allowing federal tax deductions and one not. Taxpayers may choose the one that results in the least amount of tax to be paid. Federal tax liability may be deducted for taxpayers using appropriate rate schedule.</p>
<b>Montana</b> <b>Nebraska</b>	<p>Only taxpayers itemizing may deduct federal tax liability.</p> <p>Every individual who itemized on the federal return is allowed to subtract from federal adjusted gross income the greater of either the standard deduction or all of federal itemized deductions, except for the amount deducted on the federal return for state or local income taxes paid.</p>	<b>Oregon</b>	<p>Taxpayers use federal deductions (less state income tax). Deduction of federal tax liability is available to all taxpayers, but the deduction is limited to \$3,000 (\$1,500 on separate return).</p>
<b>New Jersey</b>	<p>May deduct residential property tax or a portion of rent paid on principal residence. Minimum amount for homeowners for income \$20,000 or less is \$3,250; greater than \$20,000 but less than \$50,000, \$2,600; over \$50,000, \$1,857. For renters, the minimums are \$1,750, \$1,400, and \$1,000, respectively. May deduct medical expenses in excess of 2% of adjusted gross income. No itemized deductions per se in that all taxpayers may take these deductions; no zero bracket amount exists.</p>	<b>Pennsylvania</b>	<p>Generally does not allow "typical" itemized deductions. Several exclusions are allowed for eligible taxpayers: allowable business expenses, moving expenses, educational expenses, office-at-home expenses, union dues, work clothes and uniforms expense, small tools expense and license fees. Tax forgiveness allowed for low-income taxpayers under special provisions.</p>
<b>New Mexico</b>	<p>The greater of federal itemized deductions or state standard deduction amount is allowed (\$4,000 married filing joint, \$3,500 head of household, \$3,000 single, \$2,000 married filing separately). There are special credits and rebates for low-income comprehensive tax rebate, low-income food and medical tax rebate, day care, property tax rebate for taxpayers 65 and older.</p>	<b>Rhode Island</b>	<p>Tax based on federal tax liability excluding self-employment tax and medicare surcharge. Adjustments available for taxpayers in a small number of special cases (e.g., out-of-state banks). All deductions are implicit because the state tax paid is a percentage of federal tax liability (which permits most of the listed deductions.)</p>
<b>New York</b>	<p>Taxpayers with NYAGI in excess of \$100,000 must reduce their itemized deductions. The reduction amount is based on filing status, and the percentage disallowed ranges up to 50% for taxpayers with NYAGI in excess of \$525,000</p>	<b>South Carolina</b>	<p>No state or local income tax deductions allowed. Other deductions same as on federal schedules.</p>
<b>North Dakota</b>	<p>Information applies to the long-form method. As an alternative, taxpayers may use the short-form method where the tax is a flat rate percentage of the adjusted federal income tax liability. For medical expenses, the floor imposed by federal law does not apply.</p>	<b>Utah</b>	<p>Same deductions as on federal schedules except for state income tax, which is not deductible. Adoption expenses up to \$1,000 per year are allowed for all taxpayers. Only one-half of net federal income tax paid or payable, after all allowable credits, may be deducted.</p>
		<b>Virginia</b>	<p>Deductions are the same as on federal schedule A, less state and local income taxes.</p>
		<b>Wisconsin</b>	<p>Individuals are allowed a 5% credit for the excess over the standard deduction of certain interest expenses, medical expenses, charitable contributions, moving expenses for moves in or into Wisconsin and miscellaneous expenses. A school property tax credit of 10% of the first \$2,000 of property taxes or rent constituting property taxes paid on a principal dwelling is allowed.</p>

Source: ACIR staff compilation based on ACIR survey of state departments of revenue (Fall 1989), and Commerce Clearing House, *State Tax Reporter*.

Table 19

**State Individual Income Tax Rates for Tax Year 1989**  
 Compiled October 1989  
 Rates for Single Individuals or Married Filing Separately

State	Income Subject to Tax	Marginal Rate (percent)	Special Rates or Features
Alabama	First \$500	2.0%	Married persons filing jointly are taxed at 2 percent of the first \$1,000 of taxable income, 4 percent on the next \$5,000, and 5 percent on any excess over \$6,000. Local income taxes are additional.
	501-3,000	4.0	
	Over 3,000	5.0	
Alaska	No tax		
Arizona	First 1,290	2.0	Tax brackets reflect 1989 inflation adjustments based on Phoenix metropolitan area. Tax brackets, personal exemptions, standard deductions, and some credits are adjusted annually to reflect changes in the Consumer Price Index. For married joint returns, the tax brackets are exactly doubled. For 1989, every individual may subtract from Arizona gross income 65 percent of federal income tax liability or \$600, whichever is greater, but not to exceed \$10,000 for married filing joint or \$5,000 filing single.
	1,291-2,580	3.0 minus \$13	
	2,581-3,870	4.0 minus \$39	
	3,871-5,160	5.0 minus \$77	
	5,161-6,450	6.0 minus \$129	
	6,451-7,740	7.0 minus \$194	
	Over 7,740	8.0 minus \$271	
Arkansas	First 2,999	1.0	Two-earner married taxpayers may file separately on the same return (rather than jointly) in order to minimize income tax liability.
	3,000-5,999	2.5	
	6,000-8,999	3.5	
	9,000-14,999	4.5	
	15,000-24,999	6.0	
	Over 25,000	7.0	
California	0-4,020	1.0	Tax brackets indexed annually by California consumer price index.
	4,021-9,528	2.0	
	9,529-15,035	4.0	
	15,036-20,873	6.0	
	20,874-26,380	8.0	
	Over 26,380	9.3	
Colorado	Modified federal taxable income	5.0	
Connecticut	54,000-56,000	1.0	Income tax applies to interest and dividend income only, when federal adjusted gross income falls within income brackets at left. A 7 percent tax is imposed on all net gains from the sales or exchange of capital assets (e.g., same capital gains base as federal income tax).
	56,001-58,000	2.0	
	58,001-60,000	3.0	
	60,001-62,000	4.0	
	62,001-66,000	5.0	
	66,001-70,000	6.0	
	70,001-74,000	7.0	
	74,001-78,000	8.0	
	78,001-82,000	9.0	
	82,001-86,000	10.0	
	86,001-90,000	11.0	
	90,001-100,000	13.0	
	Over 100,000	14.0	
Delaware	0-2,000	0.0	
	2,001-5,000	3.2	
	5,001-10,000	5.0	
	10,001-20,000	6.0	
	20,001-25,000	6.6	
	25,001-30,000	7.0	
	30,001-40,000	7.6	
Over 40,000	7.7		
District of Columbia	First 10,000	6.0	The tax on unincorporated businesses is 10 percent plus a 2.5 percent surtax before 9/30/89 and a 10 percent tax rate plus a 5 percent surtax after 10/1/89. Minimum tax is \$100. Two-earner married taxpayers may file separately on the same return (rather than jointly) in order to minimize tax liability.
	Second 10,000	8.0	
	Over 20,000	9.5	
Florida	No tax		



Table 19 (cont.)

**State Individual Income Tax Rates for Tax Year 1989**

Compiled October 1989.

Rates for single individuals or married filing separately.

State	Income Subject to Tax	Marginal Rate (percent)	Special Rates or Features
Georgia	First 750	1.0	If married taxpayers file joint federal returns, they must file joint state returns. The rates for these taxpayers range from 1 percent of the first \$1,000 of taxable income to 6 percent of taxable income over \$10,000.
	751-2,250	2.0	
	2,251-3,750	3.0	
	3,751-5,250	4.0	
	5,251-7,000	5.0	
	Over 7,000	6.0	
Hawaii	First 1,500	2.0	Married taxpayers filing jointly pay at rates of 2 percent of the first \$3,000 of taxable income to 10 percent of taxable income over \$41,000.
	1,501-2,500	\$30 plus 4.0	
	2,501-3,500	\$70 plus 6.0	
	3,501-5,500	\$130 plus 7.25	
	5,501-10,500	\$275 plus 8.0	
	10,501-15,500	\$675 plus 8.75	
	15,501-20,500	\$1,112.50 plus 9.5	
Over 20,500	\$1,587.50 plus 10.0		
Idaho	First 1,000	2.0	If joint federal return is filed, joint state return is required. Brackets for married filing jointly are twice those at left (e.g., 8.2 percent over \$40,000). Community property state in which, generally, one-half of the community income is taxable to each spouse. Each person (joint return deemed one person) filing a return pays an additional \$10.
	1,001-2,000	4.0	
	2,001-3,000	4.5	
	3,001-4,000	5.5	
	4,001-5,000	6.5	
	5,001-7,500	7.5	
	7,501-20,000	7.8	
	Over 20,000	8.2	
Illinois	Taxable net income	3.0	Additional personal property replacement tax of 2.5 percent of net income is imposed on all corporations except partnership entities, trusts, and subchapter S corporations, for which the tax is 1.5 percent.
Indiana	Adjusted gross income	3.4	County income taxes may add up to an additional 1.25 percent.
Iowa	0-1,016	0.4	State tax may not reduce income below \$5,000 (single), or \$7,500 (married filing joint, head-of-household, surviving spouse). Federal income tax liability is deductible from net income before the standard or itemized deduction is subtracted. All taxpayers except individuals filing single may multiply income in excess of \$7,500 by maximum Iowa rate of 9.98 percent, compare this amount against the tax computed under the normal method, and pay the lesser of the two amounts.
	1,017-2,032	0.8	
	2,033-4,064	2.7	
	4,065-9,144	5.5	
	9,145-15,240	7.25	
	15,241-23,020	7.75	
	23,021-30,480	8.5	
	30,481-45,720	9.5	
Over 45,720	9.98		
Kansas	First 27,500	4.5	If married taxpayers file joint federal returns, they must file joint state returns. Taxpayers may deduct their federal income tax and use a different set of rate brackets.
	over 27,500	5.95	
Kentucky	First 3,000	2.0	Local income taxes are additional. Two-earner married taxpayers may file separately on the same return (rather than jointly) in order to minimize tax liability.
	3,001-4,000	3.0	
	4,001-5,000	4.0	
	5,001-8,000	5.0	
	Over 8,000	6.0	
Louisiana	First 10,000	2.0	Community property state in which, generally, one-half of the community income is taxable to each spouse.
	10,001-50,000	4.0	
	Over 50,000	6.0	
Maine	First 3,999	2.0	For tax years beginning in 1989, there is no inflation adjustment. Thereafter, on or about September 15th of each taxable year, the tax brackets and personal exemption for that tax year will be adjusted for inflation.
	4,000-7,999	4.5	
	8,000-15,999	7.0	
	Over 15,999	8.5	
Maryland	First 1,000	2.0	Local income taxes are additional. Most taxpayers have a local tax surcharge of 50 percent of the state tax which, in effect, results in a 7.5 percent combined rate for taxpayers in the top tax bracket.
	1,001-2,000	3.0	
	2,001-3,000	4.0	
	Over 3,000	5.0	

Table 19 (cont.)

**State Individual Income Tax Rates for Tax Year 1989**  
 Compiled October 1989.  
 Rates for single individuals or married filing separately.

State	Income Subject to Tax	Marginal Rate (percent)	Special Rates or Features
<b>Massachusetts</b>	Interest, dividends, net capital gains	10.0	
	Earned income	5.375	
	Massachusetts bank interest, rental income, pensions, IRAs, alimony, and unemployment	5.0	
<b>Michigan</b>	Taxable income	4.6	Local income taxes are additional. Maximum rate of 1 percent on residents, 0.5 percent on nonresidents.
<b>Minnesota</b>	0-13,000	6.0	Additional rate of 0.5 percent on certain income classes reflects federal phase-out of personal exemptions and the 15 percent federal rate bracket.
	13,001-42,700	8.0	
	42,701-93,000	8.5	
	Over 93,000	8.0	
<b>Mississippi</b>	First 5,000	3.0	Two-earner married taxpayers may file separately on the same return (rather than jointly) in order to minimize tax liability.
	5,001-10,000	4.0	
	Over 10,000	5.0	
<b>Missouri</b>	First 1,000	1.5	Local income taxes are additional. Married taxpayers are not allowed to split income deductions, exemptions, etc., equally between spouses; they must be split according to amount of income earned. If the taxable income of each spouse is greater than \$9,000, the tax liability will not be affected. (The percentage listed may vary at times by 0.5 percent.)
	1,001-2,000	2.0	
	2,001-3,000	2.5	
	3,001-4,000	3.0	
	4,001-5,000	3.5	
	5,001-6,000	4.0	
	6,001-7,000	4.5	
	7,001-8,000	5.0	
	8,001-9,000	5.5	
Over 9,000	6.0		
<b>Montana</b>	\$0-1,500	2.0	Tax brackets reflect 1989 inflation adjustments. The tax brackets, personal exemptions, and standard deduction are adjusted annually for inflation. Two-earner married taxpayers may file separately on the same return (rather than jointly) in order to minimize tax liability.
	1,501-3,000	3.0	
	3,001-6,000	4.0	
	6,001-9,000	5.0	
	9,001-12,000	6.0	
	12,001-19,000	7.0	
	19,001-21,000	8.0	
	21,001-30,000	9.0	
	30,001-52,500	10.0	
	Over 52,500	11.0	
<b>Nebraska</b>	0-1,800	2.0	
	1,801-16,800	3.1	
	16,801-27,000	4.8	
	Over 27,000	5.9	
<b>Nevada</b>	No tax		
<b>New Hampshire</b>	Interest and dividends only	5.0	\$1,200 of each taxpayer's interest and dividend income is exempt.
<b>New Jersey</b>	First 20,000	2.0	Rates are for single taxpayers and married taxpayers filing jointly.
	20,001-50,000	2.5	
	Over 50,000	3.5	
<b>New Mexico</b>	First 5,200	1.8	Taxpayers filing jointly pay at rates ranging from 2.4 percent on net income not over \$8,000 to 8.5 percent on net income over \$64,000. Heads of household pay at rates ranging from 1.8 percent on net income not over \$5,200 to 8.5 percent on net income over \$52,000. Special rates are provided for married persons filing separately. Community property state in which, generally, one-half of the community income is taxable to each spouse.
	5,201-10,400	3.0	
	10,401-15,600	4.5	
	15,601-23,400	5.8	
	23,401-31,200	6.9	
	31,201-41,600	7.7	
Over 41,600	8.5		

Table 19 (cont.)

**State Individual Income Tax Rates for Tax Year 1989**  
 Compiled October 1989.  
 Rates for single individuals or married filing separately.

State	Income Subject to Tax	Marginal Rate (percent)	Special Rates or Features
New York	First 5,500	4.0	Lower tax rates are scheduled to be phased in through 1991. In 1991, there will be two tax rates: 5.5 percent of taxable income up to \$12,500 and 7 percent of taxable income over \$12,500. Local income taxes for New York City and Yonkers are additional.
	5,501-8,000	5.0	
	8,001-11,000	6.0	
	11,001-13,000	7.0	
	Over 13,000	7.5	
North Carolina	First \$12,750	6.0	Rates shown are for single taxpayers. Taxpayers filing jointly pay 6 percent on the first \$21,250 or net taxable income and 7 percent on the excess. Heads of household pay 6 percent on the first \$17,000 and 7 percent on the excess. Married taxpayers filing separately pay 6 percent on the first \$10,625 and 7 percent on the excess.
	Over \$12,750	7.0	
North Dakota	First 3,000	3.24	These rates apply only if the long form is used. Taxpayers have option to use the short form, on which the tax is computed by multiplying their federal income tax liability (before credits) by 14 percent.
	3,001-5,000	4.86	
	5,001-8,000	6.47	
	8,001-15,000	8.10	
	15,001-25,000	9.71	
	25,001-35,000	11.33	
	35,001-50,000	12.96	
Over 50,000	14.57		
Ohio	First 5,000	0.743	Two-income couples filing joint federal returns must file joint state returns; however, alternate rates are not available. Instead, a joint filing credit of between 5-20 percent of state liability, up to \$650, is granted, depending on total income. The rates will range from 0.743 percent of taxable income \$5,000 or less to 6.9 percent of taxable income over \$100,000.
	5,001-10,000	1.486	
	10,001-15,000	2.972	
	15,001-20,000	3.715	
	20,001-40,000	4.457	
	40,001-80,000	5.201	
	80,001-100,000	5.943	
Over 100,000	6.9		
Oklahoma	First 1,000	0.5	Bracket amounts are double for married taxpayers filing jointly (e.g., 6 percent of income over \$15,000). Optional rates (ranging from 0.5 percent to 10 percent) apply for taxpayers who elect to deduct federal income taxes.
	1,001-2,500	1.0	
	2,501-3,750	2.0	
	3,751-5,000	3.0	
	5,001-6,250	4.0	
	6,251-7,500	5.0	
Over 7,500	6.0		
Oregon	First 2,000	5.0	Rates shown are for single individuals. Rates are the same for joint filers, but bracket amounts are double (e.g., top bracket \$10,000).
	2,001-5,000	7.0	
	Over 5,000	9.0	
Pennsylvania	Specified classes of taxable income	2.1	For nearly all taxpayers, the tax base is broader than federal taxable income.
Rhode Island	Federal income tax liability	22.96	For nearly all taxpayers, the tax base requires no modifications.
South Carolina	First 4,000	3.0	
	4,001-6,000	4.0	
	6,001-8,000	5.0	
	8,001-10,000	6.0	
	Over 10,000	7.0	
South Dakota	No tax		
Tennessee	Certain interest and dividends only	6.0	Individuals are taxed only on dividends from stocks and certain interest on bonds, notes, and mortgages.
Texas	No tax		
Utah	First 750	2.55	Bracket amounts are double for married taxpayers filing jointly (e.g., 7.2 percent over \$7,500).
	751-1,500	3.5	
	1,501-2,250	4.4	
	2,251-3,000	5.35	
	3,001-3,750	6.25	
	Over 3,750	7.2	

Table 19 (cont.)

**State Individual Income Tax Rates for Tax Year 1989**

Compiled October 1989.

Rates for single individuals or married filing separately.

State	Income Subject to Tax	Marginal Rate (percent)	Special Rates or Features
Vermont	Federal income tax liability	25.0	
Virginia	First 3,000	2.0	Two-earner married taxpayers may file separately on the same return (rather than jointly) in order to minimize tax liability. For tax year 1990, the 5 percent rate applies to taxable income over \$5,000 but not over \$17,000, and the 5.75 percent rate applies to taxable income over \$17,000.
	3,001-5,000	3.0	
	5,001-16,000	5.0	
	Over 16,000	5.75	
Washington	No tax		
West Virginia	First \$10,000	3.0	Rates shown are for all taxpayers except married couples filing separate returns. A minimum tax also is imposed equal to the excess by which an amount equal to 25 percent of any federal minimum tax or alternative minimum tax year exceeds the total tax due for that tax year.
	\$10,001-\$25,000	4.0	
	\$25,001-\$40,000	4.5	
	\$40,001-\$60,000	6.0	
	Over \$60,000	6.5	
Wisconsin	0-7,500	4.9	Married couples filing joint returns pay at rates ranging from 4.9 percent of the first \$10,000 of taxable income to 6.93 percent of income over \$20,000. For married taxpayers filing separately, bracket amounts are one-half those for married joint filers.
	7,501-15,000	6.55	
	Over 15,000	6.93	
Wyoming	No tax		

Source: ACIR staff compilations based on state surveys (fall 1989) and Commerce Clearing House, *State Tax Guide*.

Table 20  
**Local Governments with Personal Income Taxes,  
 Selected Years 1976-89<sup>1</sup>**

State	1989	1988	1987	1986	1985	1984	1981	1979	1976
<b>Alabama</b>									
Cities	11 <sup>2</sup>	10 <sup>2</sup>	10	10	10	8	5	5	6
<b>Delaware</b>									
Cities (Wilmington)	1	1	1	1	1	1	1	1	1
<b>Indiana</b>									
Counties	79	68	51	45	44	43	38	37	38
<b>Iowa</b>									
School Districts	52	60	57	61	57	57	26	21	3
<b>Kentucky</b>									
Cities	84	81	85	78	67	61	59	59	59
Counties	26	27	25	14	11	9	8	8	—
<b>Maryland</b>									
Counties	24	24	24	24	24	24	24	24	24
<b>Michigan</b>									
Cities	19	18	17	17	16	16	16	16	16
<b>Missouri</b>									
Cities (Kansas City and St. Louis)	2	2	2	2	2	2	2	2	2
<b>New York</b>									
Cities (New York City and Yonkers)	2	2	2	2	2	2	1	1	1
<b>Ohio</b>									
Cities	492	481	482	480	467	460	n.a.	417	385
School Districts	5	5	6	6	6	6	n.a.	0	0
<b>Pennsylvania</b>									
Cities, Boroughs, Towns, Townships, and School Districts	2,795	2,788	2,782 <sup>e</sup>	2,777 <sup>e</sup>	2,758 <sup>e</sup>	2,644 <sup>e</sup>	n.a.	2,585 <sup>e</sup>	2,553 <sup>e</sup>
<b>Total (excluding Pennsylvania)</b>	797	779	763	740	707	688	n.a.	597	535
<b>Total (including Pennsylvania)</b>	3,592	3,567	3,545 <sup>e</sup>	3,517 <sup>e</sup>	3,465 <sup>e</sup>	3,332 <sup>e</sup>	n.a.	3,182 <sup>e</sup>	3,088 <sup>e</sup>

n.a. — not available

<sup>e</sup> estimate

<sup>1</sup> Employer payroll taxes are levied in California, New Jersey, and Oregon. Arkansas cities may contract with the Commissioner of Revenue for collection of an income tax. To date, no city income taxes have been imposed. Georgia counties and municipalities may levy a 1% tax on entire Georgia taxable net income, as computed for state tax purposes, if approved by the voters. Cities may levy the tax only if the county in which they are located does not impose the tax. See Table 21, Local Government Income Tax Rates for Selected Cities and Counties, by State, for a description of the tax base.

<sup>2</sup> Based on figures given by the Alabama League of Municipalities.

Source: ACIR staff compilations based on Commerce Clearing House, *State Tax Guide*. See also ACIR, *Local Revenue Diversification: Local Income Taxes*.

Table 21

**Local Government Income Tax Rates for Selected Cities and Counties,  
by State, 1989**  
(in percent)

State	City Name (county)	City Tax Rate		County Tax Rate		Income Tax Based on		
		Resi- dent	Non- resid- ent	Resi- dent	Non- resid- ent			
Alabama	Auburn (Lee)	1.0	1.0			Salaries, wages, commissions, and other compensation earned in taxing cities		
	Birmingham (Jefferson)	1.0	1.0					
	Gadsden (Etowah)	2.0	2.0					
Delaware	Wilmington (New Castle)	1.25	1.25			Salaries, wages, commissions, and other compensation earned in taxing cities		
Indiana	Elkhart (Elkhart)			1.0	0.25	County adjusted gross income		
	Ft. Wayne (Wayne)			1.0	0.25			
	Indianapolis (Marion)			0.6	0.15			
Iowa								
	<i>School Districts</i>					Local income tax liability equals percentages at left multiplied by state income tax liability. Local tax is actually a school district tax levied on residents of the particular school district. (1988 rates)		
	CAL Community	6.75						
	Klemme Community	11.0						
	Lincoln-Central	12.0						
	Meservey-Thornton	9.25						
	Stratford Community	6.0						
	Wooden-Crystal Lake	9.25						
Kentucky	Covington (Kenton)	2.5	2.5	0.5	0.5	Salaries, wages, commissions, and other compensation earned in the taxing cities and counties. City and county taxes do not overlap.		
	Frankfort (Franklin)	1.0	1.0	1.0	1.0			
	Lexington (Fayette)			2.0	2.0			
	Louisville (Jefferson)	2.2	1.45	2.2	1.45			
Maryland	All counties and Baltimore City			50.0	0	Fifty percent of state income tax liability. The two exceptions are Talbot County, 45 percent, and Worcester County, 20 percent. In effect, the local rate translates into 2.5 percent of adjusted gross income greater than \$3,000.		
				50.0	0			
				50.0	0			
				50.0	0			
				50.0	0			
Michigan	Detroit (Wayne)	3.0	1.5			All earned income in taxing cities.		
	Flint (Genessee)	1.0	0.5					
	Grand Rapids (Kent)	1.0	0.5					
	Lansing (Ingham)	1.0	0.5					
Missouri	Kansas City (Jackson)	1.0	1.0			Salaries, wages, commissions and other compensation earned in taxing cities.		
	St. Louis City	1.0	1.0					
New York	New York City	1.5-3.5	0.25			New York City income tax for residents ranges from 1.5 percent of the first \$2,500 of state taxable income to 3.5 percent over \$60,000; tax on nonresidents equals 0.25 percent of earned income. Yonkers self-employed residents pay 19.25 percent of net state tax (after property tax credit); nonresidents pay 0.5 percent of earned income.		
	Yonkers (Westchester)	19.25	0.5					
Ohio	Akron (Summit)	2.0	2.0			Salaries, wages, commissions, and other compensation earned in taxing cities.		
	Cincinnati (Hamilton)	2.1	2.1					
	Cleveland (Cuyahoga)	2.0	2.0					
	Columbus (Franklin)	2.0	2.0					
	Dayton (Montgomery)	2.25	2.25					
	Toledo (Lucas)	2.25	2.25					
	Youngstown (Mahoning)	2.0	2.0					
	<i>School Districts</i>	Anna (Shelby)	0.5	0				School district taxes are in addition to other local government income taxes. Only those school districts listed may impose income taxes.
		Arlington (Hancock)	0.75	0				
		Bradford (Miami)	1.0	0				
	McComb (Hancock)	1.0	0					
	West-Liberty Salem (Champaign)	0.5	0					

Table 21 (cont.)

**Local Government Income Tax Rates for Selected Cities and Counties,  
by State, 1989**  
(in percent)

State	City Name (county)	City Tax Rate		County Tax Rate		Income Tax Based on
		Resi- dent	Non- resid- ent	Resi- dent	Non- resid- ent	
Pennsylvania	Allentown (Lehigh)	1.045	1.0			Salaries, wages, commissions, and other income earned in taxing cities. Only those school districts listed may impose income taxes.
	Erie (Erie)	1.0	1.0			
	Philadelphia	4.96	4.3125			
	Pittsburgh (Allegheny)	1.625	1.0			
	Reading (Berks)	1.0	1.0			
	Scranton (Lackawanna)	2.2	1.0			
School Districts	Philadelphia	4.96 <sup>1</sup>				
	Pittsburgh (Allegheny)	1.875 <sup>2</sup>				

Taxes are imposed on the total payroll of employers in the following cities at the rates listed.

California	Los Angeles	0.75			
	San Francisco	1.50			
New Jersey	Newark	1.0			
Oregon	Clackamas, Multnomah and Washington counties (Portland area)	0.60			
	Lane County Mass Transit District	0.49			Includes financial institutions and corporations that perform services in the transit district service area.

<sup>1</sup> Unearned income (interest, dividends, rents, royalties, and capital gains).

<sup>2</sup> Is included on the same form as city tax. Residents of Pittsburgh pay 3.5% on earned income.

Source: Commerce Clearing House, *State Tax Reporter*, October 1989. See also, ACIR, *Local Revenue Diversification: Local Income Taxes*.

Table 22

**State Corporate Income Tax Rates For Tax Year 1989**  
(as of October 1989)

State	Net Income Brackets	Marginal Rate (percent)	Special Rates or Features
Alabama	—	5.0%	
Alaska	First \$10,000	1.0	
	\$10,001-\$20,000	2.0	
	\$20,001-\$30,000	3.0	
	\$30,001-\$40,000	4.0	
	\$40,001-\$50,000	5.0	
	\$50,001-\$60,000	6.0	
	\$60,001-\$70,000	7.0	
	\$70,001-\$80,000	8.0	
	\$80,001-\$90,000	9.0	
	Over \$90,000	9.4	
Arizona	First \$1,000	2.5	Minimum tax \$50
	\$1,001-\$2,000	4.0	
	\$2,001-\$3,000	5.0	
	\$3,001-\$4,000	6.5	
	\$4,001-\$5,000	8.0	
	\$5,001-\$6,000	9.0	
	Over \$6,000	10.5	
Arkansas	First \$3,000	1.0	Federal income allows federal ACRS for realty.
	\$3,001-\$6,000	2.0	
	\$6,001-\$11,000	3.0	
	\$11,001-\$25,000	5.0	
	Over \$25,000	6.0	
California	—	9.3	California minimum tax \$600 (\$800 after 1989). A 7 percent alternative minimum tax is imposed. Beginning in 1988, banks and corporations electing a water's-edge method of apportioning income must pay an annual amount equal to 0.3 percent of 1 percent of the sum of taxpayer's property, payroll, and sales in California.
Colorado	First \$50,000	5.0	Beginning on 7/1/89, the tax rates are reduced until, for income tax years beginning on or after 7/1/93, the tax is imposed at the rate of 5 percent. Qualified taxpayers may pay an alternative tax of 0.5 percent of 1 percent of gross receipts from sales in or into Colorado.
	Over \$50,000	5.5	
Connecticut	—	11.5	To the extent they exceed the net income tax, the greater of the following taxes are imposed on capital stock: 3.1 mills/dollar (minimum \$100; maximum \$500,000) on capital stock and surplus.
Delaware	—	8.7	
District of Columbia	—	10.0	A 2.5 percent surtax is imposed; 3.3 percent alternative minimum tax also is imposed.
Florida	—	5.5	A 3.3 percent alternative minimum tax also is imposed.
Georgia	—	6.0	
Hawaii	First \$25,000	4.4	
	\$25,001-\$100,000	5.4	
	Over \$100,000	6.4	
	Capital gains	4.0	
	Financial institutions	11.7	
Idaho	—	8.0	Minimum tax \$20. Additional \$10 tax on each corporation filing a return and having gross income during the tax year.
Illinois	—	4.8	Additional 2.5 percent personal property replacement tax imposed.
Indiana	Corporate income tax	3.4	Domestic and interstate corporations pay a tax of 3.4 percent of AGI from sources within Indiana. A supplemental net income tax is imposed on corporations, banks, trust companies, savings associations, and domestic insurers at 4.5 percent.
	Supplemental net income	4.5	
Iowa	First \$25,000	6.0	The financial institutions franchise tax is 5 percent of taxable net income.
	\$25,001-\$100,000	8.0	
	\$100,001-\$250,000	10.0	
	Over \$250,000	12.0	



Table 22 (cont.)

**State Corporate Income Tax Rates For Tax Year 1989**  
(as of October 1989)

State	Net Income Brackets	Marginal Rate (percent)	Special Rates or Features
Kansas	—	4.5	A 2.25 percent surtax is imposed on taxable income in excess of \$25,000. Banks, 4.25 percent of net income plus 2.125 percent surtax on net income over \$25,000.
Kentucky	First \$25,000	3.0	
	\$25,001-\$50,000	4.0	
	\$50,001-\$100,000	5.0	
	\$100,001-\$250,000	6.0	
	Over \$250,000	7.25	
Louisiana	First \$25,000	4.0	Except for insurance companies
	\$25,001-\$50,000	5.0	
	\$50,001-\$100,000	6.0	
	\$100,001-\$200,000	7.0	
	Over \$200,000	8.0	
Maine	First \$25,000	3.5	2.25 percent of federal alternative minimum tax
	\$25,001-\$75,000	7.93	
	\$75,001-\$250,000	8.33	
	Over \$250,000	8.93	
Maryland	—	7.0	
Massachusetts	—	—	Corporations pay an excise tax equal to the greater of the following: (1) \$2.60 (includes 14 percent surtax) per \$1,000 of value of Massachusetts tangible property not taxed locally, or net worth allocated to Massachusetts, plus 9.5 percent (includes surtax) of net income; or (2) \$400, whichever is greater. A surtax of 14 percent is imposed. Minimum tax \$228.
Michigan	—	—	State uses a single business tax (which operates similar to a value-added tax) rather than a corporate income tax. The 2.35 percent rate is applied to an adjusted tax base. Other nonfederal components are also used in the tax base. The first \$40,000 of the tax base is exempt.
Minnesota		9.5	For tax years beginning after 1986 and before 1990, an alternative minimum tax is imposed equal to 0.1 percent of the alternative minimum tax base on allocable sales, property, and payroll. For taxable years beginning after 1989, a federal piggyback alternative minimum tax is imposed. Federal income allows federal ACRS for realty.
Mississippi	First \$5,000	3.0	
	\$5,001-\$10,000	4.0	
	Over \$10,000	5.0	
Missouri	—	5.0	Financial institutions are taxed at a rate equal to the sum of (1) the greater of \$25 or 0.05 percent of the par value of the institution's outstanding shares and surplus employed in Missouri and (2) 7 percent of the institution's net income for the income period minus tax computed on their shares and surplus under (1) and credits allowable for other state and local taxes.
Montana	—	6.75	Minimum license tax \$50, except \$10 for small business corporations. Beginning in 1988, corporations electing to use water's-edge apportionment are taxed at 7 percent. A 5 percent surtax applies to all corporate taxpayers, effective for tax year 1990 and terminating 1/1/91.
Nebraska	First \$50,000	4.75	
	Over \$50,000	6.65	
Nevada	No tax		
New Hampshire	—	8.0	8 percent of taxable business profits of business organizations.
New Jersey	—	9.0	A 7.25 percent corporation income tax is imposed on net income from New Jersey other than those subject to or exempt from the general income tax. For accounting or privilege periods ending before 7/1/93, a surtax is imposed at a rate determined by the Division of Taxation based on the amount of franchise tax paid that is attributable to changes made to federal income tax laws by the <i>Tax Reform Act of 1986</i> . (A 0.375 percent surtax is imposed for the period 7/1/89-6/30/90.)

Table 22 (cont.)  
**State Corporate Income Tax Rates For Tax Year 1989**  
 (as of October 1989)

State	Net Income Brackets	Marginal Rate (percent)	Special Rates or Features
New Mexico	First \$500,000	4.8	
	Second \$500,000	6.4	
	Over \$1,000,000	7.6	
New York	—	9.0	Corporations are subject to a 9 percent tax on net income or a tax on three alternative bases, whichever produces the greatest tax. A 10 percent tax is imposed on unrelated business income, with modifications, of taxpayers subject to the federal tax on unrelated business income. Minimum tax \$250. Surcharge imposed in Metropolitan Commuter Transportation District. New York City corporation income tax is 17 percent of tax imposed for tax years ending on or after 12/31/83 but before 12/31/90. Small business taxpayers are subject to a lower tax rate. An additional tax of 0.9 mills/\$1 of subsidiary capital is levied.
North Carolina	—	7.0	
North Dakota	First \$3,000	3.0	The tax is equal to the greater of the tax rate on taxable income or 6 percent of alternative minimum taxable income, effective for tax years beginning after 1988. Banks, trust companies and associations, 5 percent of North Dakota building/savings and loan net income.
	\$3,001-\$8,000	4.5	
	\$8,001-\$20,000	6.0	
	\$20,001-\$30,000	7.5	
	\$30,001-\$50,000	9.0	
	Over \$50,000	10.5	
Ohio	First \$50,000	5.1	Minimum tax \$50. Financial institutions are taxed at 15 mills times the value of stock. For ACRS, taxpayer must add 25 percent of the amount by which the corporation's federal taxable income was reduced by ACRS depreciation, but a deduction of 20 percent of such addition is allowed in each of the next five tax years.
	Over \$50,000	8.9	
	or 5.82 mills multiplied by value of stock, whichever is greater		
Oklahoma	—	5.0	
Oregon	—	6.6	Minimum tax \$10. Qualified taxpayers may elect to pay alternative tax of 0.25 percent or 0.125 percent of gross sales in Oregon.
Pennsylvania	—	8.5	
Rhode Island	Greater of 8 percent or 40 cents per \$100 of net worth, whichever is greater	9.0	
South Carolina	—	5.0	Banks pay 4.5 percent of South Carolina net income; savings and loan associations pay 8 percent of South Carolina net income.
South Dakota	No tax		Banks and financial institutions pay 6 percent of net income with modifications; minimum \$200 per authorized business location.
Tennessee	—	6.0	Corporations are also subject to 9 percent tax on dividends and interest.
Texas	No tax		
Utah	—	5.0	Minimum tax \$100
Vermont	First \$10,000	5.5	Minimum tax \$75
	\$10,001-\$25,000	6.6	
	\$25,001-\$250,000	7.7	
	Over \$250,000	8.25	
Virginia	—	6.0	
Washington	No tax		
West Virginia	—	9.525	Beginning 7/1/88, the rate is reduced by 0.15 percent per year for five successive years, such rate to be 9 percent on and after 7/1/92.
Wisconsin	—	7.9	ACRS allowed for property placed in service before 1987.
Wyoming	No tax		

Source: Commerce Clearing House, *State Tax Guide* and *State Tax Reporter*, October 1989.



Table 23  
**Corporate Income Tax Details, by State**  
 (Generally, Laws in Effect for 1989)

State	Tax Base: Federal Compliance		Credits	Unitary	Apportionment Formula
	Additions	Subtractions			
<b>Alabama</b>	State, foreign, and local income taxes; federally exempt interest except own state; partial depletion and amortization allowance and federal operating/capital loss and charitable carryovers	Oil/gas depreciation allowance in excess of federal; interest on U.S. obligations and federal securities; state income tax refund; jobs credit	Out-of-state income taxes paid; enterprise zone	Not allowed	3-factor, simple average (UDITPA)
<b>Alaska*</b>	State, foreign, and local income taxes; federally exempt interest from own state/foreign obligations	Interest on U.S. obligations and federal securities	18% of federal credits; alternative energy system; contributions to Alaskan colleges and universities; gas/mineral; investment	Worldwide—required	3-factor, simple average (UDITPA)
<b>Arizona*</b>	Other state, foreign, local income taxes; partial depletion	Jobs credit; interest on U.S. obligations and federal securities; state income tax refunds; foreign dividend gross-up	Grocery store; computers/registers; investment; enterprise zone jobs	Domestic—required	3-factor, simple average (UDITPA)
<b>Arkansas</b>	Interest from other states: DISC income taxes; unitary dividends from less than 95% ownership; business income	Targeted jobs credit; interest on U.S. obligations; state income tax refunds; 95% owned dividends; non-business income	Enterprise zones; water and conservation control structures; 1/3 contributions to colleges (equipment donations not to exceed 50% tax); county industrial development corporation, 1/3 not to exceed 50% tax	Not allowed	3-factor, simple average (UDITPA)
<b>California</b>	State, foreign, and local income taxes; partial ACRS/other depreciation, depletion, and amortization; federal exempt interest; federal capital loss carryovers	Dividends; jobs credit; state income tax refunds; foreign dividend gross-up	Jobs; vehicle conversion to alcohol fuel; orphan drug; low-income housing; research; computer contributions; employer child care program/contribution; enterprise zone/program area	Worldwide—subject to water's-edge option	3-factor, simple average (UDITPA)
<b>Colorado*</b>	State and foreign income taxes; federal exempt interest; federal NOL	Jobs tax credit; interest and dividends on U.S. obligations and federal securities; own state income tax refund; Colorado NOL; oil shale depletion allowance	Investment, mining/milling impact studies; energy devices; energy efficient loans; new business facility; enterprise zone investment; employee; rehabilitation; research and experimental activities	Water's-edge—required	3-factor, simple average, or average of sales and property only, corporate option (UDITPA)
<b>Connecticut*</b>	State's own income taxes; federal exempt interest; partial federal depreciation	Dividends, capital loss carryover (plus 20% recovery of depreciation surcharge)	Pollution control; manufacturing investment including R&D; student and machine tool jobs; neighborhood assistance; employers daycare; rental housing	Not allowed	Property (25%) Payroll (25%) Sales (50%) For non-manufacturers, single factor gross sales
<b>Delaware*</b>	State's own income taxes; federal exempt interest	Amount of wages in federal jobs credit; interest on U.S. obligations and federal securities; state income tax refunds; handicap building renovation	New business facility; neighborhood assistance	Not allowed	3-factor, simple average
<b>District of Columbia*</b>	Foreign and local income taxes; other taxes; federal exempt foreign interest	Jobs tax credit; interest and dividends on federal securities; state income tax refunds		Not allowed	3-factor, simple average (UDITPA)

Table 23 (cont.)

**Corporate Income Tax Details, by State**  
(Generally, Laws in Effect for 1989)

State	Tax Base: Federal Compliance		Credits	Unitary	Apportionment Formula
	Additions	Subtractions			
Florida*	State income taxes; federally exempt interest; wages deducted as credit	Federal carryover and operating loss deduction; foreign dividends	Enterprise zone jobs and property tax; gasohol; community contributions; hazardous waste facility; AMT; emergency excise tax	Not allowed	Property (25%) Payroll (25%) Sales (50%) (UDITPA)
Georgia*	State, foreign, and local income taxes; partial ACRS and amortization; federal operating loss deduction; interest on state and local debt	Foreign dividends; jobs tax credit; interest on U.S. obligations and federal securities	Handicapped workplace modification expense; banks; S&Ls credit for certain taxes and fees	Not allowed	3-factor, simple average (UDITPA)
Hawaii*	Interest from other states; obligations	Jobs tax credit; interest on U.S. obligations and federal securities; foreign dividend gross-up	Enterprise zone; capital goods excise tax; solar, wind energy devices, heat pumps and ice storage systems; low-income housing; fuel tax for commercial fishers	Water's-edge—required	3-factor, simple average (UDITPA).
Idaho*	State income taxes; federal exempt interest; federal capital loss; carryovers; federal NOL	Interest on U.S. obligations; state income tax refunds; alcohol fuel credits; foreign dividend gross-up	Charity; gasohol; jobs expansion and capital investment	Worldwide—possible domestic option	3-factor, simple average (UDITPA)
Illinois*	State income taxes; federal exempt interest; federal NOL	Interest on U.S. obligations and federal securities; state income tax refunds; enterprise zone contributions (double); foreign dividend gross-up	Investment; jobs tax; personal property replacement; enterprise zone	Required—domestic	(UDITPA) with double-weighted sales
Indiana*	State income taxes; local property taxes; charitable contributions	Interest on U.S. obligations and federal securities; state income tax refunds; foreign dividend gross-up	Gross income paid; gross tax = 1.2% or 3% of Indiana gross receipts depending on type of transaction; commercial motor fuel tax; contributions; energy; prison investment; enterprise zone; research	Domestic—possible worldwide option	3-factor, simple average
Iowa*	State income taxes; federal exempt interest; 50% federal refunds; wind-fall profits tax; percentage depletion in excess of cost depletions	Interest on U.S. obligations and federal securities; state income tax refunds; JAT; federal alcohol fuel credit; 50% federal income taxes	Employment credit; special fuel tax; research activities	Not allowed	100% sales
Kansas*	State, foreign, local income taxes; federal exempt interest; federal NOL; certain depreciation deductions	Jobs tax credit; interest on U.S. obligations and federal securities; state income tax refunds; solar energy amortization	Job expansion; handicap renovations; enterprise zone; agricultural loan; venture capital; R&D	Required—domestic	3-factor, simple average (UDITPA)
Kentucky*	State, foreign income taxes; federal exempt interest	Interest on U.S. obligations and federal securities; 50% gross from coal disposal; dividend income	New jobs; coal heating; qualified energy; economic development project; Kentucky venture capital.	Domestic	(UDITPA with variations) double-weighted sales
Louisiana*	State income taxes; federal exempt interest; partial federal amortization; federal carryovers; federal NOL	Jobs tax credit; interest on U.S. obligations; state income tax refunds; Louisiana NOL; foreign operating losses (foreign corps only); federal taxes.	Manufacturing gas; new business facility; neighborhood assistance; educational property donations; Louisiana capital company investment; enterprise zone; new jobs	Not allowed	3-factor, for manufacture, merchandising; 2-factor for services

Table 23 (cont.)  
**Corporate Income Tax Details, by State**  
 (Generally, Laws in Effect for 1989)

State	Tax Base: Federal Compliance		Credits	Unitary	Apportionment Formula
	Additions	Subtractions			
Maine*	State and local income taxes; federal exempt state interest; partial ACRS; federal NOL	Interest on U.S. obligations; state income tax refunds; jobs tax credit; foreign dividend gross-up	Maine seed capital; jobs and investment; daycare; losses of financial institutions; employer-provided long-term care benefits (tax years ending on or after 9/30/89); investment tax (tax years beginning on or after 7/1/90); solid waste reduction investment (equipment purchased after 1/1/90)	Domestic—required	3-factor, simple average (UDITPA)
Maryland*	State and local income taxes; federal exempt state and municipal interest; net capital loss carryback	Jobs tax credit; interest on U.S. obligations; state income tax refunds; foreign dividend gross-up; reforestation expenses	Enterprise zone	Not allowed	3-factor, simple average
Massachusetts*	Federal exempt interest; federal NOL; state, foreign, and local income taxes; other taxes	Jobs tax credit; contributions of scientific property or computers to schools; dividends received	Enterprise zone; manufacturing; R&D; agriculture; fishing; shuttle vans	Not allowed	Property (25%) Payroll (25%) Sales (50%) (UDITPA) (with changes)
Minnesota*	State, local, and foreign income taxes; federal exempt interest; NOL deduction; capital losses; federal charitable contributions deduction; interest dividends paid by regulated investment companies; windfall profits tax deducted federally; losses from mining subject to the occupation tax; percentage depletion; amortization deduction for specified pollution control facilities; deemed dividends from foreign operating corporations	Salary expenses not deducted due to federal jobs credit; foreign dividend gross-up; cost depletion; enterprise zone credits; Minnesota NOL; Minnesota charitable contributions; capital loss with no carrybacks; for banks, any dividend paid on its preferred stock to the federal government; depreciation and depletion deductions for intangible drilling costs	AMI; research and development; enterprise zone	Domestic—required	3-factor, weighted: percent total property in Minnesota (15%); percent total payroll in Minnesota (15%); percent total sales in Minnesota (70%); otherwise (UDITPA)
Mississippi	State, foreign, and local income taxes; federal exempt state interest; partial depletion allowance; federal capital loss; carryover; dividends	Interest on U.S. obligations; state income tax refunds	Enterprise zone; finance company privilege tax	Optional—domestic	3-factor, simple average or separate accounting
Missouri*	Federal income tax refund; state and local bond interest (less expenses greater than \$500)	Interest on U.S. obligations and federal securities; state income tax refunds; federal income tax; foreign tax credit; Missouri sourced dividends	Neighborhood assistance; new business facility; enterprise zone; seed capital; development reserve; wood energy; agricultural unemployed; 30% of contribution to a "qualified fund"	Not allowed	3-factor, simple average; or sales only (UDITPA, with 100 sales option, 50% origin, 50% destination)
Montana*	State, foreign, and local income taxes; other income based taxes; federal exempt interest; federal capital loss carryovers; federal NOL	Federal jobs tax credit; state income tax refunds; capital gains for new farmer; computer donations; purchases of Montana fertilizer; energy conservation investments	Public contractors; new or expanding manufacturing; utility conservation loan subsidy; small business; wind energy; investment in Montana capital companies.	Water's-edge	3-factor, simple average (UDITPA)

Table 23 (cont.)

**Corporate Income Tax Details, by State**  
(Generally, Laws in Effect for 1989)

State	Tax Base: Federal Compliance		Credits	Unitary	Apportionment Formula
	Additions	Subtractions			
<b>Nebraska*</b>	Federal new jobs credit	Interest on U.S. obligations and federal securities	Non-highway gasoline tax; community betterment, employment expansion and investment	Required—domestic	3-factor sliding, simple average (100% sales by 1992)
<b>New Hampshire*</b>	"Safe Harbor" or other similar leases; income taxes or franchise taxes measured by income	Interest on U.S. obligations; job tax credit; deductible dividends and other non-unitary income net of related expenses; distribution from joint venture or partnerships subject to New Hampshire taxation; foreign dividend gross-up; research contribution	Utility franchise tax; bank tax; insurance premiums tax	Domestic—required	3-factor, simple average (UDITPA)
<b>New Jersey*</b>	Federal and state income taxes; state and local franchise taxes; federal exempt interest; partial ACRS; federal NOL; dividends; foreign income	Jobs tax credit; foreign dividend gross-up; subsidiary dividends; NOL; safe harbor lease income	Urban enterprise zone; urban development; recycling	Not allowed	3-factor, simple average
<b>New Mexico*</b>		Foreign dividend gross-up; gains from interest expenses on U.S. obligations	Investment; geothermal; child care; cultural property	Optional—domestic	3-factor, simple average (UDITPA)
<b>New York*</b>	Federal exemptions or credits; state and foreign income taxes; franchise taxes; federal exempt government interest; federal contribution carryover; partial ACRS depreciation; expenses and interest attributable to subsidiary capital; taxes paid to other states; federal NOL	Foreign dividend gross-up; gains from subsidiary capital; 50% of non-subsidiary dividends; gifts; New York NOL (federal NOL plus or minus New York modifications)	Business facility; investment; employment expansion; R&D; sales tax on anti-pollution equipment; economic development zones; minimum tax	Domestic—permitted/required	Property (25%) Payroll (25%) Sales (50%)
<b>North Carolina*</b>	State and local income taxes; other taxes based on net income; federal exempt interest from non-North Carolina jurisdictions; capital loss carryover; federal NOL	Jobs tax credit; interest on U.S. obligations and federal securities; state income tax refunds; some additional depreciation; economic losses; foreign dividend gross-up	Handicap dwellings; solar energy; conservation investment; cogeneration and wood conversion; gasohol; photovoltaic; livestock property taxes; wind energy; methanol gas plant; hydroelectricity; capital resource corporation investments	Domestic at state option	Property (25%) Payroll (25%) Sales (50%) otherwise (UDITPA)
<b>North Dakota</b>	All taxes measured by income; federal exempt interest; partial ACRS; special deductions; federal NOL	Interest on U.S. obligations; state income tax refunds; federal income taxes; North Dakota dividends	New industries; charitable contributions; solar energy; venture capital corporation investments (25%); research and experimental expenditures within North Dakota; employment of developmentally disabled or chronically mentally ill	Required—worldwide, unless water's-edge	3-factor, simple average (UDITPA)
<b>Ohio*</b>	Partial ACRS depreciation; federal NOL deduction	Handings conversion expenses; jobs tax; interest on U.S. obligations; foreign-source income; NOL; income from coal conversion facility	Litter control; manufacturing refiners property tax; energy systems; urban jobs and enterprise zones	Not allowed	Property (25%) Payroll (25%) Sales (50%)

Table 23 (cont.)

**Corporate Income Tax Details, by State**  
(Generally, Laws in Effect for 1989)

State	Tax Base: Federal Compliance		Credits	Unitary	Apportionment Formula
	Additions	Subtractions			
Oklahoma*	State income taxes; other income based taxes; federal exempt state interest; partial federal depreciation	Interest on U.S. obligations and federal securities; state income tax refunds	Air pollution control; manufacturing gas consumption; unreimbursed excise taxes; investment; enterprise zone; energy conservation loan fund; waste recycling; qualified venture capital investments	Domestic	3-factor, simple average (UDITPA)
Oregon*	State and foreign income taxes; other income-based taxes; federal exempt interest; partial ACRS and other depreciations and carryovers; NOL deduction	Jobs tax; state income tax refunds; current year capital losses; local taxes and fees; foreign royalty taxes; handicap renovations; 80% of federal taxable dividends	Pollution control; investment; jobs; energy conservation; reforestation projects; alternative energy loans; fish habitat improvement; dependent care; Oregon capital corporation (20%)	Required—worldwide; domestic consolidated	3-factor, simple average (UDITPA)
Pennsylvania*	State and local income tax; other income-based taxes; partial ACRS depreciation; tax preference items; wages for which an employment incentive credit was claimed	Dividends; jobs tax; interest on U.S. obligations and federal securities; certain depreciation	Neighborhood assistance; employment incentives; contribution to homeowners mortgage assistance fund; economic revitalization; jobs	Not allowed	3-factor, simple average (UDITPA, with changes)
Rhode Island*	Interest on other state obligations; Rhode Island state income tax deductions; optional rapid writeoff for air/water pollution control facilities; optional rapid writeoff for R&D; Rhode Island NOL generally	Optional R&D deduction; enterprise zone deduction; federal NOL	Investment; energy; juvenile restitution; adult education; daycare; higher education assistance; hydroelectric power	Not allowed	3-factor, simple average
South Carolina*	State, foreign, local income taxes; franchise or other income based taxes; federal exempt interest; federal carryovers; federal operating loss deduction; DISC net income; multistate depletion	Interest on U.S. obligations and federal securities; South Carolina loss carryover	Minority subcontractor; conservation tillage equipment; renewable energy source; water resources; new jobs; corporate headquarters; infrastructure	Not allowed	3-factor, simple average, for manufacturers or dealers in tangible personal property; others, 100% sales
Tennessee*	State excise tax; interest income from obligations less allowable amortization; charitable contributions; capital loss carrybacks or carryovers; expense or depreciation	NOL; a portion of the gain or loss of the sale or other disposition of property having a higher basis for Tennessee excise tax purposes than federal income tax purposes; charitable contributions; capital losses; depreciation; bad debts	Industrial machinery	Domestic	3-factor, simple average (UDITPA)
Utah	State and DISC income taxes; franchise and other income-based taxes; federal exempt state interest; partial federal depletion and amortization; federal carryovers; federal operating loss deduction	Jobs tax; state income taxes; current year capital losses; foreign dividend gross-up; Subpart F income; interest paid; bad debts; pension contributions	Energy systems; contributions to handicap facilities; high technology contributions to educational institutions; municipal and federal bond interest; enterprise zone	Domestic—required or option for worldwide	3-factor, simple average (UDITPA)
Vermont*	Total tax exempt state and local obligations	Interest obligations; foreign dividend gross-up; Vermont state and local obligations; jobs tax credit	Vermont venture capital corporation (10%); job development zone	Not allowed	3-factor, simple average (UDITPA)



Table 23 (cont.)

**Corporate Income Tax Details, by State**  
(Generally, Laws in Effect for 1989)

State	Tax Base: Federal Compliance		Credits	Unitary	Apportionment Formula
	Additions	Subtractions			
Virginia*	State, foreign, and local income or other income based taxes; federally exempt interest on obligations of other states; federal deduction for bad debt of S&Ls	Dividends; jobs tax; interest on U.S. obligations and federal securities; foreign dividend gross-up and income; Subpart F income; recomputed S&L bad debt; federally taxable interest on Virginia state and local obligations	Neighborhood assistance; enterprise zone; conservation tillage	Not allowed	3-factor, simple average
West Virginia*	State, foreign, and local income taxes; interest or dividends from any federal, state, or local obligation exempt from federal tax but not from state tax; federal NOL; unrelated business income of tax exempt corporations; depreciation and amortization for certain water and air pollution control facilities; severance taxes paid if the taxpayer elects to claim a severance tax; 10% of qualified investment utilized for the research and development credit	State income tax refunds; a bad debt reserve deduction adjustment; interest expense incurred to carry obligations which are exempt from federal tax but not from state tax; dividends associated with the federal foreign tax credit; salary expenses associated with the federal jobs credit; foreign source income; subpart F income; the cost of West Virginia air/water pollution control facilities; a percentage adjustment to income equal to assets represented by tax exempt obligations and West Virginia mortgage obligations divided by total assets; West Virginia NOL deduction which occurs after income apportionment and allocation	Severance; veterans incentive; headquarters relocation; capital company; business investment; jobs expansion; R&D; utilities rate reduction.	Not allowed	3-factor, double weighted sales; Property (25%) Payroll (25%) Sales (50%) otherwise (UDITPA)
Wisconsin	State and local bond interest; state income taxes; percentage depletion	Subpart F income; dividend received deduction; foreign dividend gross-up; foreign income taxes; cost depletion	Sales tax on fuel and electricity used in manufacturing; farmland preservation; research expense; research facility; community development finance; development zone (for investment, jobs, location, sales tax and additional research); supplement to federal historic rehabilitation	Not allowed	Property (25%) Payroll (25%) Sales (50%) (UDITPA)

\* —Taxable federal income used as state taxable income base.

Sources: *All States Tax Guide, 1989*, Prentice Hall, Englewood Cliffs, New Jersey; Commerce Clearing House, *State Tax Guide*; Minnesota Taxpayers Association, survey of state departments of revenue (ACIR update, 1989); and ACIR, *Significant Features of Fiscal Federalism*.

Table 24  
Major Features of State Sales Taxes, October 1989

Region and State	Tax Rate	States Exempting											States Granting Related Tax Credit <sup>16</sup>
		Food <sup>1</sup>	Pre- scription Drugs	Consumer Electric and Gas Utilities	Clothing	Tele- commu- nication Services	Custom Computer Programs	Repair Charges	Install- ation Service <sup>2</sup>	Sale of Materials to—			
										Contractors <sup>3,4</sup>	Manu- facturers, Producers, Processors <sup>5</sup>	Repairers <sup>3</sup>	
<b>New England</b>													
Connecticut*	8.0	X	X	X	X			X <sup>12</sup>	X <sup>12</sup>		X		
Maine*	5	X	X	X				X <sup>12</sup>	X <sup>12</sup>		X		
Massachusetts*	5	X	X		X	X	X	X	X		X		
New Hampshire	No state sales tax												
Rhode Island*	6	X	X	X	X		X	X <sup>12,13</sup>	X <sup>12</sup>		X <sup>15</sup>		
Vermont	4	X	X	X		X	X	X <sup>12</sup>	X <sup>12</sup>		X <sup>15</sup>		X
<b>Mideast</b>													
Delaware	No state sales tax												
District of Columbia	6	X	X				X		X <sup>12</sup>		X <sup>15</sup>	X	
Maryland	5	X	X			X	X	X <sup>12</sup>	X <sup>12</sup>		X <sup>15</sup>		
New Jersey	6	X	X	X	X	X	X				<sup>14</sup>		
New York	4	X	X	X			X				X	X	
Pennsylvania	6	X	X		X		X				X	X	
<b>Great Lakes</b>													
Illinois + *	5	X	X				X	X <sup>12</sup>	X <sup>12</sup>	X <sup>14</sup>	X <sup>14,15</sup>	X	
Indiana	5	X	X				X	X			X <sup>15</sup>		
Michigan	4	X	X				X	X <sup>12,13</sup>	X <sup>12,13</sup>		X <sup>14,15</sup>		
Ohio +	5	X	X	X		4.0					X	X	
Wisconsin + *	5	X	X	X		6	X				X <sup>15</sup>		
<b>Plains</b>													
Iowa +	4	X	X				X		X		X <sup>15</sup>	X	
Kansas + *	4.25		X	X			X				X <sup>15</sup>		X
Minnesota + *	6	X	X	X	X		X	X	X <sup>12</sup>		X		

Table 24 (cont.)

Major Features of State Sales Taxes, October 1989

Region and State	Tax Rate	States Exempting											States Granting Related Tax Credit <sup>16</sup>
		Food <sup>1</sup>	Pre-scription Drugs	Consumer Electric and Gas Utilities	Clothing	Tele-communication Services	Custom Computer Programs	Repair Charges	Installation Service <sup>2</sup>	Sale of Materials to—			
										Contractors <sup>3,4</sup>	Manu-facturers, Producers, Processors <sup>5</sup>	Repairers <sup>3</sup>	
<b>Plains (cont.)</b>													
Missouri + *	4.425		X	X			X	X <sup>12,13</sup>	X <sup>12,13</sup>		X <sup>15</sup>		
Nebraska +	4	X	X					X	X <sup>12</sup>		X <sup>15</sup>		
North Dakota + *	6	X	X	X		4.0	X	X <sup>12</sup>	X <sup>12</sup>		X <sup>15</sup>		
South Dakota + *	4		X			5.5					X <sup>15</sup>	X	X
<b>Southeast</b>													
Alabama + *	4		X	X		7	X	X <sup>12,13</sup>	X <sup>12</sup>		X <sup>15</sup>		
Arkansas + *	4		X	X					X		X <sup>14</sup>		
Florida +	6	X	X	X			X				X <sup>15</sup>	X	
Georgia + *	4		X					X <sup>12</sup>	X <sup>12</sup>		X <sup>15</sup>		
Kentucky + *	5	X	X				X	X <sup>12</sup>	X <sup>12</sup>		X <sup>14,15</sup>		
Louisiana +	4					X	X		X <sup>12</sup>		X		
Mississippi	6		X			8					X <sup>14</sup>		
North Carolina + *	3		X			3.0 and 6.5	X	X <sup>12,13</sup>	X <sup>12,13</sup>		X <sup>15</sup>	X	
South Carolina	5		X	X				X <sup>12,13</sup>	X <sup>13</sup>		X <sup>15</sup>		
Tennessee +	5.5		X	X		8					X		
Virginia +	3.5		X	X		X	X	X <sup>12</sup>	X <sup>12</sup>		X <sup>14,15</sup>	X	
West Virginia	6		X	X		n.a.				X	X	X	
<b>Southwest</b>													
Arizona +	5	X	X			9	X	X <sup>12</sup>	X <sup>12</sup>	X	X <sup>15</sup>		
New Mexico + *	4.75					3.75					X <sup>15</sup>		X
Oklahoma + *	4		X	X			X	X	X <sup>12</sup>		X <sup>14</sup>		
Texas + *	6	X	X	X		5.0					X <sup>15</sup>		

Table 24 (cont.)  
Major Features of State Sales Taxes, October 1989

Region and State	Tax Rate	States Exempting											States Granting Related Tax Credit <sup>16</sup>
		Food <sup>1</sup>	Pre-scription Drugs	Consumer Electric and Gas Utilities	Clothing	Tele-communication Services	Custom Computer Programs	Repair Charges	Installation Service <sup>2</sup>	Sale of Materials to—			
										Contractors <sup>3,4</sup>	Manu-facturers, Producers, Processors <sup>5</sup>	Repairers <sup>3</sup>	
<b>Rocky Mountain</b>													
Colorado +	3	X	X	X			X	X <sup>12,13</sup>	X <sup>12,13</sup>		X <sup>15</sup>		
Idaho +	5		X	X		X	X	X <sup>12</sup>	X <sup>13</sup>		X <sup>15</sup>		X
Montana	No state sales tax												
Utah + *	5.093 8		X				X				X <sup>15</sup>	X	
Wyoming + *	3		X								X <sup>15</sup>		X
<b>Far West</b>													
California + *	5	X	X	X		0.5 <sup>10</sup>	X	X <sup>12,13</sup>	X <sup>12,13</sup>		X <sup>15</sup>		
Nevada + *	5.75	X	X	X		X		X <sup>12,13</sup>	X <sup>12,13</sup>		X <sup>15</sup>		
Oregon	No state sales tax												
Washington + *	6.5	X	X			<sup>11</sup>	X			X	X <sup>15</sup>		
Alaska +	No state sales tax												
Hawaii*	4		X	X									X
<b>Total Exempting</b>		27	44	26	6	8	30	25	28	4	44	12	7
<b>Total Taxing</b>		19	2	20	40	37	16	21	18	42	1	34	

### Notes

X = Exempt

+ = Additional local sales tax rates may be added. See Table 27, on Combined State-Local General Sales Tax Rates, Selected Cities, for local rates.

<sup>1</sup> State sales tax exemption usually applies for food for home consumption only—not for on-premise consumption.

<sup>2</sup> Charges that are merely incident to sale are usually taxable.

<sup>3</sup> If sale to contractor or repairer is exempt, resale is taxable, and vice versa.

<sup>4</sup> Exempt if contract makes contractor a government agent and title passes directly from seller to U.S. This rule apparently applies in every jurisdiction.

<sup>5</sup> Producing tangible personalty for sale.

<sup>6</sup> Wisconsin is the only state to include intra and interstate carrier access charges in the tax base. Similar provisions to apply the sales tax to access charges were repealed in South Carolina effective 7/1/87, and in Maine effective 1/1/88.

<sup>7</sup> Alabama telephone service is not taxed under the sales tax statute; however, a 4% privilege tax, limited to utilities, is considered equivalent to a sales tax.

<sup>8</sup> Mississippi and Tennessee have interpreted their statutes to include end user (customer) access charges, which are interstate services established by the FCC.

Table 24 (cont.)

**Major Features of State Sales Taxes, October 1989**

- <sup>9</sup> The 30% exemption on interstate sales is intended to adjust for the intrastate portion of interstate service.
- <sup>10</sup> In California, tax is a 911 surcharge.
- <sup>11</sup> Basic local exchange service is exempt.
- <sup>12</sup> Exempt when billed separately from materials.
- <sup>13</sup> Books must show receipts separately from sales and from services.
- <sup>14</sup> Exempt if sales to businesses in enterprise zone (Arkansas, Colorado, Kansas, Kentucky, Louisiana, Michigan, New Jersey, Oklahoma, Texas). In Virginia, all items for businesses in the zone are exempt for 5 years. In Illinois, exemption applies to building materials and operating high-impact service facilities. In Oklahoma, exemption applies to materials for new or expanded manufacturing facility costing over \$5 million and adding at least 100 new full-time jobs.
- <sup>15</sup> If becoming an ingredient or component part of property manufactured.
- <sup>16</sup> The sales tax credit may be administered either in conjunction with a personal income tax (Hawaii, Idaho, New Mexico) or as a separate refund program (Kansas, South Dakota, Wyoming).

**\*State Notes**

<b>Alabama</b>	Prescription drugs for persons over age 65 are exempt.	<b>New Mexico</b>	Although New Mexico does not exempt food and prescription drugs from the general sales tax, a tax credit (refundable if no tax is due) is available to taxpayers with modified gross income less than \$10,000 to offset the tax.
<b>Arkansas</b>	Exempts the first 500 kilowatt hours of electricity per month for residential customers whose income is not more than \$12,000 per year.	<b>Nevada</b>	The state has a mandatory 3.75% local sales tax, which in practice gives the state a statewide tax rate of 5.75%.
<b>Connecticut</b>	Clothing less than \$75 and all children's (under age 10) clothing is exempt.	<b>North Carolina</b>	Food purchased with food stamps is exempt. There is a non-refundable credit on the personal income tax to help offset the sales tax on food purchases. The credit ranges from \$15 to \$25 depending on income level. The credit is not available to taxpayers with taxable income greater than \$15,000.
<b>Georgia</b>	Certain foods will be exempt after 9/1/90.	<b>North Dakota</b>	Gross receipts from sales of electricity is exempt.
<b>Hawaii</b>	Although Hawaii does not exempt food from the general sales tax, a tax credit is granted on the state income tax to help offset the sales tax (and other excise taxes). This credit is available to taxpayers earning \$20,000 or less.	<b>Oklahoma</b>	Cities and counties are not prohibited from levying and collecting taxes on the sale of natural gas and electricity.
<b>Illinois</b>	One percent tax on food and drugs effective 1/1/90. Sales tax is scheduled to increase to 6.25% on 1/1/90.	<b>Rhode Island</b>	Sales tax applies for sports clothing.
<b>Kansas</b>	Related income tax credit allowed for senior citizens depending on income level. Local tax is imposed on sales of natural gas, electricity, heat, and water delivered through mains, lines, or pipes.	<b>South Dakota</b>	Related income tax credit allowed for senior citizens depending on level of income.
<b>Kentucky</b>	Coal for the manufacturing of electricity is exempt. Sales of sewer services, water, and fuel is exempt.	<b>Texas</b>	Cities may impose their local tax on the residential use of gas, electricity, and telecommunications.
<b>Louisiana</b>	Food is taxed at 3% until 1/1/90; 2% until 8/1/90. Prescription drugs are taxed at 1% until 1/1/90. Exemptions do not apply to local sales taxes.	<b>Utah</b>	Rate will decrease to 5.0% on 1/1/90. Utility sales tax rate on gas, electricity, heat, coal, fuel oil or other fuels for residential use is 2.0938% (2% effective 1/1/90).
<b>Maine</b>	The first 750 KWH per month is exempt.	<b>Washington</b>	Sales of natural or manufactured gas.
<b>Massachusetts</b>	Sales tax applies if an item of clothing or footwear is more than \$175.	<b>Wisconsin</b>	Residential use of natural gas or electricity for heating purposes is exempt from November through April.
<b>Minnesota</b>	Residential use of natural gas or electricity for heating purposes is exempt from November through April.		
<b>Missouri</b>	The sales tax is 4.425% until 7/1/90.		

Sources: ACIR staff compilations as of October 1989 based on Commerce Clearing House, *State Tax Guide*, and Prentice-Hall, *All States Tax Handbook*, 1989.

Table 25

## State General Sales Tax Rates

Region & State	10/1/89	10/1/88	7/1/87	7/1/86	7/1/85	7/1/84	7/1/82	7/1/80	7/1/78
<b>U.S. Median</b>	5.0%	5.0%	5.0%	5.0%	4.75%	4.75%	4.0%	4.0%	4.0%
<b>New England</b>									
Connecticut	8.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.0
Maine	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Massachusetts	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
New Hampshire					No tax				
Rhode Island	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Vermont	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
<b>Mideast</b>									
Delaware					No tax				
District of Columbia	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0
Maryland	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
New Jersey	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0
New York	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Pennsylvania	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
<b>Great Lakes</b>									
Illinois	5.0 <sup>1</sup>	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Indiana	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Michigan	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Ohio	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Wisconsin	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
<b>Plains</b>									
Iowa	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Kansas	4.25	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0
Minnesota	6.0	6.0	6.0	6.0	6.0	6.0	5.0	4.0	4.0
Missouri	4.425 <sup>2</sup>	4.225	4.225	4.225	4.225	4.125	3.125	3.125	3.125
Nebraska	4.0	4.0	4.0	3.5	3.5	3.5	3.5	3.0	3.0
North Dakota	5.0	5.5	5.5	4.0	4.0	4.0	3.0	3.0	3.0
South Dakota	4.0	4.0	5.0	4.0	4.0	4.0	4.0	5.0	4.0
<b>Southeast</b>									
Alabama	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Arkansas	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Florida	6.0	6.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Georgia	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Kentucky	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Louisiana	4.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0
Mississippi	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0
North Carolina	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
South Carolina	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	3.0
Tennessee	5.5	5.5	5.5	5.5	5.5	5.5	4.5	4.5	4.5
Virginia	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
West Virginia	6.0	6.0	5.0	5.0	5.0	5.0	5.0	3.0	3.0
<b>Southwest</b>									
Arizona	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
New Mexico	4.75	4.75	4.75	4.75	3.75	3.75	3.5	3.75	3.75
Oklahoma	4.0	4.0	4.0	3.25	3.25	3.0	2.0	2.0	2.0
Texas	6.0	6.0	6.0	4.125	4.125	4.0	4.0	4.0	4.0
<b>Rocky Mountain</b>									
Colorado	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Idaho	5.0	5.0	5.0	5.0	4.0	4.0	3.0	3.0	3.0
Montana					No tax				
Utah	5.0938 <sup>3</sup>	5.0938	5.0938	4.5938	4.625	4.625	4.0	4.0	4.0
Wyoming	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Far West</b>									
California	5.0 <sup>4</sup>	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Nevada	5.75 <sup>5</sup>	5.75 <sup>5</sup>	5.75 <sup>5</sup>	5.75 <sup>5</sup>	5.75 <sup>5</sup>	5.75 <sup>5</sup>	5.75 <sup>5</sup>	3.0	3.0
Oregon					No tax				
Washington	6.5	6.5	6.5	6.5	6.5	6.5	5.4	4.5	4.6
Alaska					No tax				
Hawaii <sup>6</sup>	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0

<sup>1</sup> Illinois' rate is scheduled to be 6.25% after 1/1/90.

<sup>2</sup> Missouri's rate is scheduled to be 4.425% from 10/1/89 to 6/30/90, unless extended by the voters.

<sup>3</sup> Utah's rate is scheduled to decrease to 5% on 1/1/90.

<sup>4</sup> California's rate is temporarily increased to 5% to provide funds for earthquake relief.

<sup>5</sup> Includes statewide state-levied local tax of 3.75% and a 2% state rate.

<sup>6</sup> Hawaii levies its retail sales tax as part of a multirate general excise (gross receipts) tax.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Guide*, October 1989. See Table 27 for local sales tax rates.



Table 26

## Local Governments with Sales Taxes, Selected Years 1976-89

State	1989	1988	1987	1986	1984	1981	1979	1976
<b>Alabama</b> (Total)	398	389	382	374	353	321	301	265
Municipalities	343	334	326	323	310	281	270	
Counties	55	55	56	51	43	40	31	
<b>Alaska</b> (Total)	101	101	93	97	99	92	93	86
Municipalities	95	95	87	91	92	85	86	
Boroughs	6	6	6	6	7	7	7	
<b>Arizona</b> (Total)	83	81	77	75	70	59	39	—
Municipalities	81	79	75	74	70	59	39	38
Counties	2	2	2	1	—	—	—	—
<b>Arkansas</b> (Total)	175	142	111	78	60	2	1	1
Municipalities	120	100	76	59	44	2	1	
Counties	55	42	35	19	16	—	—	
<b>California</b> (Total)	450	446	445	444	443	441	441	438
Municipalities	380	380	380	380	380	380	380	
Counties	58	58	58	58	58	58	58	
Transit Districts	12	8	7	6	5	3	3	
<b>Colorado</b> (Total)	235	235	225	222	205	183	165	121
Municipalities	200	200	193	191	175	159	144	
Counties	34	34	31	30	29	23	20	
Transit District	1	1	1	1	1	1	1	
<b>Florida</b> (Total)	11							
Counties	10	10	0	0	—	—	—	—
Transit District	1							
<b>Georgia</b> (Total)	154	155	144	143	133	104	84	16
Municipalities	0	0	0	0	0	0	3	
Counties	153	154	143	142	132	103	80	
Transit District	1	1	1	1	1	1	1	
<b>Illinois</b> (Total)*	1,348	1,383	1,375	1,376	1,353	1,359	1,359	1,342
Municipalities	1,278	1,279	1,271	1,272	1,249	1,256	1,256	
Counties	68	102	102	102	102	102	102	
Transit Districts	2	2	2	2	2	1	1	
<b>Iowa</b>								
Counties	9	5						
<b>Kansas</b> (Total)	178	175	168	168	139	40	20	7
Municipalities	116	112	108	108	87	35	15	
Counties	62	62	60	60	52	5	5	
<b>Kentucky*</b>								
<b>Louisiana</b> (Total)	325	302	302	287	253	251	217	183
Municipalities	189	193	192	177	158	152	136	
Parishes	64	63	63	63	30	30	21	
School Districts	47	46	47	47	65	66	60	
Special Districts	25	23	23	23	18	12	7	
<b>Minnesota</b>								
Municipalities	3	3	3	1	2	1	1	1
<b>Missouri</b> (Total)*	698	674	657	556	487	333	215	152
Municipalities	490	479	474	458	406	332	214	
Counties	126	120	114	98	81		1	1
Transit Districts	82	75	69					
<b>Nebraska</b>								
Municipalities	30	25	22	16	12	7	4	—
<b>Nevada</b> (Total)*	7	7	7	5	1	1	13	12
Municipalities	—	—	—	—	—	—	—	1
Counties	7	7	7	5	1	1	12	
<b>New Mexico</b> (Total)	166	132	128	134	120	84	99	32
Municipalities	133	101	100	101	98	76	93	
Counties	33	31	28	33	22	8	6	



Table 26 (cont.)

## Local Governments with Sales Taxes, Selected Years 1976-89

State	1989	1988	1987	1986	1984	1981	1979	1976
<b>New York (Total)</b>	85	83	85	81	87	74	70	68
Municipalities	30	28	26	27	29	29	25	
Counties	54	54	58	53	57	45	45	
Transit District	1	1	1	1	1	—	—	
<b>North Carolina</b>								
Counties	100	100	100	100	100	99	99	96
<b>North Dakota</b>								
Municipalities	5	4	3	3	—	—	—	—
<b>Ohio (Total)</b>	90	88	81	76	65	55	51	33
Counties	85	83	79	74	62	52	50	
Transit Districts	3	3	2	2	3	3	1	
Islands	2	2						
<b>Oklahoma (Total)</b>	492	479	473	466	447	398	398	356
Municipalities	468	458	457	452	441	398	398	356
Counties	24	21	16	14	6	—	—	—
<b>South Dakota (Total)</b>	135	120	111	107	82	61	46	18
Municipalities	132	117	111	107	82	61	46	18
Indian Reservations	3	3	—	—	—	—	—	—
<b>Tennessee (Total)</b>	106	106	105	105	102	105	104	115
Municipalities	11	11	10	10	8	11	12	
Counties	95	95	95	95	94	94	92	
<b>Texas (Total)</b>	2,610	1,107	1,029	1,032	1,120	949	946	854
Municipalities	2,521	1,023	1,023	1,026	1,117	921	921	
Counties	82	78						
Transit Districts	7	6	6	6	3	28	25	
<b>Utah (Total)*</b>	260	258	248	248	248	n.a.	230	204
Municipalities	225	222	219	219	219	n.a.	201	
Counties	29	29	29	29	29	29	29	
Transit Districts	6	7						
<b>Virginia (Total)</b>	136	136	136	136	136	136	136	133
Municipalities	41	41	41	41	41	41	41	
Counties	95	95	95	95	95	95	95	
<b>Washington (Total)</b>	315	317	307	305	306	302	302	300
Municipalities	266	267	268	266	267	264	264	
Counties	39	40	39	39	39	38	38	
Transit Districts (PTBA)	10	10						
<b>Wisconsin</b>								
Counties	24	18	12	2	—	—	—	—
<b>Wyoming</b>								
Counties	19	16	15	14	15	15	13	5
<b>U.S. Total</b>	8,814	6,955	6,892	6,705	6,492	5,702 <sup>e</sup>	5,448	4,893
<b>Percentage Change from Previous Year</b>	26%	1%	1%	1%	14%	5%	11%	

n.a. not available

— not authorized

<sup>e</sup> estimate**\*State Notes****Illinois**

On 1/1/90, the statewide sales tax rate will be 6.25%, with 1.25% being returned to local governments where the goods were purchased. On 9/1/90, home rule cities will be able to impose sales taxes at 0.25% increments. All taxes will be collected by the state department of revenue. As a result, no local government units will have sales taxes until that time.

**Iowa**

Excluded from total. Tax is on a county basis.

**Kentucky**

Allows mass transit authorities to levy sales taxes up to 0.5% on the same basis as the state sales tax, subject to voter approval.

**Missouri**

Dedicated for transportation purposes.

**Nevada**

Includes only counties that levy an optional local sales tax (0.25%).

**Utah**

All counties impose sales tax.

Source: ACIR staff compilations based on Commerce Clearing House, *State Tax Reporter*. See also ACIR, *Local Revenue Diversification: Local Sales Taxes*.

Table 27

## Combined State-Local General Sales Tax Rates, Selected Cities, October 1989

Region and State	City (county)	State Tax	County Tax	City Tax	Other Tax	Combined State-Local Tax Rate	
<b>New England</b>							
Connecticut	No local general sales taxes	8.0%				8.0%	
Maine	No local general sales taxes	5.0				5.0	
Massachusetts	No local general sales taxes	5.0				5.0	
New Hampshire	No state or local general sales taxes	—				—	
Rhode Island	No local general sales taxes	6.0				6.0	
Vermont	No local general sales taxes	4.0				4.0	
<b>Mideast</b>							
Delaware	No state or local general sales taxes	—				—	
District of Columbia		n.a.		6.0		6.0	
Maryland	No local general sales taxes	5.0				5.0	
New Jersey	No local general sales taxes	6.0				6.0	
New York*	Buffalo (Erie)	4.0	4.0			8.0	
	New York City	4.0		4.0	0.25	8.25	
	Rochester (Monroe)	4.0	3.0			7.0	
	Yonkers (Westchester)	4.0	1.5	2.5	0.25	8.25	
Pennsylvania	No local general sales tax	6.0				6.0	
<b>Great Lakes</b>							
Illinois*	Chicago (Cook)	5.0	1.0	2.0	1.0	9.0	
	Peoria (Peoria)	5.0	1.25	1.0		7.25	
	Rockford (Winnebago)	5.0	1.25	1.0		7.25	
	Springfield (Sangamon)	5.0	1.25	1.0		7.25	
Indiana	No local general sales taxes	5.0				5.0	
Michigan	No local general sales taxes	4.0				4.0	
Ohio*	Akron (Summit)	5.0	0.5			5.5	
	Cincinnati (Hamilton)	5.0	0.5			5.5	
	Cleveland (Cuyahoga)	5.0	1.0		1.0	7.0	
	Columbus (Franklin)	5.0	0.5			5.5	
	Dayton (Montgomery)	5.0	1.0		0.5	6.5	
	Toledo (Lucas)	5.0	1.0			6.0	
	Youngstown (Mahoning)	5.0	0.5			5.5	
	Wisconsin*	Barron (Barron)	5.0	0.5			5.5
	Madison (Dane)	5.0				5.0	
	Menomonie (Dunn)	5.0	0.5			5.5	
Milwaukee (Milwaukee)	5.0				5.0		
<b>Plains</b>							
Iowa*	(see Iowa note)	4.0	1.0			5.0	
Kansas*	Kansas City (Wyandotte)	4.25	1.0	1.0		6.25	
	Topeka (Shawnee)	4.25		1.0		5.25	
	Wichita (Sedgwick)	4.25	1.0			5.25	
Minnesota*	Duluth (St. Louis)	6.0		1.0		7.0	
	Minneapolis (Hennepin)	6.0		0.5		6.5	
Missouri*	Independence (Jackson)	4.425	0.5	1.0		5.925	
	Kansas City (Jackson)	4.425	0.5	1.0	0.5	6.425	
	St. Louis City	4.425		1.375	0.5	6.300	
Nebraska*	Springfield (Greene)	4.425	0.5	1.0		5.925	
	Lincoln (Lancaster)	4.0		1.5		5.5	
	Omaha (Douglas)	4.0		1.5		5.5	
North Dakota	Grand Forks (Grand Forks)	5.0		1.0		6.0	
	Bismarck (Burleigh)	5.0		1.0		6.0	
South Dakota*	Minot (Ward)	5.0		1.0		6.0	
	Sioux Falls (Minnehaha)	4.0		2.0		6.0	
	Pierre (Hughes)	4.0		1.0		5.0	
<b>Southeast</b>							
Alabama*	Birmingham (Jefferson)	4.0	1.0	2.0	1.0	8.0	
	Huntsville (Madison)	4.0	1.0	3.0	1.5	9.5	
	Mobile (Mobile)	4.0	1.0	3.0	1.5	9.5	
Arkansas*	Fayetteville (Washington)	4.0	1.0	1.0		6.0	
	Fort Smith (Sebastian)	4.0		2.0		6.0	
	Little Rock (Pulaski)	4.0	1.0			5.0	
	Pine Bluff (Jefferson)	4.0		1.0		5.0	

Table 27 (cont.)

## Combined State-Local General Sales Tax Rates, Selected Cities, October 1989

Region and State	City (county)	State Tax	County Tax	City Tax	Other Tax	Combined State-Local Tax Rate
<b>Southeast (cont.)</b>						
Florida	Jackson County	6.0	1.0			7.0
	Jefferson County	6.0	1.0			7.0
Georgia*	Atlanta (Fulton)	4.0	1.0		1.0	6.0
	Columbus (Muscogee)	4.0	2.0			6.0
	Macon (Bibb)	4.0	1.0			5.0
	Savannah (Chatham)	4.0	1.0			5.0
Kentucky	No local general sales taxes	5.0				5.0
Louisiana*	Baton Rouge (E. Baton Rouge)	4.0	3.5			7.5
	Lafayette (Lafayette)	4.0	1.5	2.0		7.5
	Lake Charles (Calcasieu)	4.0	1.5	2.0		7.5
	Monroe (Ouachita)	4.0	0.5	2.5		7.0
	New Orleans (Orleans)	4.0	5.0			9.0
Mississippi	Shreveport (Caddo)	4.0	2.5	2.0		8.5
	No local general sales taxes	6.0				6.0
North Carolina*	Charlotte (Mecklenburg)	3.0	2.0			5.0
	Durham (Durham)	3.0	2.0			5.0
	Greensboro (Guilford)	3.0	2.0			5.0
	Raleigh (Wake)	3.0	2.0			5.0
	Winston-Salem (Forsyth)	3.0	2.0			5.0
South Carolina	No local general sales taxes	5.0				5.0
Tennessee*	Chattanooga (Hamilton)	5.5	1.75			7.25
	Knoxville (Knox)	5.5	2.25			7.75
	Memphis (Shelby)	5.5	2.25			7.75
	Nashville (Davidson)	5.5	2.25			7.75
Virginia*	Alexandria	3.5		1.0		4.5
	Newport News	3.5		1.0		4.5
	Norfolk	3.5		1.0		4.5
	Richmond	3.5		1.0		4.5
	Arlington County	3.5	1.0			4.5
	Chesterfield County	3.5	1.0			4.5
	Fairfax County	3.5	1.0			4.5
	Henrico County	3.5	1.0			4.5
	Prince William County	3.5	1.0			4.5
	West Virginia	No local general sales taxes	6.0			
<b>Southwest</b>						
Arizona*	Phoenix (Maricopa)	5.0		1.2	0.5	6.7
	Tucson (Pima)	5.0		2.0		7.0
New Mexico*	Albuquerque (Bernalillo)	4.75		0.75		5.5
	Santa Fe (Santa Fe)	4.75		0.875		5.625
Oklahoma*	Tahlequah (Cherokee)	4.0	1.0	2.0		7.0
	Oklahoma City (Canadian)	4.0		2.75		6.75
	Okmulgee (Okmulgee)	4.0		3.5		7.5
	Tulsa (Tulsa)	4.0		3.0		7.0
Texas*	Abilene (Taylor)	6.0		1.0		7.0
	Austin (Travis)	6.0		1.0	0.75	7.75
	Dallas (Dallas)	6.0		1.0	1.0	8.0
	Fort Worth (Tarrant)	6.0		1.0	0.5	7.5
	Houston (Harris)	6.0		1.0	1.0	8.0
	Lubbock (Lubbock)	6.0	0.5	1.0		7.5
	Pasadena (Harris)	6.0		1.0		7.0
<b>Rocky Mountain</b>						
Colorado*	Colorado Springs (El Paso)	3.0	1.0	2.5		6.5
	Denver (Denver)	3.0		3.5	.6	7.1
	Golden (Jefferson)	3.0	0.5	2.0	.6	6.1
	Pueblo (Pueblo)	3.0		3.5		6.5
Idaho*	No local general sales taxes	5.0				5.0
Montana	No state or local general sales taxes	—				—
Utah*	Provo (Utah)	5.0938	0.9062		0.25	6.25
	Orem (Utah)	5.0938	0.9062		0.25	6.25
	Salt Lake City (Salt Lake)	5.0938	0.9062		0.25	6.25
Wyoming*	Cheyenne (Laramie)	3.0	1.0			4.0
	Casper (Natrona)	3.0	1.0			4.0

Table 27 (cont.)

**Combined State-Local General Sales Tax Rates, Selected Cities, October 1989**

Region and State	City (county)	State Tax	County Tax	City Tax	Other Tax	Combined State-Local Tax Rate	
Far West	California*	Anaheim (Orange)	5.0	1.25			6.25
		Los Angeles (Los Angeles)	5.0	1.25		0.5	6.75
		Sacramento (Sacramento)	5.0	1.25			6.25
		San Diego (San Diego)	5.0	1.25		1.0	7.25
		San Francisco (San Francisco)	5.0	1.25		0.5	6.75
	Nevada*	Las Vegas (Clark)	5.75	0.25			6.0
		Reno (Washoe)	5.75	0.25			6.0
	Oregon	No local general sales taxes	—				—
	Washington*	Seattle (King)	6.5		1.6		8.1
		Spokane (Spokane)	6.5		1.3		7.8
Tacoma (Pierce)		6.5		1.3		7.8	
Alaska*	Juneau (Juneau)	—		4.0		4.0	
Hawaii	No local general sales taxes	4.0				4.0	

**\*State Notes**

<b>Alabama</b>	The City of Huntsville is not required to pay county sales taxes within its corporate limits. Both counties and cities are authorized to levy sales taxes. City sales taxes are in addition to any county sales taxes. Rate in police jurisdiction 1.5%.
<b>Alaska</b>	Boroughs may levy a sales and use tax not to exceed 6.0%. Cities outside boroughs may levy a tax not to exceed 3.0%. Cities within boroughs may levy a sales or use tax on all sources taxed by the borough in the manner provided for boroughs, but may not exceed 6.0%. City sales taxes are in addition to borough sales taxes.
<b>Arizona</b>	Subject to voter approval, various counties are authorized to levy a transportation excise tax at a rate of not more than 10% of the state transaction privilege tax rate. Maricopa and Pinal Counties are the only ones to levy this tax.
<b>Arkansas</b>	Cities are allowed to impose an extra 1.0% for 24 months to finance capital improvement. Counties may levy a sales tax not to exceed 1.0%. City sales taxes are in addition to any county sales taxes. The City of Texarkana levies a sales tax of 1.0% plus an additional 1.0% sales tax in lieu of the state income tax.
<b>California</b>	Effective from 12/1/89, through 12/31/90, the state sales tax rate is increased from 4.75% to 5% to provide funds for earthquake relief. All counties have adopted a 1.25% sales tax. Cities may levy a conforming 1.0% tax (80% of the total local tax) and counties must allow a credit of 1.0% against the county rate. Total cannot exceed 6.25%, except in transit district which cannot exceed 6.75%.
<b>Colorado</b>	The regional transportation district, consisting of the City and County of Denver and portions of Adams, Arapahoe, Jefferson, Boulder, and Douglas counties, levies a 0.6% sales tax. City sales taxes are in addition to any county sales taxes. Denver levies a 4% tax on food for immediate consumption and liquor by the drink.
<b>Georgia</b>	The general assembly has authorized the imposition of joint county and municipal sales and use taxes. It created 159 special districts, based on county lines, which may impose a 1.0% tax. The Metropolitan Atlanta Rapid Transit Authority levies an additional sales tax of 1.0%.
<b>Idaho</b>	Cities that derive a major portion of their economic well-being from tourism may impose a sales tax on all sales subject to taxation under state Sales and Use Tax Act if approved by 60% of the cities' voters.
<b>Illinois</b>	On 1/1/90, the state tax rate will be 6.25% with 1.25% being returned to the local government of origin. On 9/1/90, home rule cities will be able to impose sales taxes at 0.25% increments which will be collected by the state department of revenue. Counties and municipalities may impose a sales tax not to exceed 1.0%. City sales taxes are in addition to any county and transit sales taxes. Two transit districts levy an additional sales tax of 0.25% or 1.0%. The City of Chicago imposes its own sales and use tax of 1%.
<b>Iowa</b>	The Cities of Betram and Polk City have a tax rate of 1.0%. Counties were authorized to have a maximum sales tax of 1% in 1985. Based on state sales tax laws.
<b>Kansas</b>	Cities and counties may impose a 0.5% or 1.0% sales tax.
<b>Louisiana</b>	Parishes and cities are authorized to levy a sales tax not to exceed 3.0%, unless specifically approved in a special election. City sales taxes are in addition to any parish sales taxes. Any school board taxes are included in parish sales taxes.
<b>Minnesota</b>	Minneapolis is authorized to levy a 3.0% tax on sales of admissions, amusements, and transient lodgings. Only three municipalities are authorized to levy a sales tax.
<b>Missouri</b>	State rate is 4.425% until 7/1/90, unless extended by voters. Cities may impose a 0.25-1% sales tax, except St. Louis which may impose a 1.375% tax. Counties may impose a 0.25%, 0.375%, or 0.5% sales tax, except St. Louis County which may impose a 1.375% tax. No city within St. Louis County may impose a sales tax. City sales taxes are in addition to any county or transit sales taxes.
<b>Nebraska</b>	Municipalities may impose a 0.5% or 1.0% sales tax.
<b>Nevada</b>	The state sales tax of 5.75% includes 1.5% for local school support and 2.25% for local relief. These taxes are mandatory in all 17 counties. Counties may levy an additional sales tax for public transportation, road construction, or tourism. Seven counties impose a 0.25% sales and use tax.

Table 27 (cont.)

**Combined State-Local General Sales Tax Rates, Selected Cities, October 1989**

<b>New Mexico</b>	All incorporated municipalities impose a sales tax. This tax may not exceed 1.0%. Cities and counties may impose an additional sales tax not to exceed 0.50% for repair and replacement of infrastructure improvements. Counties have three kinds of sales taxes: (1) 0.25% to support indigent hospital patients, (2) 0.125% or 0.25% for county fire protection for areas not included in a municipality, and (3) 0.125% countywide sales tax. Cities with sales taxes are not subject to additional county sales taxes.
<b>New York</b>	Cities and counties may levy a sales tax not to exceed 3.0% except in New York City, Mt. Vernon, Yonkers, Erie County, and Nassau County, which may impose a 4.0% sales tax, and Suffolk County, which may impose a 3.25% tax. An additional 0.25% sales tax for the Metropolitan Commuter Transit District may be imposed on New York City and the Counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.
<b>North Carolina</b>	Counties may impose a 1-2% sales tax.
<b>Ohio</b>	Counties may impose a sales tax not to exceed 1.5%. An additional transit tax is imposed in several counties, but may not exceed 1.5%.
<b>Oklahoma</b>	Counties may impose a sales tax not to exceed 2.0%. City sales taxes are in addition to any county sales taxes.
<b>South Dakota</b>	Municipalities may impose a sales tax not to exceed a local rate of 2%.
<b>Tennessee</b>	All counties may levy a local sales tax not to exceed one-half of state sales tax rate. City sales taxes are in addition to any county sales taxes, but the county levy takes priority. If a county levies a tax less than one-half of the state rate, a city may levy only the difference. If a city or county adopts a local option base, then the sales tax may only be applied to \$1,100 of the purchase price of a single item. If a local option base is not adopted, then there is a \$5 limit on any single item.
<b>Texas</b>	Municipalities may impose a 1.0% sales tax. They may also impose an additional 0.50% tax to reduce property taxes. Some cities also impose a metropolitan transit authority sales tax.
<b>Utah</b>	Effective 1/1/90, state rate is 5%. Cities and counties may impose a sales tax of 0.91 (1% effective 1/1/90). Presently, all 29 counties levy the tax. Cities within the counties that impose the tax receive a portion of the revenues. Cities and counties are also authorized to levy a 0.25% transit tax. Resort communities may include an additional sales tax of up to 1.0%. City and county taxes do not overlap.
<b>Virginia</b>	Cities are independent of counties in Virginia. Every city and county imposes a 1.0% sales tax; total combined statewide sales tax is 4.5%.
<b>Washington</b>	Cities and counties may levy a local sales and use tax of 0.5%. They also are authorized to levy an additional sales tax not to exceed 0.6% for transportation. Counties must allow a credit for the full amount of any city sales and use taxes.
<b>Wisconsin</b>	Counties may impose a sales tax at a rate of 0.5%.
<b>Wyoming</b>	Counties are authorized to levy a sales tax not to exceed 1.0%.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, October 1989. See also ACIR, *Local Revenue Diversification: Local Sales Taxes*.

Table 28

## State Cigarette Tax Rates per Pack

Region and State	10/1/89	10/1/88	7/1/87	7/1/86	7/1/85	7/1/84	7/1/82	7/1/80	7/1/78
<b>Exhibit: Federal Tax</b>	\$.16	\$.16	\$.16	\$.16	\$.16	\$.16	\$.08	\$.08	\$.08
<b>Median</b>	.20	.18	.18	.17	.17	.16	.13	.125	.12
<b>New England</b>									
Connecticut	.40	.26	.26	.26	.26	.26	.21	.21	.21
Maine	.31 <sup>a</sup>	.28	.28	.28	.20	.20	.16	.16	.16
Massachusetts	.26	.26	.26	.26	.26	.26	.21	.21	.21
New Hampshire	.21	.17	.17	.17	.17	.17	.12	.12	.12
Rhode Island	.37	.27	.25	.25	.234	.23	.23	.18	.18
Vermont	.17	.17	.17	.17	.17	.17	.12	.12	.12
<b>Mideast</b>									
Delaware	.14	.14	.14	.14	.14	.14	.14	.14	.14
District of Columbia	.17	.17	.17	.13	.13	.13	.13	.13	.13
Maryland	.13	.13	.13	.13	.13	.13	.13	.13	.10
New Jersey	.27	.27	.27	.25	.25	.25	.24	.19	.19
New York	.33	.21	.21	.21	.21	.21	.15	.15	.15
Pennsylvania	.18	.18	.18	.18	.18	.18	.18	.18	.18
<b>Great Lakes</b>									
Illinois	.30	.20	.20	.20	.12	.12	.12	.12	.12
Indiana	.155	.155	.155	.105	.105	.105	.105	.105	.105
Michigan	.25	.25	.21	.21	.21	.21	.21	.11	.11
Ohio	.18	.18	.18	.14	.14	.14	.14	.15	.15
Wisconsin	.30	.30	.25	.25	.25	.25	.25	.16	.16
<b>Plains</b>									
Iowa	.31	.34	.26	.26	.18	.18	.18	.13	.13
Kansas	.24	.24	.24	.24	.16	.16	.11	.11	.11
Minnesota	.38	.38	.38	.39 <sup>b</sup>	.23	.18	.18	.18	.18
Missouri	.13	.13	.13	.13	.13	.13	.09	.09	.09
Nebraska	.27	.27	.27	.23	.18	.18	.18	.13	.13
North Dakota	.30 <sup>c</sup>	.27	.27	.18	.18	.18	.12	.12	.11
South Dakota	.23	.23	.23	.23	.23	.15	.15	.14	.12
<b>Southeast</b>									
Alabama	.165 <sup>d</sup>	.165	.165	.165	.165	.165	.16	.12	.12
Arkansas	.21	.21	.21	.21	.21	.21	.1775	.1775	.1775
Florida	.24	.24	.24	.24	.21	.21	.21	.21	.21
Georgia	.12	.12	.12	.12	.12	.12	.12	.12	.12
Kentucky	.031	.03	.03	.03	.03	.03	.03	.03	.03
Louisiana	.16	.16	.16	.16	.16	.16	.11	.11	.11
Mississippi	.18	.18	.18	.18	.11	.11	.11	.11	.11
North Carolina	.02	.02	.02	.02	.02	.02	.02	.02	.02
South Carolina	.07	.07	.07	.07	.07	.07	.07	.07	.07
Tennessee	.13 <sup>e</sup>	.13	.13	.13	.13	.13	.13	.13	.13
Virginia	.025	.025	.025	.025	.025	.025	.025	.025	.025
West Virginia	.17	.17	.18	.17	.17	.17	.17	.17	.17
<b>Southwest</b>									
Arizona	.15	.15	.15	.15	.15	.15	.13	.13	.13
New Mexico	.15	.15	.15	.15	.12	.12	.12	.12	.12
Oklahoma	.23	.23	.25	.18	.18	.18	.18	.18	.13
Texas	.26	.26	.205	.205	.195	.185	.185	.185	.185
<b>Rocky Mountain</b>									
Colorado	.20	.20	.20	.20	.15	.15	.10	.10	.10
Idaho	.18	.18	.18	.091	.091	.091	.091	.091	.091
Montana	.16	.16	.16	.16	.16	.16	.12	.12	.12
Utah	.23	.23	.23	.12	.12	.12	.12	.10	.08
Wyoming	.12	.08	.08	.08	.08	.08	.08	.08	.08
<b>Far West</b>									
California	.35	.10	.10	.10	.10	.10	.10	.10	.10
Nevada	.35	.20	.20	.15	.15	.15	.10	.10	.10
Oregon	.27 <sup>f</sup>	.27	.27	.27	.19	.19	.19	.09	.09
Washington	.34	.31	.31	.31	.23	.23	.208	.16	.16
Alaska	.29	.16	.16	.16	.08	.08	.08	.08	.08
Hawaii <sup>g</sup>	40%	40%	40%	40%	40%	40%	40%	40%	40%

<sup>a</sup> Rate increases to \$.33 on 1/1/91.

<sup>b</sup> Credit granted for federal excise tax paid (\$.16 in 1988).

<sup>c</sup> Rate decreases to \$.27 on 7/1/90.

<sup>d</sup> Local taxes extra.

<sup>e</sup> Additional \$.05 per pack fee on distributors.

<sup>f</sup> Rate increased to \$.28 on 11/1/89.

<sup>g</sup> Tax is 40% of wholesale price. On a per unit basis, Hawaii's tax is \$.30 per pack.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Guide*.

Table 29

## State Gasoline Tax Rates per Gallon

Region and State	12/1/89	10/1/88	7/1/87	7/1/86	7/1/85	7/1/84	7/1/82	7/1/80	7/1/78
<b>Exhibit: Federal Tax</b>	\$.09	\$.09	\$.09	\$.09	\$.09	\$.09	\$.04	\$.04	\$.04
<b>Median</b>	.16	.145	.145	.13	.12	.12	.10	.09	.08
<b>New England</b>									
Connecticut	.20 <sup>a</sup>	.20	.19	.17	.16	.15	.11	.11	.11
Maine	.17	.16	.14	.14	.14	.14	.09	.09	.09
Massachusetts	.11	.11	.11	.11	.11	.11	.104	.085	.085
New Hampshire	.14	.14	.14	.14	.14	.14	.14	.11	.10
Rhode Island	.20 <sup>b</sup>	.15	.13	.13	.13	.13	.10	.10	.10
Vermont	.15	.13	.13	.13	.13	.13	.11	.09	.09
<b>Mideast</b>									
Delaware	.16	.16	.16	.11	.11	.11	.11	.09	.11
District of Columbia	.18	.155	.155	.155	.155	.155	.14	.10	.10
Maryland	.185	.185	.185	.135	.135	.135	.11	.09	.09
New Jersey	.105	.105	.08	.08	.08	.08	.08	.08	.08
New York	.08	.08	.08	.08	.08	.08	.08	.08	.08
Pennsylvania	.12	.12	.12	.12	.12	.12	.11	.11	.09
<b>Great Lakes</b>									
Illinois	.13 <sup>c</sup>	.13	.13	.13	.13	.12	.075	.075	.075
Indiana	.15	.15	.14	.14	.14	.111	.111	.085	.08
Michigan	.15	.15	.15	.15	.15	.15	.11	.11	.09
Ohio	.18 <sup>d</sup>	.148	.147	.12	.12	.12	.117	.07	.07
Wisconsin	.208	.209	.20	.175	.165	.16	.13	.09	.07
<b>Plains</b>									
Iowa	.20	.18	.16	.16	.15	.13	.13	.10	.085
Kansas	.15 <sup>e</sup>	.11	.11	.11	.11	.11	.08	.08	.08
Minnesota	.20	.20	.17	.17	.17	.17	.13	.11	.09
Missouri	.11	.11	.11	.07	.07	.07	.07	.07	.07
Nebraska	.22	.182	.176	.19	.164	.149	.137	.105	.095
North Dakota	.17	.17	.17	.13	.13	.13	.08	.08	.08
South Dakota	.18	.18	.13	.13	.13	.13	.13	.12	.08
<b>Southeast</b>									
Alabama <sup>f</sup>	.11	.11	.11	.11	.11	.11	.11	.07	.07
Arkansas	.135	.135	.135	.135	.135	.095	.095	.095	.085
Florida <sup>g</sup>	.04	.04	.04	.04	.04	.04	.08	.08	.08
Georgia <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>	.075 <sup>h</sup>
Kentucky	.15	.15	.15	.15	.10	.10	.098	.09	.09
Louisiana	.20	.16	.16	.16	.16	.16	.08	.08	.08
Mississippi	.18	.17	.15	.09	.09	.09	.09	.09	.09
North Carolina	.209	.14	.155	.12	.12	.12	.12	.09	.09
South Carolina	.16	.15	.13	.13	.13	.13	.13	.10	.09
Tennessee	.21	.17	.17	.17	.12	.09	.09	.07	.07
Virginia	.175	.175	.175	.15	.11	.11	.11	.11	.09
West Virginia	.155	.105	.105	.105	.105	.105	.105	.105	.105
<b>Southwest</b>									
Arizona	.17	.16	.16	.16	.13	.13	.10	.08	.08
New Mexico	.162	.142	.14	.11	.11	.11	.10	.08	.07
Oklahoma	.17	.16	.16	.10	.10	.09	.0658	.0658	.0658
Texas	.15	.15	.15	.10	.10	.05	.05	.05	.05
<b>Rocky Mountain</b>									
Colorado	.20	.18	.18	.18	.12	.13	.09	.07	.07
Idaho	.18	.18	.145	.145	.145	.145	.125	.095	.095
Montana	.20	.20	.20	.15	.15	.15	.09	.09	.08
Utah	.19	.19	.19	.14	.14	.14	.11	.09	.09
Wyoming	.09	.08	.08	.08	.08	.08	.08	.08	.08
<b>Far West</b>									
California	.09	.09	.09	.09	.09	.09	.07	.07	.07
Nevada	.1625	.1625	.1425	.1125	.1125	.1025	.1025	.06	.06
Oregon	.16	.14	.12	.11	.10	.09	.08	.07	.07
Washington	.18	.18	.18	.18	.18	.18	.12	.12	.11
Alaska	.08	.08	.08	.08	.08	.08	.08	.08	.08
Hawaii <sup>i</sup>	.11	.11	.11	.11	.11	.085	.085	.085	.085

<sup>a</sup> Scheduled to increase to \$.22 on 7/1/90.

<sup>b</sup> Tax imposed at 11% of wholesale price.

<sup>c</sup> Scheduled to increase to \$.19 on 1/1/90.

<sup>d</sup> Scheduled to increase to \$.20 on 7/1/90.

<sup>e</sup> Scheduled to increase to \$.16 on 7/1/90.

<sup>f</sup> Local tax rates range from \$.01-.04.

<sup>g</sup> Local tax rates range from \$.01-.06.

<sup>h</sup> Additional tax levied at 3% of retail sales price less the \$.075 tax.

<sup>i</sup> Local tax rates range from \$.088-.165.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Guide*.

Table 30

## State Alcoholic Beverage Excise Tax Rates – License States, as of October 1989

State	Beer over 3.2%	Wine	Distilled Spirits <sup>1</sup>	Other Taxes <sup>2</sup>
Alaska	\$.35/gal	\$.85/gal	\$5.60/gal	*
Arizona	\$.16/gal	\$.84/gal 24% or less \$.25/8 oz over 24%	\$3.00/gal	*
Arkansas	\$.16/gal 3.2% or less \$.24/gal 3.2% or more	\$.75/gal	\$2.50/gal	Enforcement tax: \$.25/32 gal beer \$.05/case wines 4-6% sales tax Gross receipts tax (on-premise clubs) Additional 4% tax on alcoholic beverages, excluding beer and wine (on-premise clubs)
California	\$.04/gal	\$.01/gal 14% or less \$.02/gal over 14% \$.30/gal sparkling \$.02/gal hard cider	\$2.00/gal 50% or less \$4.00/gal over 50%	6% sales tax
Colorado	\$.08/gal	\$.27/gal	\$2.28/gal	3-7% sales tax
Connecticut	\$.20/gal	\$.60/gal 21% or less \$1.50/gal over 21% and sparkling	\$4.50/gal	8% sales tax
Delaware	\$.06/gal	\$.40/gal	\$1.50/gal 25% or less \$2.25/gal over 25%	
District of Columbia	\$.09/gal	\$.40/gal 14% or less \$.33/gal over 14% \$.45/gal sparkling	\$1.50/gal	6% sales tax on packaged liquor 9% sales tax for on-premise consumption
Florida	\$.48/gal	\$2.25/gal under 17.259% and coolers \$3.00/gal 17.259% and over \$4.50/gal natural sparkling	\$2.25/gal over 0.5% but less than 17.259% \$6.50/gal 17.259-55.78% \$9.53/gal over 55.78%	6% sales tax
Georgia	\$.045/12 oz container \$.05 local tax \$.32/gal	\$1.52/gal not over 14% \$2.54/gal over 14%	\$4.62/gal \$3.79/gal \$.83/gal (local)	City and county tax on malt beverages \$.05/12 oz bottles, cans, and containers \$6 per container
Hawaii	\$.50/gal draft \$.89/gal other than draft	\$.81/gal cooler \$1.30/gal still \$2.00/gal sparkling	\$5.75/gal	.5% wholesalers' tax 4% retailers' tax Rates may be adjusted according to total gallonage and unit price fluctuations
Illinois	\$.07/gal	\$.23/gal 14% or less \$.60/gal over 14%	\$2.00/gal \$.23/gal not over 14%	*
Indiana	\$.115/gal	\$.47/gal 21% or less \$2.68/gal over 21%	\$2.68/gal \$.47/gal not over 15%	Distributors allowed a 1.5% discount on excise taxes due if remittance is made on time and report is accurate 5% sales tax
Kansas	\$.18/gal	\$.30/gal 14% or less \$.75/gal over 14%	\$2.50/gal	Enforcement tax of 8% in lieu of sales tax 10% on-premise gross receipts tax



Table 30 (cont.)

## State Alcoholic Beverage Excise Tax Rates—License States, as of October 1989

State	Beer over 3.2%	Wine	Distilled Spirits <sup>1</sup>	Other Taxes <sup>2</sup>
Kentucky	\$.08/gal	\$.50/gal	\$1.92/gal	Additional 9% gross receipts on wholesalers \$.05/case on wholesalers Packaged liquor is exempt from sales tax 5-5.5% (on-premise only)
Louisiana	\$.32/gal	\$.11/gal 14% or less \$.23 14-24% \$1.59/gal over 24% and sparkling \$.32/gal coolers under 6%	\$2.50/gal	\$.05/gal of beer (local tax) 4-7% sales tax
Maryland	\$.09/gal	\$.40/gal	\$1.50/gal	5% sales tax
Massachusetts	\$.11/gal	\$.03/gal 3-6% cider \$.55/gal 3-6% still \$.70/gal sparkling	\$1.10/gal 15% or less \$4.05/gal over 15%	Additional gross receipts tax on sales of packaged and on-premise liquor of 0.57% 5% sales tax (on-premise only)*
Minnesota	\$.15/gal over 3.2% \$.07/gal under 3.2%	\$.30/gal under 14% \$.95/gal 14-21% \$1.82/gal 21-24% \$3.52/gal over 24% \$1.82/gal sparkling	\$5.03/gal	Additional 2.5% tax above regular 6% sales tax levied on sales of packaged and on-premise liquor \$.01/bottle tax on spirits and wines
Missouri	\$.06/gal	\$.36/gal	\$2.00/gal	4.425-5.225% sales tax
Nebraska	\$.23/gal	\$.75/gal 14% or less \$1.35/gal 14%	\$3.00/gal	4-5.5% sales tax
Nevada	\$.09/gal	\$.40/gal 14% or less \$.75/gal 14-22% \$2.05/gal over 22%	\$2.05/gal \$.40/gal not over 14%	3% excise tax refund for early payment of taxes 5.75% sales tax
New Jersey	\$.0333/gal	\$.30/gal	\$2.80/gal	7.3% wholesale tax in lieu of sales tax*
New Mexico	\$.18/gal	\$.95/gal	\$3.94/gal	4.75-6.125% sales tax
New York	\$.11/gal	\$.18/gal still \$.94/gal sparkling \$.56/gal artificially carbonated	\$2.08/gal 24% or less \$5.29/gal over 24%	*
North Dakota	\$.08/gal barrel and keg \$.16/gal bottled and canned	\$.50/gal less than 17% \$.60/gal 17-24% \$1 sparkling	\$2.50/gal distilled \$4.05/gal alcohol	Sales tax is levied at 5-6% 2% special alcohol sales tax
Oklahoma	\$.40/gal \$.36/gal under 3.2%	\$.72/gal 14% or less \$1.40/gal over 14% \$2.08/gal sparkling	\$5.56/gal	Additional gross receipt tax for mixed beverages of 12% On-premise enforcement tax of \$1 per bottle (or case for beer) *
Rhode Island	\$.10/gal \$.05/case wholesale tax	\$.30/gal native \$.60/gal still \$.75/gal sparkling	\$3.75/gal	6% sales tax

Table 30 (cont.)

## State Alcoholic Beverage Excise Tax Rates—License States, as of October 1989

State	Beer over 3.2%	Wine	Distilled Spirits <sup>1</sup>	Other Taxes <sup>2</sup>
South Carolina	\$.77/gal	\$.05/gal native 14% or less \$.45/gal native 14-21% \$.90/gal over 21% \$.18/gal excise tax \$.90/gal non-native	\$2.72/gal	5% sales tax Additional 9% liquor surtax; plus 3 separate taxes on spirits: Wholesale tax \$1.81/case Additional retail tax \$.56/case Retailers' tax \$2.99/case 2% discount for taxes paid is allowed for beer and wine *
South Dakota	\$.27/gal	\$.93/gal 14% or less \$1.45/gal over 14-20% \$2.07/gal over 20% and sparkling	\$3.93/gal	Additional wholesale tax of 2% of purchase price on alcoholic beverages except beer 4-7% sales tax *
Tennessee	\$.125/gal	\$1.10/gal	\$4.00/gal	Additional taxes include: Enforcement tax of \$.15/case 15% (on-premise) Beer wholesalers' tax of 17%, less 3% to cover collection costs
Texas	\$.19/gal	\$.204/gal 14% or less \$.408/gal over 14% \$.516/gal sparkling	\$2.40/gal	Additional gross receipts tax for mixed beverages of 0.12% 6% sales tax \$.05/serving on planes and trains
Wisconsin	\$.06/gal	\$.25/gal 14% or less \$.45/gal over 14-21%	\$3.25/gal	5-5.5% sales tax

Notes: In *control* states, in general, the state has a monopoly on the wholesale distribution of distilled liquors. In some control jurisdictions, the state also monopolizes retail sales. In other states, the retail sales are left to the private sector and/or a combination of private and public sellers. In *license* states, the wholesale and retail distribution and sale of distilled spirits are private sector activities.

Special tax rates for native alcoholic beverages are not always included. Does not include state and local license fees. Many states levy tax rates based on barrels or liters. These have been converted to rates per gallon.

\* Additional local taxes may apply.

<sup>1</sup> All taxes on spirits are levied for a "proof gallon," defined as a gallon of liquor containing 50% of ethyl alcohol. Taxes on liquor containing more or less than 50% alcohol are prorated accordingly.

<sup>2</sup> Sales of liquor, wine, and beer are generally subject to the sales tax. Only Vermont exempts all liquor. Special taxes in lieu of sales tax are used in Kansas and North Carolina. Virginia exempts liquor sales through state stores. New Jersey places a 7.3% rate on liquor at the wholesale level only. Kentucky exempts off-premise sales, but applies an extra wholesale tax.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, October 1989; and Distilled Spirits Council of the United States, Inc., *Tax Briefs*, 1989.

Table 31

State Alcoholic Beverage Excise Tax Rates and/or Markup, and Method of Control<sup>1</sup> – Control States, as of October 1989

State	Beer	Wine	Distilled Spirits	Other Taxes	Methods of Control
<b>Alabama</b>	\$1.05/gal (includes \$.52/gal local tax)	\$1.70/gal table 62% off-premise markup	56% tax 30% off-premise markup 21.75% on-premise markup 4% on-premise sales tax	6% sales tax *	Monopoly on spirits at wholesale State also owns some retail stores Beer and wine less than 14% are sold at wholesale by distributor
<b>Idaho</b>	\$.15/gal	\$.45/gal private outlet or 45% state store markup plus bottle charge	45% markup plus bottle charge	15% surcharge on goods sold at state stores 5% sales tax	State-owned retail stores sell spirits and wine 14% and over Licensed retailers may sell wine and beer under 14%
<b>Iowa</b>	\$.19/gal	\$1.75/gal	50% maximum markup	\$.05/bottle deposit	Licensed retailers may sell beer, wine, and liquor No state-owned stores as of June 1987 State warehouse sells at wholesale only
<b>Maine</b>	\$.35/gal	75% markup \$.60/gal still \$1.24/gal sparkling	75% markup plus \$1.25/proof gal 2% ad valorem excise 10% ad valorem excise	Taxes include alcoholic rehabilitation dedica- tion \$1.25/proof gal 5% sales tax	State-owned retail stores and privately owned agency stores sell all spirits and spiritous wine over 15.5%
<b>Michigan</b>	\$.20/gal	\$.51/gal 16% or less \$.76/gal over 16%	12% tax 51% markup	Added tax of 1.85% of retail price of liquor for off-premise 4% sales tax	State-owned stores serve as wholesale out- lets to licensed retailers Licensed retailers sell wine and beer, or beer, wine, and spirits Licensees may have combinations of different types of licenses
<b>Mississippi</b>	\$.43/gal	\$.35/gal still \$1.00/gal sparkling 27.5% markup	\$2.50 tax 27.5% markup	3% alcohol abuse tax 6% sales tax \$1.50/case freight	State monopoly of wholesale sales of alcoholic beverages over 4% by weight
<b>Montana</b>	\$.14/gal	\$1.06/gal (except fortified) 26% excise tax fortified 40-60% state store markup \$1.08/case freight	26% excise tax 40% markup \$1.08/case freight		State-operated retail stores and agencies sell spirits and wine Licensed retailers may sell table wine and beer
<b>New Hampshire</b>	\$.30/gal	\$.30/gal coolers 6% or less 55-63% markup	40-47% markup		State-owned retail stores sell alcoholic beverages Licensed retailers may sell wine under 14% and beer
<b>North Carolina</b>	\$.53/gal containers of 7.75 gal or less \$.48/gal containers of 7.75 gal or more	\$.80/gal 17% or less \$.91/gal over 17% Varied markup for local ABC stores	75.3684% markup \$.05/bottle local profit \$.85/case bailment	\$.56/case bailment surcharge \$.01-.05/bottle alcoholic rehabilitation tax \$15.00/gal mixed beverage tax	County and city-operated liquor stores in counties allowing sale Licensed retailers may sell wine and beer

Table 31 (cont.)

State Alcoholic Beverage Excise Tax Rates and/or Markup, and Method of Control<sup>1</sup> — Control States, as of October 1989

State	Beer	Wine	Distilled Spirits	Other Taxes	Methods of Control
<b>Ohio</b>	\$.16/gal \$.0015/oz—12 oz or less bottle or can \$.0075/6 oz—12 oz or more bottle and can	\$.26/gal 14% or less \$.62/gal 14-21% \$1.27/gal sparkling	\$2.25/gal 42.86% markup \$.49/case handling charge	5-7.5% sales tax	State-owned retail or agency stores sell alcoholic beverages over 21% Licensed retailers sell wine under 21% and beer
<b>Oregon</b>	\$.0838/gal	\$.67/gal 14% or less \$.77/gal 14-21% (includes \$.02 for wine advisory board) 99% markup	99% markup		Retail liquor stores operated by agents contracted with Oregon Liquor Control Commission. Stores sell distilled spirits.
<b>Pennsylvania<sup>2</sup></b>	\$.08/gal	25% markup	25% markup	6% sales tax Added tax of 18% of net price and a \$.46/unit handling charge for spirits and wine	State-owned retail stores sell spirits and wine Licensed retailers sell beer
<b>Utah<sup>2</sup></b>	\$.355/gal in private and state stores	\$.17/gal 1-14% \$.67/gal 14-21% \$2.25/gal 21.1-24% 67.5% markup 21% or less 80% markup 21% or more	103% markup	6.25% state and local sales tax 13% added school lunch tax on wine and spirits	State monopoly of sales of alcoholic beverages Licensed retailers may sell beer under 4%
<b>Vermont</b>	\$.265/gal	\$.55/gal for private outlet wine 16% or less 25% tax over 16% 40% average markup in state stores	25% retail tax 37% average markup	6% sales tax (on-premise only)	State-owned retail stores sell spirits, wine over 16%, and beer over 6% Licensed retailers may sell wine 16% or less and beer 6% or less
<b>Virginia</b>	\$.256/gal bulk \$.02/bottle not over 7 oz \$.0265/bottle 7-12 oz \$.0282/bottle 12-43 oz \$.02/container over 43 oz	\$1.51/gal private and state store 50% state store markup 4% excise tax	20% excise tax 41.5% markup	\$1/case handling for wine and spirits—state stores Local option tax in some localities (on-premise with meal) 4.5% state sales tax	State-owned retail stores sell spirits, vermouth, and Virginia-made wines Licensed retailers may sell wine and beer
<b>Washington<sup>2</sup></b>	\$.08/gal private outlet \$.06/gal additional tax 70% state store markup	\$.77/gal private and state stores 50% state store markup \$.88/gal additional tax	\$7.45/gal 17.1% liquor tax 39.2% state store markup 32.9% on-premise markup	6.5-8.1% state-local sales tax on all beer and wine sales and on-premise spirits 7% surtax	Private retailers may sell only wine and beer State may sell all beverages
<b>West Virginia</b>	\$.18/gal	\$1.00/gal private outlet or 75% markup plus bottle tax at state store \$.874/case state store 25% special order items	65% specialty items 81% distilled spirits \$.874/case freight plus bottle tax	11% sales tax on wine and spirits 6% sales tax on beer	State-owned retail stores sell spirits and wine Licensed retailers may sell wine 14% or less and beer

Table 31 (cont.)

**State Alcoholic Beverage Excise Tax Rates and/or Markup, and Method of Control<sup>1</sup> – Control States, as of October 1989**

Wyoming <sup>2</sup>	\$.19/gal	\$.28/gal private outlet 17.6% markup	\$.94/gal 17.6% markup	\$.17/case handling \$3/case freight for wine and spirits 3-5% sales tax	State monopoly at wholesale level
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Note: In *control* states, in general, the state has a monopoly on the wholesale distribution of distilled liquors. In some control jurisdictions, the state also monopolizes retail sales. In other states, the retail sales are left to the private sector and/or a combination of private and public sellers. In *license* states, the wholesale and retail distribution and sale of distilled spirits are private sector activities.

\*Local government taxes are additional.

<sup>1</sup> In 18 control states, retail or wholesale sales of spirits are made mainly by state-owned outlets. In 12 of these states, off-premise retail sales are made by state-owned stores or agencies. In three states, wholesale sales are a state monopoly, with retail sales conducted by private outlets. Revenues in control states are derived from markups that yield profits for state governments. In addition to state profits, excise, sales, and other taxes also contribute revenues.

<sup>2</sup> Pennsylvania, Utah, Washington, and Wyoming did not respond to the survey. Information based on data from Commerce Clearing House and the Distilled Spirits Council of the United States.

Source: ACIR staff compilation from surveys of state alcoholic beverage control boards, October 1989; Distilled Spirits Council of the United States, Inc., *Tax Briefs, 1989*; Commerce Clearing House, *State Tax Reporter*, October 1989.

Table 32

## Automobile Taxes and Fees, September 1989

State	Registration Fee	Other Fees	Certificate of Title	Operator's License	Property Tax	Sales Tax on Purchase		Inspection Fee	
						State	Local		
<b>Alabama</b>	Auto Motorcycle	\$23 \$15	\$1.25 issuance fee	\$15	\$15 (4 years) Original \$20	State and local	2.0%	—	Cities may have inspection stations
<b>Alaska*</b>	Auto Motorcycle	\$35 \$20	Local annual fees range from \$2 to \$60	\$5	\$10 (5 years)	Exempt	No tax	Range 1-6%	State troopers may inspect upon need
<b>Arizona*</b>	Auto Motorcycle	\$8 \$9	Annual license tax	\$4	\$7 (4 years)	Exempt	5%	Range 1-2%	\$7 annually
<b>Arkansas*</b>	Auto Motorcycle	\$17-\$30 \$3-\$7	Local vehicle tax	\$5.50	\$7 (2 years)	Local	4%	County 1%	Annual
<b>California*</b>	Auto and Motorcycle	\$23	Annual license fee 2%	No fee	\$10 (4 years)	License fee in lieu of property tax	5.0%	1.25-2.25%	No annual fee
<b>Colorado*</b>	Auto Motorcycle	\$9-\$16.10 \$5.50	Annual specific ownership tax	\$5.50	\$6.50 (4 years)	Specific ownership tax in lieu of personal property	3%	0.251-4%	Emission \$8.50 annually
<b>Connecticut*</b>	Auto (biennial) Motorcycle	\$62 \$30		\$11 (1988) 7/1/89 \$16 Transfer \$10	\$31 renewal (4 years) \$24.75-\$38	Local	7.5%	No tax	Annual emissions inspection
<b>Delaware*</b>	Auto Motorcycle	\$20 \$10	Motor vehicle document fee	\$4	\$12.50 (5 years)	Exempt	No tax		No annual fee
<b>District of Columbia*</b>	Auto Motorcycle	\$45-\$78 \$21	Title issuance excise tax	\$10	\$15 (4 years)	Exempt	Titling issuance excise tax is in lieu of sales tax		\$5 annually
<b>Florida</b>	Auto Motorcycle	\$18.60-\$36.60 \$12.75		\$7.25	\$19 original (4 years) \$15 renewal (4 years)	Exempt	6%	—	None
<b>Georgia*</b>	Auto Motorcycle	\$8 \$8		\$5 Transfer \$6	\$4.50 (4 years)	Local	3%	1%	Emission
<b>Hawaii</b>	Auto Motorcycle	\$10 \$10	Annual vehicle weight tax	\$3	County fees \$5.50-\$8.50	Exempt	4%	No tax	Annual
<b>Idaho</b>	Auto Motorcycle	\$16.08-\$36.48 \$6.48	Additional fees	\$3	\$13.50 (3 years)	State	5%	No tax	None
<b>Illinois</b>	Auto Motorcycle	\$48 \$30		\$3	\$10 (4 years)	Exempt	5%	0.25-2%	Chicago area—no fee

Table 32 (cont.)

## Automobile Taxes and Fees, September 1989

State	Registration Fee	Other Fees	Certificate of Title	Operator's License	Property Tax	Sales Tax on Purchase		Inspection Fee
						State	Local	
Indiana*	Auto \$12.75 Motorcycle \$12.75	Annual vehicle excise tax Annual county surtax	\$5	\$6 (4 years)	Excise tax is in lieu of property tax	5%	No tax	None
Iowa*	Auto (weight and age based) Motorcycle \$20		\$10	\$16 (4 years)	Motor vehicle fee is in lieu of property tax	4%	1%	None
Kansas	Auto \$13-\$26 Motorcycle \$10		\$9	\$8-12 (4 years)	Based on local ad valorem rates and collected by counties	4%	0.5% or 1%	None
Kentucky*	Auto \$12 Motorcycle \$5	\$2 clerks fee for registration	\$6	\$8 (4 years)	State and local	5%	—	—
Louisiana*	Auto \$3 Motorcycle \$3		\$18.50	\$15.50 (4 years) motorcycle \$18.50 (4 years)	Orleans Parish only	4%	Parish 1-5% City 0.5-2.5%	Annual
Maine*	Auto \$22 Motorcycle \$17	Annual excise tax	\$10	\$18 (4 years)	Excise tax is in lieu of property tax	5%	No tax	\$5 annually
Maryland*	Auto \$27-\$40.50 Motorcycle \$18.50	Excise tax	\$1	\$6 (4 years) Original \$20	Exempt	Excise tax is in lieu of sales tax		Emissions in metro areas
Massachusetts*	Auto \$12 Motorcycle \$15	Annual motor vehicle excise tax	\$15	\$25 (valid for 4 years)	Motor vehicle excise tax is in lieu of property tax	5%	No tax	Annual \$15 Safety test fee
Michigan*	Auto (price based) First registration fee \$30-\$48 Motorcycle \$23		\$10	\$12 (4 years) Original \$12	Exempt	4%	No tax	—
Minnesota	Auto: regular tax = \$10 + 1.25% of a base value equaling a percentage of manufacturer's suggested retail price Motorcycle \$10	Excise tax 6% (at time of purchase)	\$2 (1988)	\$15 (4 years)	Registered motor vehicles are exempt	Excise tax is in lieu of sales tax	—	Municipalities may inspect
Mississippi*	Auto \$10-\$20 Motorcycle \$7.75	Annual ad valorem tax	\$2.50	\$13 (4 years)		3%	No tax	Annually \$5
Missouri*	Auto (72 horsepower or more) \$51 Motorcycle \$8.50		\$7.50	\$7.50 (3 years)	Local	4.225%	Combined county and local 0.375-3%	\$4.50 annual safety \$4.50 annually emissions
Montana*	Auto (NADA trade-in price) 2% Motorcycle \$5		\$4	\$12 (4 years)		1.5%	—	None

Table 32 (cont.)

## Automobile Taxes and Fees, September 1989

State	Registration Fee	Other Fees	Certificate of Title	Operator's License	Property Tax	Sales Tax on Purchase		Inspection Fee
						State	Local	
<b>Nebraska*</b>	Auto \$17.50-\$30 Motorcycle \$5.50	Additional fees \$2.50 (each year)	\$6	\$10 (4 years)	Local	4%	City 0.5-1.5%	None
<b>Nevada*</b>	Auto \$17 Motorcycle \$17	Annual privilege tax Highway patrol fee \$5	\$10	\$10 \$5	Privilege tax is in lieu of property tax	2%	3.75-4%	Annual emissions inspection in Clarke and Washoe, fees vary
<b>New Hampshire*</b>	Auto (weight based) \$16.80-\$40.80 Motorcycle \$12	Annual municipal fee	\$10	\$20 (4 years)	Municipal fee is in lieu of property tax	No sales tax		Local
<b>New Jersey*</b>	Auto (weight and age based) \$25-\$52.50 Motorcycle \$12.50		\$5	\$17.50 (4 years)	Exempt	6%	No tax	\$2.50 annually, fee included in registration fee
<b>New Mexico</b>	Auto (weight and age based) \$20-\$52.50 Motorcycle \$11	Excise tax 2%	\$15	\$10	Exempt	Excise tax is in lieu of sales tax		None
<b>New York*</b>	Auto (weight based) \$.75/100 lbs- \$26.25 + \$1.125/100 lbs Motorcycle \$10		\$2.50	\$17.50 (4 years)	Exempt	4%	Cities and Counties 0-4.25%	Safety inspection fee \$8 annually Emissions inspection fee additional \$7 (only in 9 downstate counties)
<b>North Carolina*</b>	Auto \$20-\$23 Motorcycle \$9	3% highway use tax	\$5	\$15 (4 years)	Local	2%	—	Annual
<b>North Dakota*</b>	Auto (weight and age based) \$15 Motorcycle \$15	Additional fee \$3 (each year) Excise tax 5.5%	\$5	\$10 (4 years)	No tax	Excise tax is in lieu of sales tax		Random No fee
<b>Ohio*</b>	Auto \$20 Motorcycle \$14		\$3	\$9 (4 years) \$14 motorcycle	Exempt	5%	County 0.5% or 2.0%	Emissions \$5 annually (1987)
<b>Oklahoma*</b>	Auto \$17.75 Motorcycle \$17.75	Excise tax	\$10	\$14 (4 years) original \$18	Exempt	Excise tax is in lieu of sales tax		\$5 annually
<b>Oregon*</b>	Auto (biennial) \$20 Motorcycle (biennial) \$6		\$9	\$15 (4 years) original \$32	Exempt	No sales tax		
<b>Pennsylvania*</b>	Auto \$24 Motorcycle \$12		\$15	\$22 (4 years) \$30 motorcycle	Exempt	6%	No tax	\$14 annually
<b>Rhode Island*</b>	Auto (weight based) \$10-\$33 Motorcycle \$13	Annual excise tax	\$5	\$20 (5 years) \$8 original	Local	6%	No tax	\$4 annually



Table 32 (cont.)

## Automobile Taxes and Fees, September 1989

State	Registration Fee	Other Fees	Certificate of Title	Operator's License	Property Tax	Sales Tax on Purchase		Inspection Fee
						State	Local	
South Carolina	Auto \$12 Motorcycle \$5		\$5	\$10 (4 years)	Local	5%	No tax	Annual
South Dakota	Auto (weight based) \$20-\$100 Motorcycle \$7.50-\$10	Excise tax 3% \$25 fee for reassignment of serial number	\$3	\$6 (4 years)	Exempt	Excise tax is in lieu of sales tax		None
Tennessee*	Auto \$21.75 Motorcycle \$13	Wheel tax	\$3	\$14 (4 years)	Exempt	5.5%	County 1-2.75%	Certain cities
Texas*	Auto (weight and age based) \$31.05 Motorcycle	\$.30 reflectorized fee	\$10 Transfer \$10	\$16 (4 years)	Local	4.125%	—	\$7.75 annual (includes emission)
Utah*	Auto \$10 Motorcycle \$7.50		\$2 Transfer \$2	\$10 (4 years)	Local	5.0938-7.25%	—	\$10 annual (maximum)
Vermont	Auto and Motorcycle \$36		\$5 \$8.50 with lien holder	\$16 (4 years)	Exempt	4%	No tax	Annual
Virginia*	Auto \$23-\$30 Motorcycle \$23 (including surcharge)	Uninsured vehicles \$400 fee	\$10	\$12 (5 years)	Local	3%	No tax	Annual
Washington*	Auto original \$27.50 renewal \$23.75 Motorcycle \$23.60	Excise tax 2.454%	\$3	\$14 (4 years)	Excise tax is in lieu of property tax	6.5%	County 0.5-1.6%	Emissions in King County and Spokane
West Virginia	Auto (weight based) \$26-\$37 Motorcycle \$10.50	Titling tax 5%	\$5	\$10 (4 years)	Local	Titling tax is in lieu of sales tax		\$7 annually
Wisconsin*	Auto \$25 Motorcycle \$7		\$5	\$9 (4 years)	Exempt	5%	—	Spot checks
Wyoming*	Auto \$15 Motorcycle \$5	Annual county tax	\$5	\$10 (4 years) \$5 renewal		3%	County 2%	None

## Notes

— tax may apply.

Table 32 (cont.)

## Automobile Taxes and Fees, September 1989

**\*State Notes**

<b>General Information:</b>		The registration fees are based on a yearly registration unless otherwise stated. Certificate of title fee is for the original title; transfer refers to the transfer of the title.
<b>Alaska</b>	Other Fees Property Tax	Municipalities may impose sales or registration taxes. Incorporated cities and boroughs may impose vehicle registration taxes in lieu of use or property taxes on vehicles subject to state license fees.
<b>Arizona</b>	Other Fees Inspection Fee	License tax is 4% of the assessed value of car. During the first 12 months of the car life the assessed value is 60% of the manufacturer's base retail price; each year thereafter, the assessed value is 15% less than the preceding year. Applicable only to the Phoenix and Tucson (Maricopa and Pima Counties) metropolitan areas.
<b>Arkansas</b>	Property Tax Sales Tax	State has personal property tax, assessed by counties at varying rates. Counties may impose a 1% sales tax. City sales taxes range from 0.5% to 1%.
<b>California</b>	Other Fees Sales Tax Inspection Fee	There is a license fee of 2% of market value of vehicle which is in lieu of other ad valorem taxes, including the property tax. \$7 fee for transfer of title. The tax is levied when a vehicle is sold at retail by a dealer. Use tax (same rates) is assessed when a sale is between individuals, or when a vehicle is purchased and brought into the state within 90 days. The rates of county sales taxes are 0.25%, 0.75% or 1.25%. Information on individual county tax rates is not available. The city tax rate is 1%. There is no inspection fee; however, vehicle air pollution control equipment inspection and certification is required upon initial registration and when transferred. Vehicles garaged in metropolitan areas also require biennial certification.
<b>Colorado</b>	Other Fees	Annual specific ownership tax based on factory list price, or if not available, 75% of retail delivered price, exclusive of sales taxes; first year—2.1% to tenth year—\$10.
<b>Connecticut</b>	Property Tax Inspection Fee	Local property taxes levied at 70% of assessed valuation; valuation is based on the State Valuation Book. Mill rates vary among communities. Inspections are required on automobiles ten years or older which are changing ownership, or on out-of-state vehicles registered in Connecticut for the first time.
<b>Delaware</b>	Other Fees	Motor vehicle document fee is imposed on the sale, 2% of net cost of vehicle.
<b>District of Columbia</b>	Other Fees	Title issuance excise tax is based on the fair market value of vehicle; for automobiles less than 3,500 lbs the rate is 6%; for automobiles 3,500 lbs or more the rate is 7%.
<b>Georgia</b>	Property Taxes Sales Tax Inspection Fee	State millage 1/4 mill, county rates vary. 1% local option tax. Vehicles registered in Fulton, DeKalb, Cobb, and Gwinnett Counties require annual emission inspection.
<b>Indiana</b>	Other Fees	Vehicle excise tax \$12-\$1,063. County surtax 10% of state excise tax collected. Minimum \$7.50 surtax.
<b>Iowa</b>	Registration Fee	Motor vehicle fee 1% of value as fixed by the department plus \$.40 for each 100 lbs or fraction thereof of weight of vehicle as fixed by the department. Minimum fee \$5. After motor vehicle is more than five model years old, that part of the fee based on the value shall be 75% of the rate as fixed when new; after six model years 50%; after eight model years 10%.

Table 32 (cont.)

## Automobile Taxes and Fees, September 1989

<b>Kentucky</b>	Sales Tax Property Tax	There is a 5% use tax imposed on 90% of the manufacturer's suggested retail price, to be paid at the first registration. Personal property taxes levied at time of registration by state and local taxing districts at varying rates.
<b>Louisiana</b>	Sales Tax	Parish taxes range from 1% to 5%.
<b>Maine</b>	Other Fees Sales Tax	Annual excise tax is based on the manufacturer's list price, the rates are: first year—2.4% to sixth year—0.4%. Motor vehicles purchased by nonresidents to be taken out of the state immediately are exempt from sales tax.
<b>Maryland</b>	Other Fees	A 5% excise tax is collected when a vehicle is titled. An excise tax credit is applied if applicant has not been a Maryland resident for more than 30 days and has paid a sales or excise tax in another state.
<b>Massachusetts</b>	Other Fees	The motor vehicle excise tax is collected locally, based on \$25/\$1,000 of the car's value. The rate is imposed at 90% to 10% of the manufacturer's list price from the year of manufacture to the fifth and succeeding years.
<b>Michigan</b>	Registration Fee	The second and consecutive years' registration fees are 90% of the previous year's fee. The reduction in the fee ends after the fourth registration year.
<b>Mississippi</b>	Other Fees	County tax collectors collect the tax for the county, and the state and municipal tax collectors for municipalities and municipal separate school districts. Vehicles are assessed uniformly according to valuations fixed by the state tax commission.
<b>Missouri</b>	Property Tax Sales Tax Inspection Fee	State personal property tax, paid to local county or township. County and city combined rates range from 0.375% to 3%. Vehicles registered in St. Louis City and in the counties of St. Charles, St. Louis, and Jefferson are subject to an emissions inspection fee of \$4.50.
<b>Montana</b>	Property Tax Sales Tax	Rates vary in local taxing divisions. Sales tax on new passenger cars based on F.O.B. factory or F.O.B. port of entry list price and date of purchase.
<b>Nebraska</b>	Property Tax Sales Tax	Valuation is at state level, and assessment and taxation are at the local level. City sales taxes range from 0.5% to 1.5%.
<b>Nevada</b>	Other Fees Sales Tax	The privilege tax is figured by multiplying the manufacturer's suggested retail price (less additions) by 35%, multiplied by a depreciation figure, multiplied by a 4% tax rate. 1.5% school support tax and 2.25% city and county relief tax. 0.25% transportation tax applicable in Washoe, Storey, Nye, Churchill, White Pine, and Carson City.
<b>New Hampshire</b>	Other Fees Inspection Fee	Municipal fee is based on the manufacturer's list price, 15 mills to 6 mills. The fees are set by each inspection station. Emission testing in selected towns only.
<b>New Jersey</b>	Sales Tax	Motor vehicles sold to nonresidents are not subject to the sales tax; a 20-day permit is issued and owner must pay own-state taxes.
<b>New York</b>	Sales Tax	The following are exempt from the state sales tax: the sale of a motor vehicle to a spouse or child or to nonresidents but delivered in New York.
<b>North Carolina</b>	Other Sales Tax	3% highway use tax based on retail value of a motor vehicle for which a certificate of title is issued, effective October 1, 1989, until Secretary of Transportation rescinds it. Motor vehicles sold to nonresidents for immediate transportation to and use in another state in which such vehicles are required to be registered are exempt from sales tax. The state sales tax may not exceed \$300.

Table 32 (cont.)

**Automobile Taxes and Fees, September 1989**

<b>North Dakota</b>	Registration Fee	Age and weightbased: \$25-\$250. The \$15 motorcycle fee is the total of a \$10 registration fee and a \$5 safety course fee. \$2 abandoned vehicle fee on all automobiles and trucks payable on first registration.
<b>Ohio</b>	Sales Tax Other Fees	Motor vehicles sold to nonresidents are not subject to sales tax. Counties and cities may levy an additional tax of \$20.
<b>Oklahoma</b>	Registration Fee Other Fees	There is an additional fee of 1.25% of the factory delivered price for the first year, and then 90% of previous fee each year up to the 12th year; the 13-20th years' fees are equal to the 12th year's. An excise tax of 3.25% of the factory list price.
<b>Oregon</b>	Inspection Fee	The initial titling of vehicle previously titled in another state or vehicle that has been wrecked and rebuilt is subject to an inspection. In the Portland metropolitan area and Jackson County, the state imposes a \$7 biennial fee for mandated emission testing at reregistration. This fee pays for the testing program and does not go to local government.
<b>Pennsylvania</b>	Inspection Fee	The state does not set a fee; the average fee is \$14. Emission inspection required in the metropolitan areas of Philadelphia, Pittsburgh, and Allentown/Bethlehem/Easton.
<b>Rhode Island</b>	Other Fees	The excise tax is an annual tax based on the value of the vehicle, determined in accordance with the annual vehicle value list. The rate is the same as the property tax rate administered by cities and towns.
<b>Tennessee</b>	Other Fees	A wheel tax is imposed by some counties annually. The range is from \$5.50 to \$35.50.
<b>Texas</b>	Registration Fee Other Fee	The fees are based on age for vehicles 6,000 pounds or less: \$25-\$58.50 Some counties charge an additional \$5 road and bridge fee.
<b>Utah</b>	Inspection Fee Property Tax Sales Tax	Emission inspection for Salt Lake, Davis, and Utah Counties. Each county has a tax base or mill levy from which taxes are computed based on the market value. Motor vehicles sold to nonresidents to be used outside state are exempt.
<b>Virginia</b>	Property Tax	City and county personal property taxes range from 1% to 7.2%.
<b>Washington</b>	Sales Tax Inspection Fee	Motor vehicles sold to nonresidents to be used outside state are exempt. County sales taxes range from 0.05% to 1.6%. All counties impose a tax. Inspection is required at the time of original title application for vehicles previously titled or licensed in another state. Annual emission testing inspection is required in Seattle (King County) and Spokane areas.
<b>Wisconsin</b>	Sales Tax	Motor vehicles sold to nonresidents to be used outside state are exempt.
<b>Wyoming</b>	Other Fees Sales Tax	The county tax is 3% of 60% of factory price in the first year to 15% after five years. County sales taxes range from 1% to 2%.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, September 1989, and American Automobile Association, *1989 Digest of Motor Laws*.

Table 33

State Severance Tax Rates and Bases,<sup>1</sup> as of November 1989

State	Product	Rate
Alabama <sup>2</sup>	Iron ore	\$.03 per ton
	Pine lumber	\$.50 per 1,000 ft., \$.75 per 1,000 ft. if sold as logs
	Hardwoods, cypress	\$.30 per 1,000 ft., \$.50 per 1,000 ft., if sold as logs
	Pulpwood, chemical wood, bolts	\$.25 per cord (128 cubic feet)
	Pine ore mine props	\$.75 per 1,000 ft.
	Hardwood ore mine props	\$.50 per 1,000 ft.
	Pulpwood chips	\$.25 per cord (5,000 lbs.)
	Gum turpentine	\$.15 per barrel (400 lbs.)
	Tarwood	\$.125 per ton
	Cross ties	\$.015 each
	Switch ties	\$.025 each
	Other ties	\$.125 each
	Oil and gas	10% of gross value of point of production <sup>3</sup>
	Coal	\$.335 per ton
Lignite	\$.20 per ton	
Alaska	Salmon, canned at shore-based site	4.5% of value
	All other fish	3% of value
	Fish processed off shore	5% of value
	Oil	Greater of \$.64 per barrel for old crude oil (\$.80 for all other) or 15% of modified gross value <sup>4</sup>
	Gas	Greater of \$.60 per 1,000 cubic ft. (MCF) or 10% of modified gross value
Arizona	Minerals	2.5% of net severance base <sup>5</sup>
	Timber	1.5% of value
Arkansas	Bauxite, barite, titanium ore, zinc, etc.	\$.15 per ton
	Coal	\$.10 per ton
	Iron ore, lignite	\$.02 per ton
	Crushed stone, granite, sand, gravel, etc.	\$.04 per ton
	Gypsum <sup>6</sup>	\$.015 per ton
	Timber products	\$.178 per ton (pine); \$.125 per ton (all other wood)
	Saltwater (used for production of bromine)	\$.00245 per barrel
	Diamonds	5% of value
	Oil	5% of market value from wells producing 10 barrels per day or more; 4% if 10 barrels per day or less <sup>7</sup>
Gas	\$.003 per MCF <sup>7</sup>	
California	Oil and gas	\$.020708 per barrel of oil and \$.0020708 per MCF of gas
Colorado <sup>8</sup>	Metallic minerals	2.25% of gross income over \$11 million
	Molybdenum ore	\$.05 per ton
	Coal	\$.36 per ton <sup>9</sup>
	Oil shale	4% of market value <sup>10</sup>
	Oil and gas <sup>11</sup>	2.1% of market value, gross income less than \$25,000 3.1% of market value, gross income less than \$100,000 but more than \$25,000 4.1% of market value, gross income less than \$300,000 but more than \$100,000 5.1% of market value, gross income greater than \$300,000

Table 33 (cont.)

State Severance Tax Rates and Bases,<sup>1</sup> as of November 1989

State	Product	Rate
<b>Florida</b>	Oil	8% <sup>12</sup>
	Gas	\$.011 per MCF
	Sulfur	\$2.14 per ton
	Solid minerals <sup>13</sup>	5% of market value, except phosphate rock (\$1.32 per ton) and heavy minerals (\$1.37 per ton)
<b>Georgia</b>	Phosphates	\$1.00 per ton
<b>Idaho</b>	Ores	2% of net value <sup>14</sup>
	Oil and gas	2% of market value <sup>15</sup>
<b>Illinois</b>	Timber	4% of market value
<b>Indiana</b>	Oil and gas	1% of market value
<b>Kansas</b>	Oil and gas	8% of market value plus \$.0135 per barrel of oil and \$.004 per MCF of gas
	Coal	\$1.00 per ton <sup>16</sup>
	Oil, coal	4.5% of market value
<b>Kentucky</b>	Other than coal or oil	4.5% of gross value less transportation expenses
	Coal, other ores	\$ .10 per ton
<b>Louisiana</b>	Lignite	\$ .12 per ton
	Gravel	\$ .06 per ton
	Marble	\$ .20 per ton
	Salt	\$ .06 per ton <sup>17</sup>
	Sand, shells	\$ .06 per ton
	Stone	\$ .03 per ton
	Sulfur	\$ .92 per ton
	Timber grown on lands under reforestation contracts	6% of average stumpage market value
	Timber, other than virgin timber	5% of average stumpage market value (pulpwood); 2.25% (all other timber)
	Gas and natural gas liquids	\$.07 per MCF <sup>18</sup>
	Oil	12.5% of market value <sup>19</sup>
	<b>Maine</b>	Minerals
<b>Maryland</b>	Coal (open pit or strip mined)	\$.09 per ton to state and \$.06 per ton to county
<b>Michigan</b>	Gas	5% of market value
	Oil	6.6% of market value <sup>20</sup>
<b>Minnesota</b>	Iron ore (taconite concentrates <sup>21</sup> )	14% of market value (less credits)
	Taconite (iron sulphide and agglomerates)	\$1.90 per ton (\$.05 per ton for agglomerates)
	Semi-taconite and agglomerates	\$ .10 per ton (\$.05 per ton for agglomerates)
<b>Mississippi</b>	Oil and gas	6% of market value plus \$.02 per barrel of oil and \$.02 per MCF of gas
	Saw logs; pine and soft wood	\$1.00 per 1,000 ft.
	Saw logs; hardwood	\$.75 per 1,000 ft.
	Lumber, including cross ties	\$.75 per 1,000 ft.
	Poles, pilings, posts	\$.036 per cubic ft.
	Pulpwood, except pine	\$.225 per cord
	Pulpwood, pine	\$.30 per cord
	Stumpwood or other distillates	\$.25 per ton
	Crude gum turpentine	\$.30 per barrel
	All other	\$.75 per 1,000 feet or \$.375 per cord

Table 33 (cont.)

State Severance Tax Rates and Bases,<sup>1</sup> as of November 1989

State	Product	Rate
Missouri	Coal (surface mined)	\$ .45 per ton for the first 50,000 tons and \$.30 per ton for next 50,000 tons
Montana	Coal—under 7,000 BTU/lb.	17% of market value (surface mined); 3% of market value (underground mined) <sup>22</sup>
	Coal—over 7,000 BTU/lb.	25% of market value (surface mined); 4% of market value (underground mined) <sup>22</sup>
	Metalliferous minerals <sup>23</sup>	1.81% of market value over \$250,000
	Gold and silver	1.6% of market value over \$250,000
	Oil	5.2% of market value <sup>24</sup>
	Gas	2.85% of market value <sup>25</sup>
	Micaceous minerals Cement	\$.05 per ton <sup>22</sup> \$.22 per ton; \$.05 per ton for cement products, plaster, gypsum, or gypsum products <sup>22</sup>
Nebraska	Oil and gas	3.35% of market value (2.35% from wells producing less than 10 barrels per day)
	Uranium	2% of market value over \$5,000,000
Nevada	Minerals (excluding sand, gravel, and water)	Total property tax rate of place where mine is located <sup>26</sup>
New Mexico	Potash	3% of market value
	Copper	1.25% of market value
	Molybdenum	0.25% of market value
	All other minerals	0.875% of market value
	Uranium ore	4.53% of market value
	Coal	\$1.17 per ton (surface mined); \$1.13 per ton (underground mined)
	Timber	0.875% of market value
	Oil Gas	7.08% of market value Greater of \$.163 per MCF plus 3.333% of the market value or 7.08% of the market value <sup>27</sup>
North Carolina	Softwood saw timber, veneer logs, and bolts	\$.50 per 1,000 ft.
	Hardwood saw timber, veneer logs, and bolts	\$.40 per 1,000 ft.
	Softwood pulpwood, and other products	\$.20 per cord
	Hardwood pulpwood, and other products	\$.12 per cord
North Dakota	Oil and gas	11.5% of market value <sup>28</sup>
	Coal	\$.77 per ton
Ohio	Coal	\$.09 per ton
	Salt	\$.04 per ton
	Limestone, dolomite, sand, and gravel	\$.02 per ton
	Clay, sandstone, shale, gypsum, and quartzite	\$.01 per ton
	Oil	\$.10 per barrel
	Gas	\$.025 per MCF
Oklahoma	Asphalt, ores of lead, zinc, gold, silver, or copper	0.75% of market value
	Uranium	5% of market value
	Oil and gas	7.085% of market value <sup>29</sup>
Oregon	Oil and gas	6% of market value
	Forest products	\$.21 per 1,000 ft. (more than 250,000 feet) <sup>30</sup>
South Dakota	Energy minerals	4.74% of market value
	Gold and silver	2% of market value plus 8% of net profits from sale or royalties from sale of these metals
Tennessee	Oil and gas	3% of market value
	Coal	\$.20 per ton

Table 33 (cont.)

State Severance Tax Rates and Bases,<sup>1</sup> as of November 1989

State	Product	Rate
Texas	Cement	\$.55 per ton
	Sulfur	\$.92 per ton
	Gas	7.5% of market value
	Oil	The greater of 4.6% of market value plus \$.001875 per barrel or \$.047875 per barrel
Utah	Oil and gas	4.2% of market value
	Metalliferous minerals	2.4% of market value above \$50,000
Virginia	Coal	\$.025 per ton (surface mined); \$.015 per ton (deep mined)
	Pine lumber	\$1.15 per 1,000 ft. <sup>31</sup>
	Hardwood, cypress, and all other	\$.225 per 1,000 ft. <sup>31</sup>
	Pulpwood, chemical wood, etc.	\$.775 per cord (pine); \$.1128 per cord (all other)
	Chips manufactured from round wood	\$.00986 per 100 lbs. (pine); \$.00234 per 100 lb. (all other)
	Railroad ties	\$.038 each (pine); \$.01 each (all other)
	Lumber used in mines	\$1.045 per 1,000 ft. (pine); \$.2475 per 1,000 ft. (all other)
	Keg staves (pine)	\$.038 per 400 inch bundle
	Keg staves (all other)	\$.015 per 400 inch bundle
	Keg heads (pine)	\$.115 per 100 keg heads
	Keg heads (all other)	\$.045 per 100 keg heads
	Tight cooperage	\$.045 per stave; \$.09 per 100 keg heads
	Pilings and poles	2.31% of invoice value
Washington	Uranium and thorium	\$.05 per pound
	Chinook, coho, chum salmon and anadromous game fish	5% of market value
	Pink and sockeye salmon	3% of market value
	Oysters	0.07% of market value
	Other food fish and shell fish	2% of market value
West Virginia	Coal	5% of market value
	Limestone or sandstone	2.92% of market value
	Timber	3.22% of market value
	Sand, gravel, other minerals	5% of market value
	Oil	5% of market value
	Natural gas	5.5% of market value <sup>32</sup>
Wisconsin	Metalliferous minerals	3% of net proceeds greater than \$250,000 and less than \$5,000,000
		7% of net proceeds greater than \$5,000,000 and less than \$10,000,000
		10% of net proceeds greater than \$10,000,000 and less than \$15,000,000
		13% of net proceeds greater than \$15,000,000 and less than \$20,000,000
		14% of net proceeds greater than \$20,000,000 and less than \$25,000,000
		15% of net proceeds greater than \$25,000,000
Wyoming	Oil and gas	6.4% of market value
	Uranium	7% of market value
	Underground coal	3.75 of market value
	Surface coal	8.5% of market value



Table 33 (cont.)

State Severance Tax Rates and Bases,<sup>1</sup> as of November 1989

Notes

- <sup>1</sup> Does not include local tax rates.
- <sup>2</sup> A privilege tax equal to 50% of the severance tax is imposed on processors of forest products and manufacturers using forest products.
- <sup>3</sup> Includes 2% conservation and regulation tax; tax rate is reduced by 2 percentage points if drilling permit was issued after 7/1/88. Tax is 6% for wells producing less than 25 barrels of oil per day or less than 200,000 cubic feet of gas per day; and 8% for certain off-shore and on-shore wells; occluded gas from coal seams is taxed at 4% of value for the first 5 years.
- <sup>4</sup> Old crude oil is from wells in production prior to 6/30/81. Modified gross value is gross value multiplied by economic adjustments factor. Additional tax of \$.004 per barrel of oil and \$.00008 per MCF of gas is imposed.
- <sup>5</sup> Net revenue base is the greater of (1) the gross value of the product multiplied by the ratio of mining costs to production costs or (2) 50% of the difference between the gross value of production and out-of-state production costs.
- <sup>6</sup> If not used for, or sold for manufacturing in Arkansas into, ultimate consumer goods, chemical grade limestone, or silica sand.
- <sup>7</sup> Additional tax not to exceed \$.025 per barrel of oil and \$.005 per MCF of gas may be imposed.
- <sup>8</sup> A credit is allowed against severance taxes for which first severance was after 6/30/79, or for increased production after 6/30/80.
- <sup>9</sup> The first 25,000 tons per quarter (8,000 tons after 6/30/90) are exempt from tax. The tax rate will change by 1% for each 1.5% change in the U.S. Bureau of Labor Statistics Producer Price Index.
- <sup>10</sup> The tax rate is 1% for the first year; 2% for the second year; 3% for the third year; and the full rate for the fourth and subsequent years. The first 15,000 tons per day of oil shale and 10,000 barrels per day are exempt.
- <sup>11</sup> Includes conservation tax of 0.1% of market value. Production from wells producing less than 10 barrels per day on average, are exempt.
- <sup>12</sup> Tax rate is 5% for small wells and wells using tertiary methods of recovery. Tax on escaped oil is 20.5%.
- <sup>13</sup> Clay, gravel, phosphate rock, lime, shells, stone, sand, heavy minerals, and rare earths.
- <sup>14</sup> Net value is determined by (1) gross value less all mining and processing costs and federal depletion allowance or (2) gross value for federal royalty purposes less all costs of mining attributable to Idaho, less applicable portions of federal depletion allowance.
- <sup>15</sup> Additional taxes not to exceed \$.005 per barrel of oil and \$.0001 per MCF of gas may be imposed.
- <sup>16</sup> Additional tax of \$50 plus tax of not less than \$.03 per ton but not more than \$.10 per ton is imposed.
- <sup>17</sup> The rate is \$.005 per ton if used to manufacture other products.
- <sup>18</sup> At 15.025 lbs. per square inch of pressure at 60 degrees F; from oil wells at less than 50 lbs. per square inch pressure, \$.03 per MCF; from wells incapable of producing an average of 250 MCF per day, \$.013 per MCF.
- <sup>19</sup> Includes distillate, condensate, or similar resources. The tax rate is 6.25% of market value from wells incapable of producing a minimum of 25 barrels per day on average and containing at least 50% salt water; the rate is 3.125% from wells incapable of producing a minimum of 10 barrels per day on average.
- <sup>20</sup> Rate is 4% on stripper wells (producing less than 10 barrels per day on average) and from marginal properties (production varies with depth of well).
- <sup>21</sup> Includes taxes on royalty income. These taxes are scheduled to be repealed after 12/31/89.
- <sup>22</sup> Additional tax of \$25 plus 0.5% of gross value (4% for talc) over \$5,000 is imposed.
- <sup>23</sup> Metals, precious, and semi-precious stones.
- <sup>24</sup> Rate is 2.5% from wells using tertiary recovery methods; rate is 3% from stripper wells (first 5 barrels per day are exempt).
- <sup>25</sup> Rate is 1.79% from wells producing less than 60 MCF per day in previous calendar year; rate on first 30 MCF is 0.2%.
- <sup>26</sup> Additional tax of \$.05 per barrel of oil and \$.001 per MCF of gas is imposed.
- <sup>27</sup> Beginning 7/1/90 the tax is 7.08% of market value.
- <sup>28</sup> The rate is 9% of market value for wells completed after 4/27/87 or from wells using secondary and tertiary recovery methods.
- <sup>29</sup> Additional tax of 7 cents per MCF of natural gas or casinghead gas, less 7% of gross value of gas, is imposed. Maximum tax is 33% of market value.
- <sup>30</sup> Additional tax of 5% of market value of timber harvested from Eastern Oregon is imposed; surtax for Western Oregon is 6.5%.
- <sup>31</sup> Includes timber sold as logs and veneer logs.
- <sup>32</sup> Rate is 5% of market value on wells drilled and placed into service after 7/1/87.

Source: Commerce Clearing House, *State Tax Guide*.

Table 34

**Average Effective Property Tax Rates, Existing Single Family Homes with FHA-Insured Mortgages,  
by State and Region, Selected Years 1966-87<sup>a</sup>**

State and Region	1987 <sup>b</sup>	1987 Rank	1986	1985	1984	1983	1982	1981	1977	1971	1966
		[High = 1; Low = 50) <sup>c</sup>									
<b>U.S. Totals</b>	1.15%		1.16	1.21	1.23	1.31	1.26	1.26	1.67	1.98	1.70
<b>New England</b>											
Connecticut	1.46	12	1.46	1.64	1.68	1.60	n.a.	1.53	2.17	2.38	2.01
Maine	1.22	19	1.21	1.28	1.31	1.52	1.52	1.42	1.65	2.43	2.17
Massachusetts	0.84	35	1.08	1.33	1.57	1.85	n.a.	2.43	3.50	3.13	2.76
New Hampshire	1.55	9 <sup>c</sup>	1.55	1.87	2.02	2.23	2.39	n.a.	n.a.	3.14	2.38
Rhode Island	1.49	11 <sup>c</sup>	1.49	2.08	n.a.	2.01	n.a.	n.a.	n.a.	2.21	1.96
Vermont	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.53	2.27
<b>Mideast</b>											
Delaware	0.68	43	0.73	0.65	0.71	0.76	0.75	0.79	0.88	1.26	1.14
District of Columbia	1.17		1.17	1.19	1.14	1.17	1.15	1.22	n.a.	1.80	1.37
Maryland	1.22	18	1.30	1.30	1.26	1.38	1.37	1.25	1.69	2.24	2.05
New Jersey	2.38	1	2.33	2.47	2.62	2.54	2.55	2.53	3.31	3.01	2.57
New York	2.07	5	2.22	2.38	2.80	2.66	2.57	2.75	2.89	2.72	2.40
Pennsylvania	1.40	14	1.37	1.41	1.53	1.71	1.63	1.50	1.85	2.16	1.88
<b>Great Lakes</b>											
Illinois	1.55	10	1.59	1.57	1.63	1.72	1.59	1.47	1.90	2.15	1.96
Indiana	1.25	17	1.28	1.27	1.22	1.23	1.19	1.13	1.66	1.96	1.64
Michigan	2.10	4	2.26	2.27	2.78	2.68	2.68	2.74	2.63	2.02	1.81
Ohio	1.06	22	1.08	1.11	1.03	1.15	1.15	1.07	1.26	1.47	1.44
Wisconsin	2.03	6	2.27	1.99	2.00	1.90	2.01	1.75	2.22	3.01	2.31
<b>Plains</b>											
Iowa	1.96	8 <sup>c</sup>	1.96	1.96	1.63	1.67	1.64	1.75	1.76	2.63	2.12
Kansas	1.11	20	1.06	1.16	1.11	1.00	0.97	0.93	1.37	2.17	1.96
Minnesota	1.00	26	1.03	1.04	0.99	0.85	0.77	0.79	1.39	2.05	2.14
Missouri	0.83	36	0.89	0.98	1.02	1.09	1.17	0.95	1.59	1.79	1.64
Nebraska	2.01	7	2.21	2.29	2.11	2.12	2.23	2.31	2.48	3.15	2.67
North Dakota	1.38	15	1.37	1.26	1.25	1.26	1.10	1.01	1.26	2.08	1.81
South Dakota	2.17	3	2.31	1.96	1.63	1.75	1.77	1.69	1.79	2.71	2.64
<b>Southeast</b>											
Alabama	0.39	48	0.39	0.37	0.41	0.42	0.41	0.38	0.74	0.85	0.66
Arkansas	0.64	45	1.09	1.29	1.35	1.29	1.42	1.42	1.49	1.14	1.09
Florida	0.92	30	0.89	0.81	0.79	0.92	1.03	0.92	1.13	1.41	1.09
Georgia	1.03	24	0.90	1.00	1.08	1.16	1.21	1.21	1.27	1.44	1.30
Kentucky	0.87	33	1.10	n.a.	0.95	1.02	1.11	1.14	1.25	1.27	1.03
Louisiana	0.22	49	0.25	0.22	0.16	0.14	0.15	0.28	0.61	0.56	0.43
Mississippi	0.76	39	0.77	0.81	0.77	0.82	0.76	0.86	1.10	0.96	0.93
North Carolina	1.01	25 <sup>c</sup>	n.a.	n.a.	1.01	0.96	0.97	1.07	1.35	1.58	1.31
South Carolina	0.72	40	0.70	0.77	0.81	0.85	0.92	0.84	0.82	0.94	0.60
Tennessee	0.89	31	1.04	1.14	0.97	1.17	1.24	1.42	1.40	1.53	1.37
Virginia	0.98	27	1.42	1.07	1.00	1.28	1.44	1.39	1.21	1.32	1.13
West Virginia	0.69	41	0.88	n.a.	n.a.	0.68	n.a.	0.37	n.a.	0.69	0.71
<b>Southwest</b>											
Arizona	0.66	44	0.68	0.65	0.71	0.71	0.56	0.74	1.72	1.65	2.41
New Mexico	0.88	32	1.01	0.76	0.76	0.90	0.93	1.14	1.65	1.70	1.30
Oklahoma	0.76	38	0.90	0.95	0.95	0.89	0.74	0.82	0.95	1.35	1.11
Texas	1.41	13	1.44	1.36	1.32	1.36	1.40	1.68	1.84	1.91	1.62
<b>Rocky Mountain</b>											
Colorado	0.93	29	1.09	0.97	0.98	0.95	1.01	1.01	1.80	2.45	2.20
Idaho	0.87	34	0.91	0.81	1.01	1.02	1.04	0.94	1.46	1.72	1.23
Montana	1.34	16	1.32	1.28	1.14	1.17	1.14	1.08	1.31	2.19	1.70
Utah	0.97	28	0.93	0.96	0.87	0.97	0.92	1.03	1.03	1.49	1.52
Wyoming	0.57	46 <sup>c</sup>	0.57	n.a.	n.a.	0.45	0.48	0.47	0.87	1.38	1.34
<b>Far West</b>											
California	1.05	23	1.06	1.08	1.02	1.05	1.03	1.04	2.21	2.48	2.03
Nevada	0.69	42	0.61	0.60	0.63	0.68	0.77	1.13	1.71	1.48	1.47
Oregon	2.26	2 <sup>c</sup>	2.26	n.a.	2.22	2.27	2.06	1.56	2.25	2.33	1.98
Washington	1.10	21	1.10	1.14	1.01	1.03	1.01	0.95	1.75	1.62	1.14
Alaska	0.81	37	0.82	0.75	n.a.	n.a.	n.a.	n.a.	n.a.	1.61	1.42
Hawaii	0.51	47 <sup>c</sup>	0.51	0.51	0.51	0.60	n.a.	0.36	n.a.	0.92	0.81

Table 34 (cont.)

**Average Effective Property Tax Rates, Existing Single Family Homes with FHA-Insured Mortgages,  
by State and Region, Selected Years 1966-87<sup>a</sup>**

Note: These effective rates are for existing FHA-insured mortgages only, which represent varying percentages (by state) of total single-family homes. The United States average tax rate for 1987 (1.15%) indicates that, on average, the property tax on a home with a market value of \$100,000 would be \$1,150.

n.a.—not available.

<sup>a</sup> Effective tax rate is the percentage of the market value that tax liability represents.

<sup>b</sup> Data for 1988 average effective property tax were not available.

<sup>c</sup> In cases where 1987 data were not available for a particular state, rankings were based on data for the most recent year for which data were available.

Source: Computed by ACIR staff from data contained in U.S. Department of Housing and Urban Development, Housing-FHA, Management Information Systems Division, Single Family Insured Branch, *Data for States and Selected Areas on Characteristics of FHA Operations Under Section 203(b)*, various years.

Table 35  
General Property Tax Relief Strategies, by State, 1989<sup>a</sup>

Region and State	State-Financed Circuit Breakers				Homestead Exemptions			
	Eligible Taxpayers	Number of Beneficiaries	Income Ceiling	Average Benefit	Eligible Taxpayers	Number of Beneficiaries	Maximum Value of Exemption	Total Revenue Loss (000s)
<b>New England</b>								
Connecticut	EHR,DHR	47,483	\$16,900/\$20,800 <sup>b</sup>	\$393.49	D,DV	258,992	\$1,000 AV (D) \$1,500-\$30,000 AV (DV)	\$6,007
Maine <sup>c</sup>	AHR/EHR	48,431	7,400-28,000	190.23	B,DV	37,336	4,000-40,000 AV, 4,000 (B)	473 (V), 40 (B)
Massachusetts					AH,B,DV,EH,V	n.a.	20% Avg. AV (AH)	n.a.
New Hampshire					B,DV,EH	n.a.	5,000 AV (EH)	n.a.
Rhode Island	DHR,EHR	3,015	12,500	179.83				
Vermont	AHR	32,077	None	401.86	V	3,640	10,000AV	1,000
<b>Mideast</b>								
Delaware		Local program			LIE	n.a.	Varies by county	n.a.
District of Columbia	AHR,DHR,EHR	30,383	20,000	308.00	AH	91,500	22,000 AV	21,758
Maryland	AH,ER	95,296	(Net worth 200,000)	477.04	B,DV	n.a.	6,000 AV (B), total (DV)	n.a.
New Jersey					AH,D,DV,EH	1,592,875	50% of tax (AH)	303,758
New York	AHR	499,577	18,000	92.00	DV,EH,V	See state notes, Table 37		
Pennsylvania	D,EHR	490,000 <sup>d</sup>	15,000	327.18 <sup>e</sup>	B,D,DV	n.a.	Total	n.a.
<b>Great Lakes</b>								
Illinois	D,EHR	347,000	14,000	254.00	AH,DV,EH	2,900,000	3,500 AV(AH)	398,000
Indiana					AH,B,D,LIE,V	n.a.	4% of tax (AH) credit, not exemption	26,000
Michigan	AHR	1,373,100	82,650	422.71	DV	n.a.	Total	n.a.
Ohio	D,EH	290,617	16,500	168.77				
Wisconsin	AHR	248,414	18,000	400.34	AH	See state notes, Table 37		
<b>Plains</b>								
Iowa	DHR,EHR	45,370	12,000	206.08	AH,DV	686,299	4,850 AH, total (DV)	95,191
Kansas	D,EHR	46,625	15,000	158.12				
Minnesota	AHR	417,000	35,000	278.00	AH	1,108,683	54% of gross tax up to \$725	660,000
Missouri	EHR	59,000	13,500/15,500 <sup>b</sup>	234.88				
Nebraska <sup>f</sup>					D,DV,EH	54,831	35,000	33,495
North Dakota	DHR,EHR	9,427	12,000 <sup>g</sup>	244.56	B,D,DV	n.a.	5,000-10,000AV	n.a.
South Dakota	DHR,EHR	4,232	5,750/7,750 <sup>b</sup>	110.84				

Table 35 (cont.)

General Property Tax Relief Strategies, by State, 1989<sup>a</sup>

Region and State	State-Financed Circuit Breakers				Homestead Exemptions			Total Revenue Loss (000s)
	Eligible Taxpayers	Number of Beneficiaries	Income Ceiling	Average Benefit	Eligible Taxpayers	Number of Beneficiaries	Maximum Value of Exemption	
<b>Southeast</b>								
Alabama					AH,B,D,EH	n.a.	4,000 AV (AH)	n.a.
Arkansas	EH	34,617	12,000	121.88	EH,V,W	See state notes, Table 37		
Florida					AH	2,862,990	25,000 AV	1,300,000
Georgia					AH,LIE,V	n.a.	2,000 AV	n.a.
Kentucky					D,EH	n.a.	18,400 AV	8,434
Louisiana					AH	998,578	7,500 AV	401,270
Mississippi					AH,D,EH	534,164	6,000 AV	98,200
North Carolina					D,DV,EH	159,937	12,000 AV (D,EH), 34,000 AV (DV)	15,464
South Carolina					B,D,DV,EH	251,286	20,000 AV (B,D,EH), total (DV)	26,108
Tennessee	D,DV,EH	80,398	9,200	87.45				
Virginia					D,EH	n.a.	Local option	n.a.
West Virginia	EHR	26	5,000	14.12	D,EH	n.a.	20,000 AV	n.a.
<b>Southwest</b>								
Arizona	AR,EH	280,946	3,750/5,500 <sup>b,h</sup>	160.80	D,V,W	See state notes, Table 37		
New Mexico	EHR	27,310	16,000	134.21	AH,V	275,555	200 AV (AH), 2,000 AV (V)	8,400
Oklahoma	D,EH	4,792	10,000	110.22	AH,V	761,976	1,000 AV	53,780
Texas					AH,D,EH	n.a.	20% AV	780,000
<b>Rocky Mountain</b>								
Colorado	DHR,EHR	42,000	7,500/11,200 <sup>b</sup>	381.00	LID,LIE	n.a.	Total	n.a.
Idaho	D,EH	19,727	14,410	211.11	AH	n.a.	50% AV or \$50,000	n.a.
Montana	EHR	14,398	None	220.06	DV,LI	9,016	80,000 (LI), total (DV)	1,200
Utah	EHR	8,437	15,000	106.85	B	1,203	11,500 AV	217
Wyoming	DHR,EHR	9,722	10,000/14,000 <sup>b</sup>	541.33	AH	n.a.	13,900 AV	n.a.
<b>Far West</b>								
California	B,EHR,DHR	223,000	13,200	98.00	AH,DV	4,576,635 (AH)	7,000 (AH), 100,000 AV (DV)	3,898,000
Nevada	EHR	10,727	15,100	134.00	B,DV,O,V,W	n.a.	1,000 AV (W,O,V), 3,000 AV (B), 10,000 AV (DV)	n.a.
Oregon	AHR	283,415	17,500	210.00	DV	n.a.	7,500 AV or 10,000 AV	n.a.
Washington		See state notes, Table 36			D,EH	90,773	28,000 AV (plus)	35,600
Alaska		Local program			DV,EHR,W	8,659	150,000 AV (AH)	7,460
Hawaii	AR	79,257	30,000	54.58	AH,B,D,DV,EH	n.a.	20,000-50,000 AV, total (DV)	n.a.

Table 35 (cont.)

**General Property Tax Relief Strategies, by State, 1989<sup>a</sup>****Notes**

- <sup>a</sup> For single persons.  
<sup>b</sup> Amounts are for single/married, except South Dakota, which are single/multimember households.  
<sup>c</sup> A nonelderly credit was added in 1988. The number of elderly beneficiaries is 24,968; all others, 23,463.  
<sup>d</sup> Represents households, not individuals.  
<sup>e</sup> Includes property tax/rent rebate and inflation dividend per household.  
<sup>f</sup> One-time relief bill for 1989.  
<sup>g</sup> \$13,000 for 1990 and thereafter.  
<sup>h</sup> Income ceiling applies only to elderly homeowners.

**Key:**

AHR—all homeowners and renters	EH—elderly homeowners	O—orphans
AH—all homeowners	EHR—elderly homeowners and renters	V—veteran homesteaders
AR—all renters	ER—elderly renters	W—widows or widowers
B—blind	LI—low-income	
D—disabled homeowners	LID—low-income disabled	AV—assessed value
DV—disabled veterans	LIE—low-income elderly	
DHR—disabled homeowners and renters	LIED—low-income elderly disabled	n.a.—not available

Source: ACIR staff compilations based on survey responses from state departments of revenue and on Tables 36 and 37.



Table 36

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
Alaska*	See notes					
Arizona* 1988	1973 Revised: 1977, 1981, 1984	Homeowners 65 and over (27,454)  Renters (253,492)	\$3,750/single \$5,500/married (excludes Social Security income)  None	Maximum tax credit is \$502 (indexed annually) for single taxpayers earning less than \$1,750 and married taxpayers earning less than \$2,500. Minimum tax credit is \$56 with an income ceiling of \$3,750 for single and \$5,500 for married taxpayers. Social Security payments are exempted from income limits.  Tax credit allowed on 5% of rent. Maximum credit \$70.	State income tax credit or rebate	Homeowners \$229.05 (\$1.77) [\$6,288]  Renters \$92.55 (\$6.61) [\$23,461]
Arkansas 1988	1973 Revised: 1975, 1983, 1987	Homeowners 65 and over, widows 62 and over (34,617)	\$12,000 (WWI veterans and widows exclude all Social Security and retirement income)	Relief based on amount that property taxes exceed various percentages of household income, based on income size. Maximum relief ranges from \$250 if income is \$7,000 or less to \$50 if income is between \$11,000 and \$12,000.	State rebate	\$121.88 (\$1.76) [\$4,200]
California 1989	1967 Revised: 1971, 1973, 1977, 1978, 1979, 1984, 1989	Homeowners and renters 62 and over, totally disabled, or blind Homeowners (46,000) Renters (177,000)	\$13,200 total household income; \$24,000 gross household income	Homeowner relief ranges from 96% of tax payment on first \$34,000 of full value if net household income is not over \$3,300 to 4% of tax payment if net household income is not over \$13,200. Renter relief is based on household income and a statutory property tax equivalent of \$250. Relief also ranges from 95% of the property tax equivalent to 4% of property tax equivalent for same income brackets as homeowners.	State rebate	Homeowners \$89 (\$ .15) [\$4,094] Renters \$106 (\$ .68) [\$18,762]
Colorado FY 1988-89	1971 Revised: 1972, 1973, 1974, 1975, 1977, 1978, 1980	Homeowners and renters 65 and over, disabled or surviving spouse 58 and over (42,000)	\$7,500/single \$11,200/married	Relief cannot exceed \$500 and is equal to \$500 reduced by 20% of income over \$5,000 for individuals and 20% of income over \$8,700 for married couples. Heating assistance relief cannot exceed \$160 and is based on the same income and percentage levels stated above. (20% of rent equals tax equivalent)	State rebate	\$381 (\$4.86) [\$16,006]
Connecticut* FY 1988	1974 Revised: 1980, 1981, 1984, 1985	Homeowners and renters 65 and over, surviving spouse 50 and over, and totally disabled Homeowners (24,102) Renters (23,381)	\$16,900/single \$20,800/married	Homeowners: Provides for a property tax reduction based on a graduated percentage of the real property tax, with a maximum benefit of \$1,250 for a married couple, \$1,000 for an unmarried individual. Renters: Expenses exceeding 5% of income. Maximum benefit ranges up to \$900 for a married couple and \$700 for an unmarried individual. (35% of rent and utilities equals tax equivalent)	Reduction in tax bill or state rebate	Homeowners \$397.18 (\$2.98) [\$9,572] Renters \$389.73 (\$2.83) [\$9,112]



Table 36 (cont.)

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
Delaware*	See notes					
District of Columbia 1987	1974 Revised: 1977	Nonelderly homeowners and renters (16,585)	\$20,000	Relief takes the form of a variable credit ranging from 95% of tax in excess of 1.5% of income for incomes less than \$3,000 to 75% of tax in excess of 4% of income for incomes between \$15,000 and \$20,000. Maximum credit \$750. (15% of rent equals tax equivalent)	Income tax credit	\$256 (\$6.84) [\$4239]
		Elderly, blind, or disabled homeowners and renters (13,798)	\$20,000	Credit is based on amount of property tax paid in excess of various percentages of household gross income. Credit ranges from taxes paid in excess of 1% of gross household income if income is under \$5,000 to taxes paid in excess of 2.5% of income for incomes between \$15,000 and \$20,000. Maximum credit is \$750. (15% of rent equals tax equivalent)	Income tax credit	\$360 (\$8.00) [\$4,961]
Hawaii* 1986	1977 Revised: 1981, 1984, 1989	All renters (79,257)	\$30,000	Taxpayers with AGI under \$30,000 who have paid more than \$1,000 in rent qualify for a tax credit or refund of \$50 per qualified exemption. Taxpayers 65 and over may claim double tax credits.	Income tax credit	\$54.58 (\$4.06) [\$4,326]
Idaho 1988	1974 Revised: 1976, 1978, 1980, 1982	Homeowners age 65 and over, widows, former POWs, blind, disabled, fatherless children under 18 (19,727)	\$14,410 (exclude capital gains income)	Relief ranges from lesser of \$400 or actual taxes for those with incomes \$5,350 or less, to the lesser of \$50 or taxes for those with incomes less than \$14,410. Brackets adjusted annually with COLA based on Social Security increase.	Reduction of tax bill	\$211.11 (\$4.16) [\$4,164]
Illinois FY 1988	1972 Revised: 1974, 1975, 1977, 1981, 1982, 1984	Homeowners and renters 65 and over or disabled (347,000)	\$14,000	Relief based on amount by which property tax (or rent equivalent) exceeds 3.5% of household income. Relief limit is \$700 less 4.5% of household income. An additional grant is provided regardless of the amount of property tax or rent payments. The additional grant is \$80. (30% of rent equals tax equivalent)	State rebate	\$254.00 (\$7.64) [\$88,138]
Iowa 1988	1973 Revised: 1975, 1977-81, 1983, 1988	Homeowners and renters 65 and over, surviving spouse 56 or older, and totally disabled (45,370)	\$12,000	Relief ranges from 100% of property tax or rent equivalent for incomes below \$5,000 to 25% for incomes \$10,000 to \$12,000. Property taxes or rent equivalent are limited to \$1,000 for calculating relief. In addition, all homeowners receive a state-financed homestead tax exemption of \$4,850. However, homestead assistance must be deducted from elderly credit program. (25% of rent equals tax equivalent)	State-funded credit against taxes at the local level; renters receive reimbursement from state	\$206.08 (\$3.33) [\$9,350]

Table 36 (cont.)

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
Kansas* 1988	1970 Revised: 1972, 1973, 1975, 1978, 1983, 1989	Homeowners and renters 55 and over, disabled, blind having a dependent or child under 18 (46,625)	Effective ceiling is \$15,000. No refunds of less than \$5.	Relief is dependent on income level with various percentages of income plus a statutory dollar amount subtracted from property tax to determine refund. Deductions range from 0% for incomes below \$3,000 to 4.5% plus \$130 for incomes above \$7,000. Property taxes are limited to \$500 for calculating relief. (15% of rent equals tax equivalent)	State rebate	\$158.12 (\$3.07) [\$7,372]
Maine FY 1988	1971 Revised: 1973, 1974, 1977, 1981, 1985, 1988	Homeowners and renters 62 and over, disabled surviving spouse 55 and over (24,968) Other homeowners and renters (23,463)	\$7,400/single \$9,200/married (gift, inheritance, and life insurance, exempt)  \$28,000 other	Elderly: Relief equal to amount of tax up to \$400. (25% of rent equals tax equivalent)  General: Relief equal to amount of tax up to \$250. (15% of rent equals tax equivalent)	State rebate	Elderly \$263.60 (\$5.54) [\$6,582]  General \$116.85 (\$2.31) [\$2,742]
Maryland* FY 1989	1975 Revised: 1977, 1981, 1983, 1985, 1986, 1989	All homeowners (84,503) Renters age 60 and over or disabled (10,793)	None (net worth \$200,000)	Homeowners relief, not to exceed \$1,500, equals property tax exceeding sum of graduated percentage of income ranging from 0% of first \$4,000 of household income to 9% of income over \$16,000. Renters' relief, not to exceed \$500, equals amount by which 15% of individual rent exceeds the same graduated percentage of income as homeowners relief.	Homeowners: Credit against property tax bill Renters: direct payment	Homeowners \$507.20 (\$9.52) [\$42,492]  Renters \$236.64 (\$.56) [\$2,573]
Michigan 1987	1973 Revised: 1975, 1982	All homeowners and renters (1,373,100)	\$82,650	Credit equals 60% of property taxes in excess of 3.5% of income (100% of a lower percentage of income for elderly). Maximum relief is \$1,200. The credit is reduced 10% for each \$1,000 of household income above \$73,650. (17% of rent equals tax equivalent)	State income tax credit or rebate	\$422.71 (\$63.09) [\$580,420]
Minnesota FY 1989	1967 Revised Periodically: 1973-89	All homeowners and renters (417,000)	\$35,000	Tax exceeding various percentages of income is refunded up to a \$1,100 maximum. Seniors and filers with dependents are allowed a deduction from income in computing the refund. The refund is reduced by the amount of homestead credit. For 1989, 75% of the tax increase over 10% up to a maximum of \$250 for homeowners regardless of income.	State refund	\$278 (\$27.33) [\$116,000]

Table 36 (cont.)

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
Missouri 1989	1973 Revised: 1975, 1977, 1979, 1983, 1985, 1988	Homeowners and renters 65 and over (59,000)	\$13,500/single \$15,500/married	For incomes not over \$5,000 the credit is equal to actual property tax or rent equivalent paid up to \$750. The \$5,000 minimum base will be increased by the same percentage increase in the general price level as measured by the CPI.	State income tax credit or rebate	\$234.88 n.a. n.a.
Montana 1989	1981 Revised: 1983, 1987, 1989	Homeowners and renters 62 and over (14,398)	None	Credit is based on a percentage ranging from 0.006-0.05 multiplied by household income and then subtracted from property tax liability or rent equivalent. Household income means \$0 or amount obtained by subtracting the greater of \$4,000 or 50% of total retirement benefits from gross household income. Maximum credit is \$400. (15% of rent equals tax equivalent)	Income tax credit	\$220.06 (\$3.92) [\$3,168]
Nevada* 1989	1973 Revised: 1975, 1977, 1979, 1981, 1983, 1985, 1987, 1989	Homeowners and renters 62 and over (10,727)	\$15,100* (excludes income of certain gifts of \$300 or less and up to \$5,000 of life insurance)	Relief ranges from 90% of property tax for incomes less than \$5,400 to 10% for incomes between \$13,001 and \$15,100. Maximum relief is \$500. (6% of rent equals tax equivalent)	State rebate	\$134 (\$1.35) [\$1,357]
New Mexico 1988	1977 Revised: 1981	Homeowners and renters 65 and over (27,310)	\$16,000	The amount of credit allowed is based on a schedule for various modified gross income classes. The credit is the difference between actual property tax liability and this maximum amount, not to exceed \$250. The maximum liability ranges from \$20 for MGI of \$1,000 or less to \$180 for MGI of \$15,000 to \$16,000.	State income tax rebate	\$134.21 (\$2.44) [\$3,665]
New York* 1987	1978 Revised: 1981, 1982, 1985	All homeowners and renters (499,577)	\$18,000	Relief is equal to 50% of the difference between real property tax and a certain percentage of income. The percentage of income ranges from 3.5% for taxpayers 65 and over with \$3,000 or less to 6.5% for taxpayers (all ages) with income over \$14,000 but not over \$18,000. The maximum credit ranges from \$375 for taxpayers 65 and over with income of \$1,000 or less to \$41 for taxpayers under 65 with income over \$17,000 but not over \$18,000. (25% of rent equals tax equivalent)	State income tax credit or rebate	\$92 (\$2.52) [\$45,000]

Table 36 (cont.)

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
North Dakota* FY 1989	1969 Revised: 1973, 1975, 1977, 1979, 1981, 1983, 1985	Homeowners age 65 and over or disabled (7,546)	\$12,000	For persons with income under \$6,000, the taxable value of the homestead is reduced 100% (maximum reduction, \$2,000). For persons with incomes between \$6,000 and \$12,000 the reduction in taxable value varies. Relief ranges from an 80% reduction for income between \$6,000 and \$7,500, with a maximum reduction of \$1,600 to a 20% reduction for incomes between \$10,500 and \$12,000, with a maximum reduction of \$400.	Reduction of tax bill	Homeowners \$283.88 (\$3.30) [\$2,151]
		Renters 65 and over or disabled (1,881)	\$12,000	Property tax in excess of 4% of income is refunded. Maximum relief is \$210. (20% of rent equals tax equivalent)	State rebate	Renters \$86.85 (\$.24) [\$157]
Ohio* 1987	1971 Revised: 1972, 1973, 1975, 1977, 1979, 1988	Homeowners 65 and over or disabled (290,617)	\$16,500 (excludes income from military disability and some Social Security)	Benefits range from reduction of 75% or \$5,000 assessed value (whichever is less) for incomes below \$6,500 to 25% or \$1,000 for incomes between \$11,500 and \$16,500.	Reduction of tax bill	\$168.77 (\$4.57) [\$49,048]
Oklahoma* 1989	1974 Revised: 1979, 1980, 1984, 1988	Homeowners 65 and over or disabled (4,792)	\$10,000	Relief equal to property taxes due in excess of 1% of household income, not to exceed \$200. In addition, homeowners with household incomes of \$10,000 or less receive a double homestead exemption (\$2,000).	State income tax credit or rebate	\$110.22 (\$.16) [\$528]
Oregon* 1987	1971 Revised: 1973, 1977, 1979, 1985, 1986	All homeowners and renters; HARRP (283,415)	\$17,500 (allows adjustments listed on lines 25-29 on Form 1040 and excludes home medical care benefits)	Homeowners and Renters Relief Program (HARRP) Refund of all property taxes up to various maximums that depend on income. For homeowners, these maximums range from \$750 if household income is under \$500 to \$18 if household income is \$17,000 to \$17,499. For renters, maximums range from \$375 if household income is under \$500 to \$18 if household income is \$17,000 to \$17,499. (17% of rent equals tax equivalent)	State rebate	\$210.00 (\$.22) [\$59,536]
Pennsylvania 1987	1971 Revised: 1973, 1979, 1981, 1985	Homeowners and renters 65 and over or disabled 18 and over, widows and widowers 50 and over (490,000) households	\$15,000 (excludes income from some gifts and life insurance death benefits under \$5,000)	Relief ranges from 100% of tax for incomes less than \$5,500 (maximum relief, \$500) to 10% of tax for incomes greater than \$13,000. (20% of rent equals tax equivalent)	State rebate	Homeowners \$258.12/ household n.a. (based on household) [\$126,479]

Table 36 (cont.)

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
Pennsylvania (cont.)				Eligible recipients also receive an inflation dividend ranging from \$125 for claimants with household income less than \$5,000 to \$20 for claimants with household income between \$13,000 and \$15,000.		Renters \$69.15 n.a. (based on household) [\$33,840]
Rhode Island 1988	1977	Homeowners and renters, 65 and over, or disabled (3,015)	\$12,500	The credit equals the amount by which property taxes paid exceed various percentages of household income. A table is provided based on income and household size. The credit ranges from taxes paid in excess of 3% of household income for taxpayers with income of less than \$4,000 to taxes paid in excess of 6% of household income for two or more person households with income between \$11,001 and \$12,500. The maximum credit or rebate is \$200. (20% of rent equals tax equivalent.)	State income tax credit or direct rebate	\$179.83 (\$.55) [\$542]
South Dakota* FY 1989	1976 Revised: 1978, 1982, 1988	Homeowners and renters 65 and over, disabled homeowners and renters (4,232) (400 received property tax refund; 3,832 received a sales tax refund)	\$5,750 (single-member household) \$7,750 (multimember household)	Refund is based on a percentage of real estate tax according to income. For single-member households the percentage refunded ranges from 35% of tax if household income is less than \$2,750 to 11% if income is between \$2,750 and \$5,750. For multimember households, refunds range from 55% of tax if income is less than \$5,500 to 19% if income is between \$5,500 and \$7,750.	State rebate	\$110.84 (\$.66) [\$469]
Tennessee* FY 1989	1973 Revised: 1974, 1976, 1978-81, 1983, 1984, 1985, 1988	Elderly and disabled homeowners, certain disabled veteran homeowners and their surviving spouses (80,398)	Elderly and disabled \$9,200; disabled veterans and their surviving spouses n.a.	Eligible elderly and disabled homeowners are reimbursed for taxes paid on the first \$15,000 of full market value. Eligible disabled veterans and their surviving spouses are reimbursed for taxes paid on the first \$120,000 of full market value.	State rebate	\$87.45 (\$2.00) [\$9,700]
Utah* 1989	1977, 1987, 1988, 1989	Homeowners and renters 65 and over, widowed persons (8,437)	\$15,000	Homeowner rebates range from \$400 for incomes under \$5,099 to \$50 for incomes between \$13,500 to \$15,000. Renters receive between 2.5%-9.5% of rent as credit for the previous year within the same income limits. Not to exceed \$400.	State rebate	\$106.85 (\$.54) [\$901]

Table 36 (cont.)

## Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989

State <sup>1</sup>	Date of Adoption	Description of Beneficiaries (Number of Beneficiaries)	Income Ceiling	Description of Program	Form of Relief	Average Benefit (per capita cost) [total cost in 000s]
Vermont 1987	1969 Revised: 1971, 1973, 1983, 1985	All homeowners and renters (full-year residents) (32,077)	None	Refund of taxes exceeding variable percentage of income ranging from 3.5% for incomes less than \$4,000 to 5% for incomes of \$12,000 or more. (24% of rent equals tax equivalent)	State rebate (or income tax credit for elderly)	\$401.86 (\$23.82) [\$12,890]
Washington*	See notes					
West Virginia 1987	1972	Homeowners and renters age 65 and over (26)	\$5,000	Relief ranges from 30-75% of taxes exceeding a given percentage of income. These percentages range from 0.5% to 4.5%, with graduated income brackets ranging from \$0-\$499 to \$4,950-\$5,000, including any public assistance or private disability benefits. (12% of rent equals tax equivalent; not more than \$125 considered for relief)	State rebate	\$14.12 n.a. [\$0.296]
Wisconsin* FY 1989	1964 Revised: 1971, 1973, 1977, 1979, 1981, 1983, 1984, 1986, 1989	All homeowners and renters (248,414)	\$18,000	If household income was more than \$8,000, excess taxes are taxes above 13.5% of income exceeding \$8,000. Tax credit equals 80% of excess tax. If household income was \$8,000 or less, credit equals 80% of total tax. In all cases, aidable property taxes cannot exceed \$1,350. (In computing household income, a claimant may deduct \$250 for each dependent who lives with the claimant.) (25% of rent equals tax equivalent; 20% if landlord pays heat bill)	State income tax credit or rebate	\$400.34 (\$20.56) [\$99,449]
Wyoming FY 1989	1975 Revised: 1977-82, 1984	All taxpayers over 65 and totally disabled (9,722)	\$10,000/single \$14,000/married	Rebate for sales and property taxes. Rebate based on income level with \$630 maximum for singles and \$723 maximum for married.	State rebate	\$541.33 (\$11.03) [\$5,263]

Note: Circuit breaker property tax relief programs for homeowners and renters are generally defined as state-funded programs that target property tax relief to selected income groups or senior citizens and take the form of a state income tax credit, a direct payment to qualified individuals, or a state payment to the local government that lost tax revenue. Homestead exemptions may be state or locally financed and operate by subtracting a given dollar amount from assessed valuation before computing the tax liability and are often available to all homeowners (or just senior citizen homeowners) regardless of income.

n.a.—not available.

<sup>1</sup> For each state, the number of beneficiaries and cost data are for the time period indicated.

## \*State Notes

<b>Alaska</b>	There is a local circuit breaker program.	<b>Connecticut</b>	Numerical data (e.g., number of beneficiaries) refers to FY 1988; however, the description of the program and income ceilings refer to current law. Municipalities may grant totally disabled elderly ad-
<b>Arizona</b>	The renters' credit is being phased out and is scheduled to terminate in 1991. The maximum credit in 1988 was \$85.		

Table 36 (cont.)

**Key Features of Circuit Breaker Property Tax Relief Programs, by State, 1989**

<b>Connecticut (cont.)</b>	ditional tax relief if total (state and municipal) tax relief does not exceed 100% of the tax otherwise due.	<b>North Dakota</b>	State has separate program that lowers the taxable value for low-income elderly homeowners by as much as \$2,000. In determining a person's income for eligibility, the amount of medical expenses incurred and not compensated shall be deducted.
<b>Delaware</b>	There is a local circuit breaker program.	<b>Ohio</b>	Numerical data (e.g., number of beneficiaries) refers to 1986; however, the description of the program and income ceilings refer to current law.
<b>Hawaii</b>	The low-income renters' credit does not apply to renters in public subsidized housing. The description of the program and income ceiling refer to current law.	<b>Oklahoma</b>	The new income ceiling of \$10,000 becomes effective 1/1/89.
<b>Indiana</b>	In 1980, the circuit breaker was revised to the Unified Tax Credit for the elderly, which enables all senior citizens, regardless of whether they are homeowners, to qualify for the credit if their income is below \$10,000. The state also offers a renters program for all renters, which provides for a maximum \$1,500 deduction on state income taxes.	<b>Oregon</b>	Low-income senior citizens (age 58 and over with income under \$5,000) are provided optional rental and utility assistance.
<b>Kansas</b>	An alternative refund is available for property tax years 1989 and 1990 (only) for taxpayers who have experienced an increase in property taxes between 1988 and 1989 because of statewide mass reappraisal. The criteria for this refund are household income not over \$35,000 for appropriate calendar year, and property taxes in 1989 exceed those in 1988 by at least 50%. For 1989, the refund amount is the lesser of 50% of the difference in the taxes or \$500. For 1990, the amount of refund is the lesser of 25% of the difference in the taxes or \$250.	<b>South Dakota</b>	The number of beneficiaries, average benefits, and cost data are for property or sales tax refunds to the elderly or disabled. Age and income requirements are the same for both programs. Applicants may receive either a property or a sales tax refund. The Department of Revenue processes the claims for both programs and refunds whichever is to the applicant's advantage.
<b>Maryland</b>	In 1990, homeowners' relief not to exceed \$2,000 and renters' relief not to exceed \$600.	<b>Tennessee</b>	Certain individuals receive relief from two sources, producing 110,507 claims.
<b>Nevada</b>	Claimants may not own Nevada realty, other than their own home, assessed at over \$30,000. Claimants must be residents of the state when application is filed. Homeowners must own their home and maintain it as their primary residence for at least six months preceding the filing of their claim. Renters must rent and maintain their primary residence in Nevada for at least six months of the preceding calendar year.	<b>Utah</b>	Starting 1/1/90, the household income and credit shall be adjusted for COLA. Cost and benefit figures are for 1988. Other county-financed programs exist for veterans, blind, and indigent persons.
<b>New York</b>	The low-income renters' credit does not apply to renters in public subsidized housing.	<b>Washington</b>	Uses a cross between a circuit breaker and a homestead exemption, which allows senior citizens and disabled homeowners with incomes less than \$12,000 to receive a valuation exemption of \$28,000 or 50%, whichever is more. Taxpayers with incomes between \$12,000 and \$14,000 receive an exemption of \$24,000, or 30% of total value of residence up to a maximum of \$40,000 exempted. All special excess property tax levies also are exempted for households with less than \$18,000 income. This program is financed locally.
		<b>Wisconsin</b>	Numerical data (e.g., number of beneficiaries, average benefit) refer to FY 1989. However, the description of the program and income ceilings refer to claims for 1989 and after, that are filed in 1990 and thereafter.

Source: ACIR staff compilation based on survey responses from state departments of revenue (Fall 1989), and Commerce Clearing House, *State Tax Guide*.

Table 37

## Property Tax Homestead Exemptions and Credits, by State, 1989

State <sup>1</sup>	Eligible Homesteaders and (Number Receiving Exemption)	Maximum Value of Exemption and (Average Benefit)	Total Revenue Loss from Program (000s)	State Reimbursement of Local Government and (Cost) (000s)
Alabama* 1989	All Elderly, blind, and disabled with AGI under \$12,000 (n.a.)	\$4,000 AV on state taxes, \$2,000 AV on county taxes Total exemption from state taxes, \$5,000 AV on local taxes	n.a.	None
Alaska 1987	Homeowners 65 and over, widows or widowers 60 and over or disabled veterans (7,857) Renters with identical characteristics as homeowners (802)	\$150,000 AV (950) See note (623)	\$7,460 n.a.	(\$2,520) (\$499) Reimbursement directly to applicant
Arizona* 1989	Veterans, widows, widowers, disabled			
Arkansas* 1989	Veterans, elderly, widows			
California* PTY 1989-90	All (4,567,500) Disabled veterans and dependents (9,135)	\$7,000 of full cash value if owner-occupied principal residence \$100,000 AV	\$3,898,000 \$5,000	Full (\$3,898,000) None
Colorado* 1989	Low-income elderly and disabled	Total exemption	n.a.	n.a.
Connecticut* 1989	Disabled Disabled veterans and dependents (258,992)	Required minimum levels by state law \$1,000 AV \$1,500—\$30,000 depending on disability	\$500 \$18,022	\$500 Partial (\$6,007)
Delaware 1989	Elderly owner-occupants with income less than \$3,000 (n.a.)	Kent County—\$18,000 AV New Castle County—\$32,000 AV Sussex County—\$12,000 AV	n.a.	n.a.
District of Columbia 1989	All owner-occupants with not more than 5 dwelling units (91,500)	\$22,000 AV (268.40)	\$21,758	n.a.
Florida* 1987	All (2,862,990)	\$25,000 AV Up to value of \$500. Total exemption for some disabled	\$1,300,000	None
Georgia 1989	All Elderly with income less than \$10,000 Disabled veterans and dependents (n.a.)	\$2,000 AV \$4,000 AV, \$10,000 AV on local education assessment \$32,000 AV	n.a.	None



Table 37 (cont.)

## Property Tax Homestead Exemptions and Credits, by State, 1989

State <sup>1</sup>	Eligible Homesteaders and (Number Receiving Exemption)	Maximum Value of Exemption and (Average Benefit)	Total Revenue Loss from Program (000s)	State Reimbursement of Local Government and (Cost) (000s)
Hawaii 1989	All Elderly Blind, disabled, and Hansen's disease sufferers Disabled veterans and dependents (n.a.)	\$20,000 AV on owner-occupied principal home Aged 60-70: \$40,000 AV, Aged 70+ \$50,000 AV \$25,000 Total exemption if owner-occupied	n.a.	None (local option)
Idaho* 1989	All owner-occupied structures (n.a.)	\$50,000 AV or 50% AV, whichever is less	None	None
Illinois* FY 1988	All owner-occupied residences Elderly owner-occupants Disabled veterans with specially adapted housing Total (2,900,000)	\$3,500 AV \$2,000 AV \$47,500 AV \$30,000 AV Homestead improvement—up to \$30,000 increase in AV caused by new improvement for 4-year period	\$398,000	None
Indiana 1989	All (principal residence and 1 acre surrounding) Mortgage or contract buyers Elderly with AGI less than \$10,000 and real property AV less than \$11,000 Blind or disabled with taxable gross income less than \$8,500 Veterans WWI veterans with income less than \$14,000 and real property AV \$3,000	Credit of 4% of property tax liability ((\$26 million) Lesser of (1) balance of mortgage or contract indebtedness, (2) 1/2 total AV, or (3) \$1,000 \$1,000 AV \$2,000 AV \$1,000-4,000 AV	\$26,000	None
Iowa FY 1989	All Disabled veterans with income less than \$10,000 (686,299)	\$4,850 of actual value; minimum credit of \$62.50 Full exemption Average benefit \$139	\$95,200	Full (95,200)
Kentucky* 1988	Elderly and disabled (n.a.)	\$18,400 AV	\$8,434	Full (8,434)
Louisiana* 1987	All homesteads not exceeding 160 acres (998,578)	\$7,500 AV	\$401,270	Parish-to-parish formula based 80% on population, 20% on number of homesteads. (90 million)
Maine 1988	Estates of veterans age 62 or 100% disabled and their dependents (36,536) Blind (800)	WWI veterans \$6,000 AV, paraplegics \$40,000 AV, other veterans \$4,000 AV Blind \$4,000 AV	\$473 \$40	50% of property tax revenue loss (236,455) None

Table 37 (cont.)

## Property Tax Homestead Exemptions and Credits, by State, 1989

State <sup>1</sup>	Eligible Homesteaders and (Number Receiving Exemption)	Maximum Value of Exemption and (Average Benefit)	Total Revenue Loss from Program (000s)	State Reimbursement of Local Government and (Cost) (000s)
Maryland 1989	Blind 100% permanently disabled veterans (n.a.)	\$6,000 AV Total exemption	n.a.	Partial
Massachusetts* 1989	All  Elderly (over age 70) owner-occupants with home value less than \$20,000 (\$40,000 for local exemptions by cities and towns) and surviving spouses and minors (15,465)  Certain veterans, disabled veterans, and dependents (50,510)  Blind (4,089)  Surviving spouses and minors of a police officer or fire fighter killed in the line of duty (208)  Additional for certain elderly (29,811)  Paraplegics (666)  Hardship (1,868)	With city or town approval, 20% of average AV deducted on principal residence \$2,000 in value or \$175 in taxes, whichever is greater  \$2,000-10,000 or \$175-875 in taxes, whichever is greater (depending on disability), paraplegic veterans or surviving spouses receive a total exemption \$5,000 in value or \$437.50 (\$500 if locally approved) in taxes, whichever is greater Total exemption  Maximum \$500 Full Based on assessors judgment	n.a.	Partial:  The state reimbursement for elderly exemptions (\$500) is \$15 million  The state reimbursement for veterans, paraplegics, the blind, surviving spouses, and the elderly (\$175) is \$5.2 million
Michigan 1989	Disabled veterans with specially adapted housing	Total exemption	n.a.	None
Minnesota* 1989	All (1,108,683)	Homestead credit of 54% of gross tax up to \$725 (\$760 in 1989) for first \$68,000 of market value (\$559.90)	\$660,000	Full ((\$660,000))
Mississippi 1987	All (534,164) Disabled and elderly homeowners	\$6,000 AV—Exemption based on sliding scale amount equal to approximately 40 mills times total AV not to exceed \$240 \$6,000 AV	\$98,200	Partial ((\$64,000))
Missouri*	See notes			
Montana* 1986	Low-income persons with AGI of not more than \$10,898 single or \$13,077 joint, and residences of totally disabled or deceased veterans with AGI not more than \$15,000 single or \$18,000 joint (9,016)	\$80,000 AV for low-income individuals Total exemption for certain disabled veterans	\$1,200	None

Table 37 (cont.)

## Property Tax Homestead Exemptions and Credits, by State, 1989

State <sup>1</sup>	Eligible Homesteaders and (Number Receiving Exemption)	Maximum Value of Exemption and (Average Benefit)	Total Revenue Loss from Program (000s)	State Reimbursement of Local Government and (Cost) (000s)
<b>Nebraska*</b> 1987	Elderly homeowners Disabled Veteran disabled by a nonservice connected accident or illness Value of home substantially contributed to by the Department of Veterans Affairs All categories (54,831)	100% of actual value up to \$35,000 depending on income Same as above Same as above 100% of actual value All categories ((\$611)	\$33,495	Full ((\$33,495)
<b>Nevada</b> 1989	Widows, orphans, veterans Blind Disabled veterans	\$1,000 AV \$3,000 AV \$10,000 AV	n.a.	n.a.
<b>New Hampshire*</b> 1989	Elderly (68 or over) with net assets less than \$35,000 and net income less than \$5,000 (\$6,000 if married)* Blind Disabled veterans and dependents	\$5,000 AV \$15,000 in value \$100-1,400 in taxes; total exemption for specially adapted homesteads	n.a.	n.a.
<b>New Jersey*</b> 1987	All Elderly, disabled, and surviving spouse All above categories (1,542,875) 100% permanently disabled veteran	Rebate up to 50% of net property tax otherwise due* Additional \$50 rebate  Total exemption	\$303,758	Full ((\$303,758)  None
<b>New Mexico*</b> 1986	All heads of household (209,580) Veterans and unmarried surviving spouse (65,975)	\$800 AV ((\$6.71) \$2,000 AV ((\$67.17)	\$5,200 est. \$3,200	None
<b>New York*</b>	Elderly, veterans, disabled veterans			
<b>North Carolina*</b> FY 1988-89	Elderly and/or disabled owner-occupants with disposable income not exceeding \$11,000 (159,937) Disabled veterans and dependents	\$12,000 AV \$97 average benefit for homestead exemption does not include \$34,000 exclusion  \$34,000 AV	\$15,464	50% of revenue loss ((\$7,732)
<b>North Dakota*</b> 1989	Blind, disabled, disabled veterans	\$5,000-10,000 taxable value	n.a.	None
<b>Oklahoma*</b> 1989	All (729,486) Heads of household with gross income \$10,000 or less (32,490)	\$1,000 AV ((\$71.02) Additional \$1,000 AV ((\$60.93)	\$51,800  \$1,980	None ((\$647,543) Full ((\$1,980)
<b>Oregon</b> 1987	Disabled veterans or widows of veterans Service-connected disabled veterans or widows	\$7,500 AV \$10,000 AV	n.a.	None

Table 37 (cont.)

## Property Tax Homestead Exemptions and Credits, by State, 1989

State <sup>1</sup>	Eligible Homesteaders and (Number Receiving Exemption)	Maximum Value of Exemption and (Average Benefit)	Total Revenue Loss from Program (000s)	State Reimbursement of Local Government and (Cost) (000s)
Pennsylvania* 1989	Paraplegic, blind, amputee, or disabled veterans	Total exemption	n.a.	None
Rhode Island*	See notes			
South Carolina 1989	Elderly, blind, and disabled Paraplegics and disabled veterans (251,286)	\$20,000 fair market value Total exemption of dwelling house and lot (not to exceed 1 acre) (\$103.90)	\$26,108	Full (\$26,108)
Texas* 1989	All, elderly, and disabled	School districts have a mandatory \$5,000 homestead exemption. Local option 20% of appraised value (minimum \$5,000) may be offered by any taxing unit. School districts have an additional mandatory \$10,000 exemption to those 65 and over or disabled. Local option at least \$3,000 to 65 and over or disabled may be offered by any local taxing unit.	School districts lost \$780,000	None
Utah 1987	Blind or their unremarried surviving spouse or minor orphans (1,203)	\$11,500 AV real and personal property	\$217	None
Vermont 1989	Veterans of American Wars and their widows Veterans with at least 50% disability and their dependents Veterans receiving war-time dependent and indemnity compensation, wartime death compensation or a pension for disability (3,640)	\$10,000 exemption value of owner-occupied real and personal property	\$1,000	None
Virginia* 1989	Elderly or disabled owner-occupants with total combined income not exceeding \$22,000 and combined net worth (excluding the value of the dwelling and 1 acre of land) not exceeding \$75,000 (n.a.)	Counties, cities, and towns are authorized to provide deferrals or exemptions of realty taxes	n.a.	None (local option)
Washington 1987	Elderly (62 and over) and disabled with income restrictions (90,773)	Special levies: 100% exemption for households with income of \$18,000 or less Regular levies: income up to \$12,000—1st \$28,000 AV or 50% of total AV is exempt, whichever is more Income \$12,001-14,000—1st \$24,000 AV or 30% of total AV up to maximum of \$40,000 is exempt (\$392)	\$35,600	None
West Virginia 1989	Elderly and disabled owner-occupants	First \$20,000 AV	n.a.	None

Table 37 (cont.)  
**Property Tax Homestead Exemptions and Credits, by State, 1989**

State <sup>1</sup>	Eligible Homesteaders and (Number Receiving Exemption)	Maximum Value of Exemption and (Average Benefit)	Total Revenue Loss from Program (000s)	State Reimbursement of Local Government and (Cost) (000s)
Wisconsin* 1989	All			
Wyoming* 1989	All homesteads with AV less than \$5,850 but more than \$3,900 AV under \$13,900	Credit up to \$590  Credit up to \$1,400	\$ 0 in FY 1988 because of funding statute	None

<sup>1</sup> The number of beneficiaries and cost data are for the time period indicated.

AV—assessed value

AGI—adjusted gross income

Disabled—permanently and totally disabled unless otherwise noted

Elderly—65 and over unless otherwise noted

n.a.—not available

This table records the exemptions from property tax provided to homesteaders, homeowners, and owners of residential property. Although variations exist, homestead exemptions generally reduce by a certain amount (sometimes all) the assessed valuation of a homestead to which the property tax is applied. The exemption may be restricted, e.g., to certain classes of beneficiaries, owner-occupants, or those with income below specified limits. Tax deferral programs and exemptions for new construction or rehabilitation have not been included in the table.

**\*State Notes**

**Alabama** Exemptions allowed only on homesteads 160 acres or less. If AGI less than \$7,500, total exemption from all ad valorem tax.

**Arizona** Exemptions up to \$2,340 on all property of veterans depend on total assessment; exemptions up to \$2,340 for widows, widowers, and disabled are allowed if household income is less than \$8,400 (\$12,000 with dependents).

**Arkansas** Residents 65 or older, their widows 60 or older, or disabled veterans who rent their homes are eligible for tax equivalent payments calculated by applying property tax equivalent percentage for each home rule or general law municipality levying a general property tax at the rate of 1% per mill to the annual rent charged.

**California** 1989 estimated figures.

**Colorado** Low-income is less than 150% of the limit prescribed for similar households who occupy low-rent public housing operated by a local housing authority. Elderly is 62 and over.

**Connecticut** Municipalities may also allow veterans an additional exemption if income meets prescribed limits.

**Florida** Additional exemption, which applies to residential property such as a \$500 exemption for widows, widowers, and the blind, and a total exemption for certain totally and permanently disabled homeowners.

**Idaho** All owner-occupied principal residents qualify.

**Kentucky** Amount is adjusted every two years for inflation. State law allows local taxing units to raise property tax rates to make up for lost revenue.

**Louisiana** Homestead exemption does not apply to municipal taxes, except in Orleans Parish, and to municipal taxes levied for school purposes.

**Massachusetts** The value of each exemption (except hardship) is set by state statute. With the exception of "hardship" cases (aged, infirm, and poverty stricken), persons are generally not eligible for multiple exemptions.

**Minnesota** Agricultural and non-agricultural homesteads and homesteads of the blind, disabled, or paraplegic vets also receive preferential classification ratios. Additional agricultural credit for farm homesteads reduced the gross tax of farm homestead property by 36% of first 320 acres excluding house, garage, and one acre; and 26% of gross tax on any acres over 320 acres. For five-year resident veterans with a Congressional Medal of Honor, the first \$2,000 of their property tax is paid by the Commissioner of Revenue. The maximum amount of market value subject to the homestead credit is \$68,000 for residential homestead property. Farm homestead property is not subject to market value maximum.

Table 37 (cont.)

## Property Tax Homestead Exemptions and Credits, by State, 1989

	Income Single	Income Married	Percentage Multiplier	
<b>Missouri</b>	Citizen circuit breaker is available to residents 65 and older within a specified income range.			
<b>Montana</b>	In Montana:			<b>New Mexico</b>
				icemen receive \$50 deduction on real or personal property. Both of these programs are funded by the state at a total cost of \$67,068,591. Maximum value of exemption in 1990 will be \$400, in 1991 and thereafter, \$2,000.
Low-income individuals receive a percentage reduction for real property taxes as follows:	\$0-1,090	\$0-1,308	0%	<b>New York</b>
The first \$80,000 or less of the market value of real property is taxed at 3.86% multiplied by a percentage figure based on income as follows: (income boundaries in the table at right are adjusted annually for inflation)	\$1,091-2,180	\$1,309-2,616	10%	Municipalities may grant exemptions to elderly with income less than \$12,025 up to 50% of AV on residential realty. Local government may increase the maximum annual income eligibility ceiling by up to an additional \$3,000; however, each progressive \$500 of income must be matched by a decrease in the percentage of assessed property value exempted. Veterans may exempt the lesser of 15% of AV or \$12,000, if they served during wartime. In addition, those serving in combat zones may exempt the lesser of 25% or \$8,000, and disabled veterans may exempt the lesser of 50% or \$40,000. The nondisabled exemption applies for only 10 years.
	\$2,181-3,269	\$2,617-3,923	20%	<b>North Carolina</b>
	\$3,270-4,359	\$3,924-5,231	30%	\$34,000 exemption (\$38,000 for 1990-91) for residences of disabled veterans is a separate statutory provision. The state does not reimburse local governments for any portion of loss from this exemption.
	\$4,360-5,449	\$5,232-6,539	40%	<b>North Dakota</b>
	\$5,450-6,539	\$6,540-7,846	50%	Disabled in wheelchair, blind owner-occupants, and owner-occupant disabled veterans with 50% disability or more and income \$13,000 (1990 and thereafter) or less: \$5,000 taxable value. Owner-occupant paraplegics with income \$10,000 or less or those awarded specially adapted housing: \$10,000 taxable value.
	\$6,540-7,629	\$7,848-9,154	60%	<b>Oklahoma</b>
	\$7,630-8,718	\$9,155-10,462	70%	<b>Pennsylvania</b>
	\$8,719-9,808	\$10,463-11,770	80%	Project full reimbursement for 1989. Information not maintained at state level; each county assessment office keeps information on the amount of property qualifying for the disabled veterans exemption.
	\$9,809-10,898	\$11,771-13,077	90%	<b>Rhode Island</b>
<b>Nebraska</b>	A second form of property relief is available to disabled veterans and their families. If deceased, the veteran must have been killed in active duty or died as a result of service disability. If living, the veteran must be rated 100% disabled and have an adjusted gross income of not more than \$15,000 for a single person or \$18,000 for a married couple. Real property in this case is exempt from taxation. (0% tax rate).			Homestead exemption is financed and administered entirely at the local level. Programs vary widely between and among Rhode Island's 39 cities and towns.
100% to 20% of AV up to \$35,000 for veterans or unremarried widow/widowers drawing compensation from the Department of Veterans Affairs for 100% disability, or unremarried widow/widowers of veterans who died on active duty, depending on date and income.				<b>Texas</b>
<b>New Hampshire</b>				Percentage decreases to 20% in 1988. All homesteaders also receive a \$3,000 exemption from market value for county farm-to-market roads/flood control tax purposes and \$5,000 for school district purposes. Disabled veterans are allowed exemptions of from \$1,500-3,000 in market value which may be applied to the homestead. School districts must freeze taxes on residential homesteads of those 65 and over.
Municipalities may adopt elderly homestead exemptions as follows:				<b>Virginia</b>
	<b>Age</b>	<b>Plan I</b>	<b>Plan II</b>	For any locality having a 1980 population of more than 500,000, and any county adjacent thereto, the income and financial worth limitations may be increased to \$40,000 in combined income and \$150,000 in combined net financial worth.
	65-75	\$5,000*	\$10,000*	<b>Wisconsin</b>
	75-80	10,000	15,000	The state provides a tax credit payment to each municipality. The credit is distributed to property taxpayers in proportion to their share of the municipality's total assessed value.
	80+	20,000	20,000	<b>Wyoming</b>
	<b>Income Limit:</b>	7,000	10,000	Homestead exemption remains in Wyoming state law, but clause restricts funding to years when revenue is available.
		(\$9,000 if married)	(\$12,000 if married)	
	<b>Assets Limit:</b>	\$50,000	\$30,000	
			(excluding homestead and land)	
<b>New Jersey</b>	*Any town or city may adopt optional adjusted elderly exemptions by vote. Rebate of \$1.50 per \$100 of equalized value, or two-thirds of equalized value, whichever is less. Plus 12.5% of the effective tax rate in the municipality wherein the rebate is claimed, multiplied by \$10,000 of equalized value, whichever is less, up to 50% of net property tax otherwise due. Elderly, disabled, and surviving spouses with income less than \$10,000 also receive \$250 deduction from all real property taxes. Veterans, spouses of veterans, and spouses of serv-			

Source: ACIR staff compilation based on surveys from state departments of revenue (Fall 1989) and Commerce Clearing House, *State Tax Guide*.

Table 38

## Classification of Real Property and Tangible Personal Property, by State, 1989

State	Number of Classes		High/Low		Selected Rates, by Classification							
					Differential by		Residential		Commercial/Industrial		Telecommunications Utility	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal
Alabama*	3	3	3:1		Value		10%		20%		30%	
Alaska	1	1										
Arizona*	9	9	5:1		Value		10%		25%		25%	
Arkansas	1	1										
California*	2	1										
Colorado	2	1	1.61:1		Value		21%		29%		29%	
Connecticut	1	1										
Delaware	1	X										
District of Columbia	4	1	1.66:1		Rate		\$1.22		\$2.03		\$2.03	
Florida	1	1										
Georgia	1	1										
Hawaii*	8	X	2.11:1		Rate		\$4.75/10		\$6-\$10			
Idaho	1	1										
Illinois*	1	X										
Indiana	1	1										
Iowa	4	X	4.41:1		Value		22.64%		100%		100%	
Kansas	4	4	2.5:1		Value		12%		30%		30%	
Kentucky	1	1										
Louisiana*	5	5	2.5:1		Value		10%		25%		25%	
Maine	1	1										
Maryland*	1	1										
Massachusetts*	4	4			Value		2.5%		2.5%		2.5%	
Michigan	1	1										
Minnesota*	32	X	28:1		Value/ Credit		18/28%		28/43%		43%	
Mississippi	3	3	2:1		Value		15%		15%		30%	
Missouri*	3	8	1.68:1	6.66:1	Value	Value	19%	33.3%	32%	33.3%	32%	33.3%
Montana*	11	13	2.07:1	10:1	Value	Value	3.86%	X	3.86%	11%	3/8%	3/8%
Nebraska	1	1										
Nevada	1	1										
New Hampshire	1	X										
New Jersey*	1	1										
New Mexico	1	1										
New York*	4.2	X	1.217:1		Value		\$92.77/ 94.52		\$95.82		\$112.89	
North Carolina	1	1										
North Dakota*	4	X	1.1:1		Value		9%		10%			
Ohio*	2	3	3.12:1		Rate/ Credit Value		32%		32%		32%	

Table 38 (cont.)

**Classification of Real Property and Tangible Personal Property, by State, 1989**

State	Number of Classes		High/Low		Selected Rates, by Classification							
					Differential by		Residential		Commercial/Industrial		Telecommunications Utility	
	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal	Real	Personal
Oklahoma*	1	1										
Oregon*	1	1										
Pennsylvania*	1	X										
Rhode Island	1	1										
South Carolina*	5	5	2.63:1	2.1:1	Value	Value	4%	10.5%	6%	10.5%	10.5%	10.5%
South Dakota	2	X			Assessed Locally							
Tennessee	3	3		11:1	Value	Value	25%	5%	40%	30%	55%	55%
Texas	1	1										
Utah*	3	3	1.33:1		Value		75% of MV		100% of MV		100% of MV	
Vermont*	1	2				Value/Cost						
Virginia	1	1										
Washington	1	1										
West Virginia*	3	3	2:1		Rate		\$1		\$1.50/2	\$1.50/2		
Wisconsin	1	1										
Wyoming	1	1										

**Notes**

Note: High/Low refers to the ratio of the highest taxed property class to the lowest.  
 Differential by value refers to the proportion of market value at which each class of property is assessed.  
 Differential by rate refers to percentage of assessed value at which each class of property is taxed.

MV—market value

X—exempt

**\*State Notes**

- Alabama** Fourth class added for tangible personal property composed of passenger automobiles and noncommercial pick-up trucks assessed at 15%.
- Arizona** High/low ratio based on relationship between class for commercial/industrial and telecommunications utility of 25% (high) and class for historic property 5% (low). The 25% utility rate applies for 1990 and thereafter.
- California** Full cash value or fair market value is defined, in terms of base year or when change of ownership occurs, as the amount of cash or its equivalent which property would bring if offered for sale in the open market.
- Hawaii** Hawaii counties may classify by differential rates both on the basis of use (four counties) and land v. improvements (three counties). High/low ratio based on relationship between \$10 per thousand assessed on the land of commercial and industrial in Hawaii County (highest) and \$4.75 per thousand on all residential in Maui County (lowest). Residential and commercial/industrial rates shown are improved and unimproved in all four counties. Public utilities may obtain exemption based on payment of public utility tax in lieu of real property.
- Illinois** Ten classes applicable only in Cook County. Residential rate, 16%; industrial, 36%; commercial and utilities, 38%.
- Louisiana** Excludes land and property of electric cooperatives whose land is taxed at 15%.
- Maryland** Agricultural property is valued at full cash value less inflation allowance of 50% of current value. Exemption of personal property either in full or part permitted at the option of localities; 13 counties and Baltimore City have exempted all commercial and manufacturing inventories and manufacturing machinery from ad valorem taxation.
- Massachusetts** Beginning with fiscal 1982, total property taxes on realty may not exceed 2.5% of the full and fair cash valuation, except for any overrides created in accordance with specific statutes.
- Minnesota** Real property high/low ratio based on relationship between class for unmined ore at 50% and low-end class of residential at 18%. Residential rates are 18% for first \$65,000, 28% for excess value excluding 5%-14% rates for disabled, blind, paraplegic veterans. Commercial/industrial rates are 28% for first \$60,000, 43% for excess value.
- Missouri** Personal property high/low ratio based on relationship between property taxed at 33.3% (high) and class for historic motor vehicles taxed at 5% (low). Low end of ratio does not reflect 0.5% for grain and other agricultural crops in unmanufactured condition.



Table 38 (cont.)

**Classification of Real Property and Tangible Personal Property, by State, 1989**

<b>Montana</b>	Cooperative rural telephone associations, 3%; cooperative rural telephone associations that serve less than 95% of consumers within the incorporated limits of a city or town, 8%. Personal property ratio based on relationship between class for nonproductive patented mining claims, 30% (high) and class for property of cooperative rural telephone associations, 3% (low). Rate for property of cooperative rural telephone associations, 3%. All property used and owned by persons, firms, corporations, or other organizations engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or fewer; all property owned by cooperative rural electrical and cooperative rural telephone associations that serve less than 95% of the electricity or telephone users within the incorporated limits of a city or town.
<b>New Jersey</b>	Real property rates based on value not lower than 20% or higher than 100% (multiples of 10) as established by each county Board of Taxation.
<b>New York</b>	Four classes in New York City and Nassau County; two optional elsewhere. Real property high/low ratio based on figures applicable to New York City only. Residential 1, 2, or 3 family, \$92.77; all other residential \$94.52, in New York City only. Commercial/industrial and utility rates applicable to New York City only.
<b>North Dakota Ohio</b>	Telephone companies subject to tax on percentage of operating receipts in lieu of real and personal property tax. A two-part real property classification system (residential and agricultural) freezes tax shares of the classes and all other real property from one tax period to the next when considering only those properties that existed in an unchanged form in both periods. Personal property ratio based on relationship between class for machinery of electric power plants taxed at 100% of value (high) and class for all other tangible personal property taxed at 32% of value (low).
<b>Oklahoma</b>	Intercounty deviations of not more than 3% above or below mean of the assessed 12% taxable value may occur.
<b>Oregon</b>	Personal property exceptions: taxable ships and vessels with Oregon as home port registry assessed at 40% of true cash value; those in intercoastal or foreign trade assessed at 4% of true cash value.
<b>Pennsylvania</b>	Real property at actual value; certain counties not to exceed 75% of actual value.
<b>South Carolina</b>	Personal property high/low ratio based on relationship between property taxed at 10.5% (high) and class for commercial fishing boats and power driven farm machinery at 5% (low).
<b>Utah</b>	All metalliferous mines and mining claims, both placer and rock in place, assessed at \$50 per acre plus 10 times the average net annual proceeds for the three preceding calendar years.
<b>Vermont</b>	Personal property, commercial/industrial and utility rates for listed value which is 100% of appraised value, 1% of the listed value of personalty is entered in the grand list. That grand list value (1% of listed value) is the value against which the tax rate is applied. Business personalty is appraised, at the taxpayer's option, at either 50% of cost (10% if fully depreciated) or net book value (10% if fully depreciated).
<b>West Virginia</b>	Real property outside of municipalities taxed at lower rate of \$1.50. Property inside municipalities taxed at higher rate of \$2.

Source: U.S. Department of Commerce, Bureau of the Census, *Taxable Property Values, 1987 Census of Governments, Volume 2, 1989*. Appendix A.

Table 39

## State Programs Compensating Local Governments for State-Owned Property, 1989

## Type and Number of Programs

State	Taxation	Pilot		Annual Cost	State	Taxation	Pilot		Annual Cost
		Full	Part				Full	Part	
Alabama*				—	Nebraska*				—
Alaska*				—	Nevada			1	26,260
Arizona*				—	New Hampshire			3	741,040
Arkansas*				—	New Jersey			4	14,092,960
California*				—	New Mexico*				—
Colorado			2	107,500	New York	5	2	7	59,000,000
Connecticut			2	20,001,400	North Carolina*				—
Delaware*				—	North Dakota		3		281,810
Florida*				—	Ohio			2	51,050 +
Georgia*				—	Oklahoma			1	n.a.
Hawaii*				—	Oregon			1	80,000
Idaho*				—	Pennsylvania			3	1,980,000 +
Illinois			1	n.a.	Rhode Island			1	500,000
Indiana*				—	South Carolina			3	1,501,220
Iowa		1	1	35,500 +	South Dakota	1	1		408,900
Kansas	1			n.a.	Tennessee*				—
Kentucky*				—	Texas*				—
Louisiana*				—	Utah			2	122,000 +
Maine*				—	Vermont	1		1	98,000 +
Maryland			1	200,000	Virginia	1			n.a.
Massachusetts			3	17,000,000 +	Washington*				—
Michigan			4	18,405,360	West Virginia*				—
Minnesota		1	3	5,248,800 +	Wisconsin			3	13,776,530
Mississippi*				—	Wyoming	1			130,000
Missouri			2	365,800					
Montana		1	1	465,000	<b>Total</b>	<b>10</b>	<b>9</b>	<b>52</b>	<b>93,619,770 +</b>

## Notes

\*—no programs

Taxation—The state has consented to be taxed on some of its property.

Full Pilot—Payment in lieu of taxes equal to total taxes payable if property were not exempt.

Part Pilot—Payment in lieu of taxes less than total taxes payable if property were not exempt.

Annual Cost—Amounts are rounded to the nearest \$10. The symbol + indicates that multiple programs exist but costs are not available for all of them.

New York's estimated total cost is based on 1989 assessments.

Source: *State Programs Compensating Local Governments for State-Owned Property*, New York State Board of Equalization and Assessment, January 1990.

Table 40

## States with Transfer and Real Estate Taxes, September 1989

State	Basis of Tax			State	Basis of Tax			
	Total Sales Price	Sales Price Exclusive of Mortgage or Other Liens	Rates <sup>1</sup>		Total Sales Price	Sales Price Exclusive of Mortgage or Other Liens	Rates <sup>1</sup>	
			Deed Transfer Tax	Deed Transfer Tax			Deed Transfer Tax	Mortgage Tax
Alabama*		Yes	0.100%	0.150%	Michigan*	Yes <sup>3</sup>	0.110	
Arizona			\$2.00		Minnesota	Yes	0.330	0.230
Arkansas	Yes	flat fee	0.220		Nebraska	Yes	0.150	
California		Yes			Nevada	Yes <sup>3</sup>	0.110	
Colorado	Yes <sup>2</sup>		0.010		New Hampshire*	Yes	0.350	
Connecticut*	Yes		0.450	0.110	New Jersey*	Yes <sup>3</sup>	0.350	
Delaware*	Yes <sup>3</sup>		2.000		New York*	Yes	0.400	1.000
District of Columbia*	Yes		1.100	1.100	North Carolina*	Yes	0.100	
Florida*	Yes		0.550	0.150	Ohio*		0.300	
Georgia*		Yes	0.100	0.300	Oklahoma*	Yes	0.150	0.100
Hawaii	Yes <sup>3</sup>		0.050		Pennsylvania*	Yes	1.000	
Illinois*	Yes <sup>3</sup>		0.100		Rhode Island	Yes <sup>3</sup>	0.280	
Iowa		Yes	0.110		South Carolina*	Yes <sup>3</sup>	0.220	
Kansas			0.250		South Dakota	Yes	0.100	
Kentucky	Yes		0.100		Tennessee	Yes	0.330	0.115
Maine	Yes		0.220		Vermont*	Yes	0.500	
Maryland*	Yes		0.110		Virginia*	Yes	0.250	
Massachusetts*		Yes <sup>3</sup>	0.400		Washington*	Yes <sup>3</sup>	1.280	
					West Virginia*	Yes	0.220	
					Wisconsin	Yes <sup>3</sup>	0.300	

## Notes

<sup>1</sup> Taxes are listed as a percentage of the tax base even though statutory rates are sometimes listed as cents/\$100 or cents/mills.

<sup>2</sup> Transfers under \$500 are exempt.

<sup>3</sup> Transfers under \$100 are exempt (for Virginia this applies only to the grantor's tax).

Sources: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*.

## \*State Notes

## General

## Information:

Deed transfer taxes are generally paid by the seller; however, if the seller fails to pay, the buyer is liable for the tax. Mortgage taxes are paid by the buyer on the amount borrowed. Most states grant a variety of exemptions to these taxes.

**Alabama** Alabama does not have a stock transfer fee; however, there is a recordation tax and a privilege or license tax on the registration of securities. The rate of the tax is \$.25 per \$100 of par value or principal amount for the recording of the securities. This rate also applies to the filing and recording of lists of securities.

**California** Counties have the authorization to impose a .11% documentary transfer tax. Charter cities, such as Berkeley, Oakland, Piedmont, Santa Clara, San Jose, Campbell, and others, impose an additional tax at one-half the county rate per \$500. The Los Angeles County documentary tax is \$1.10 per \$1,000 of the value. The Los Angeles City tax is \$.55 per \$1,000.

**Connecticut** Farm and Forest Land Conveyance Tax is an additional tax levied on the sale of land classified for property tax purposes as open space land that is sold within ten years of classification. Also, if land classified as farm or forest land is sold within ten years from acquisition or classification, whichever is earlier, it, too, is subject to the conveyance tax. The tax rates are applied to the sales price or, if the classification of the land is changed but there is no sale, to the fair market value on a scale from 10% within the first year to 1% within the tenth year.

**Delaware** There is a realty transfer tax imposed by the City of Wilmington at the rate of 1%.

**District of Columbia** The mortgage tax is known as the recordation tax on deeds.

**Florida** Until October 1, 2011, counties are authorized to levy a surtax on documents at a rate not to exceed \$.45/\$100. The county tax is levied on the same items as the state tax, except any document which involves a single family residence.

**Georgia** \$1 for the first \$1,000 and \$.10 for each additional \$100.

**Illinois** Counties are authorized to impose a real estate transfer tax at the rate of .05% of the full consideration. Chicago imposes a transfer tax at the rate of .75% of the transfer price.

Table 40 (cont.)

**States with Transfer and Real Estate Taxes, September 1989**

<b>Maryland</b>	A realty transfer tax is imposed by the state at 0.5% of actual consideration paid. The first \$30,000 of the sales price of a home is excluded from the tax base. Counties may impose an additional transfer tax not to exceed 0.5%. Counties and municipalities may impose an additional recordation tax. The rate of tax varies between the counties; the range is from \$1.10 to \$3.50 per \$500. There also is an agricultural land transfer tax of 5% of actual consideration paid (less full cash value of any improvements) when the land being transferred is a parcel of 20 acres or more; 4% when the land is a parcel of less than 20 acres and is assessed on the basis of its agricultural use or on the basis of unimproved land; and 3% when land being transferred is a parcel of less than 20 acres and is assessed as improved land or land with site improvements. The rate is reduced further by 25% for each consecutive full tax year in which real property taxes were paid on the basis of a nonagricultural use assessment. Counties also impose additional deed transfer taxes.
<b>Massachusetts</b>	If the sale price is greater than \$100 and less than \$500, the fee is \$2, and for each additional \$500 or fractional part, \$2. In addition, a 14% surtax per \$500 is imposed.
<b>Michigan</b>	The \$.55 per \$500 rate increases to \$.75 per \$500 for counties with a population of 2 million or more.
<b>New Hampshire</b>	The buyer and the seller each pay \$.35 per \$100 of the full consideration, the total tax being \$.70 per \$100 (minimum tax \$14 from buyer and seller).
<b>New Jersey</b>	The rate is .35% on the first \$150,000; the rate on the excess over \$150,000 of the consideration is an additional \$.75/\$500. There is a reduction in the tax rate to \$.50/\$500 when the transfer involves the sale of low or moderate-income housing. The sale of any one or two-family residence owned and occupied by a senior citizen, blind or disabled person who is the seller also qualifies for the reduction.
<b>New York</b>	New York City imposes a mortgage recording tax of 1%, in addition to the state tax, with respect to real property securing a principal debt or obligation of less than \$500,000. The tax on mortgages secured on one, two or three-family houses, individual cooperative apartments, and individual residential condominium units, securing a principal debt or obligation of \$500,000 or more is \$.625/\$100. The tax on mortgages secured on all other real property is 1.25%. The mortgage recording tax is a state tax that is administered by localities. New York City imposes a realty transfer tax on each deed when the consideration exceeds \$25,000. The tax is imposed at the following rates: 1% for a one, two or three-family house, individual cooperative apartment, individual residential condominium unit or individual dwelling unit in a four-unit dwelling, or where the consideration for the transfer is less than \$500,000; and 2% of the consideration with respect to all other transfers. The real property gains tax is imposed at a rate of 10% on the gain from the transfer of real property if the consideration is \$1 million or more.
<b>North Carolina</b>	Authorizes an excise stamp tax on transfers of real estate at the rate of \$.50 per \$500, or fraction thereof. The levy is administered by county governments in accordance with procedures established by the state. Proceeds of the excise stamp tax are retained by the county and deposited in its general fund.
<b>Ohio</b>	Counties may levy a realty transfer tax on each deed with a rate not to exceed \$.30 per \$100 of value. There is an additional tax of \$1 or \$.10 per \$100, whichever is greater, imposed by counties; however, there are 22 exemptions to this second tax.
<b>Oklahoma</b>	The real estate mortgage tax rates, for each \$100 and remaining fraction thereof, increase with the time of the mortgage as follows: \$.10—5 years or more, \$.08—4 to 5 years, \$.06—3 to 4 years, \$.04—2 to 3 years, and \$.02—2 years or less. If mortgage is less than \$100 a tax of \$.10 is levied. County treasurers impose a \$5 fee on each mortgage presented for certification.
<b>Pennsylvania</b>	Municipalities may impose an additional 1% tax on a deed transfer. The responsibility of paying the taxes is customarily shared equally by the buyer and the seller.
<b>South Carolina</b>	Counties may impose an additional \$1.10 per \$1,000 deed transfer tax.
<b>Tennessee</b>	Mortgage Tax—County registrar receives \$.50 recording fee at time of payment. Also entitled to a commission of 5% of tax collected. Not liable for the first \$2,000 of indebtedness. Real Estate Transfer Tax—County registrar receives \$.50 recording fee at time of payment. Also entitled to a commission at 5% of tax collected. Maximum tax \$100,000.
<b>Vermont</b>	The capital gains tax on land is based on the gain and the years held; the rates are as follows:

Land Held by Transferor	Gain as a Percentage of Basis (rounded to the next highest percent)		
	0-99%	100-199%	200% & over
less than four months	60%	70.0%	80%
four to eight months	35	52.5	70
one year	30	45.0	60
two years	25	37.5	50
three years	20	30.0	40
four years	15	22.5	30
five years	10	15.0	20
six years	5	7.5	10

Table 40 (cont.)

**States with Transfer and Real Estate Taxes, September 1989**

**Virginia**

The deed transfer tax is actually a two-part recordation tax: the grantor's tax of \$.50 per \$500 of the consideration less any amount of any lien or debt remaining, and the recordation tax of \$.15 per \$100, or fraction thereof, of consideration or actual value which is imposed on the recordation of a deed, deed of trust, lease, or other contract. The recordation tax per \$100 value decreases as follows:

1st \$10 million	\$ .15
2nd \$10 million	.12
3rd \$10 million	.09
4th \$10 million	.06
5th \$10 million	.03

In addition to the state realty transfer tax, the following cities and counties impose a tax equal to 1/3 of the state tax:

<u>Cities</u>		<u>Counties</u>
(with population of 50,000 or more)		(with population of 100,000 or more)
Alexandria	Portsmouth	Arlington
Chesapeake	Richmond	Chesterfield
Hampton	Roanoke	Fairfax
Newport News	Suffolk	Henrico
Norfolk	Virginia Beach	Prince William

**Washington**

There is an excise tax of 1.28% of the total selling price, to be paid by the seller; a local county and city tax not to exceed .25% of the selling price excluding the value of any liens and encumbrances, also paid by the seller. A state surtax of .06% was scheduled to be repealed 7/1/89; the old rate was 1.34% of total selling price. In lieu of imposing an additional 0.5% local sales and use tax, a city or county may impose an additional tax on the sale of property not to exceed 0.5% of the selling price.

**West Virginia**

There is an additional county excise tax on transfers of property at a rate of .11%.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, September 1989.

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Table 41

## Types of State Death and Transfer Taxes, September 1989

Type of Tax	Number	States
"Pick-Up" Tax Only	26	Alabama, Alaska, Arizona, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Maine, Minnesota, Missouri, Nevada (applies only to resident decedents), New Mexico, North Dakota, Oregon, Texas, Utah, Vermont, Virginia, <sup>1</sup> Washington, West Virginia, Wyoming
Estate and "Pick-Up" Tax	9	Massachusetts, Michigan, <sup>1</sup> Mississippi, New York, Ohio, Oklahoma, Rhode Island (estate tax being phased out by 1/1/91), South Carolina, Virginia
Inheritance and "Pick-Up" Tax	18	Connecticut, Delaware, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, <sup>1</sup> Montana, Nebraska, New Hampshire, New Jersey, North Carolina, Pennsylvania, South Dakota, Tennessee, Wisconsin (inheritance tax being phased out by 1/1/93)
States with Added Gift Tax	7	Delaware, Louisiana, New York, North Carolina, South Carolina (repealed effective 1/1/92), Tennessee, Wisconsin

<sup>1</sup> Local estate tax additional. See table on State Estate Tax Rates and Exemptions.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, September 1989.

#### General Description of Death, Gift, and Inheritance Taxes

State inheritance taxes are paid by the recipient of a bequest and are based on (1) the amount of the bequest and (2) the recipient's relationship to the decedent (generally, the closer the familial relationship, the lower the tax rate). The federal government does not have an inheritance tax, although several states do.

#### Interaction of Federal and State Taxes

The federal tax code permits the decedent's estate to recapture a dollar-for-dollar tax credit for *state* estate taxes paid up to certain amounts based on the total size of the estate (the so-called "pick-up" tax—see table on Federal Death Taxes—Maximum State Death Tax Credit). All states have *at least* this "pick-up" tax; the federal government receives tax amounts only in excess of the "pick-up" tax. (In short, the state "pick-up" tax costs the decedent's estate nothing—if a state did not have a "pick up" tax, the same amount of money would flow to the federal treasury rather than the state treasury. For a list of the "pick-up" tax states, see above.)

Nine states have estate taxes that exceed the amount of the "pick-up" tax (see above).

Unlike the aforementioned nine states, 18 states tax the amount of the *bequest* (i.e., the inheritance) received by various relatives and other beneficiaries of the decedent rather than taxing the estate as a whole (see above).

In seven states, gift taxes apply to transfers occurring while the donor is alive. Like the federal gift tax, this tax could be viewed generally as an advanced payment of either the state estate tax or the inheritance tax (less any annual exemption amounts and less the lifetime exemption amounts of the state estate tax). The state estate tax credit (the so-called state "pick-up" tax) is found in Table 11.

Table 42

## State Estate Tax Rates and Exemptions, September 1989

State	Taxable Estate		Rate		Considerations
	Over	But Not Over	Percent		
<b>Massachusetts</b>	0	50,000	5.0		if estate: < or = \$200,000 there is no tax liability > \$200,000 there is a credit of either the lesser of: Massachusetts estate tax liability or \$1,500
	50,000	100,000	7.0		
	100,000	200,000	9.0		
	200,000	400,000	10.0		
	400,000	600,000	11.0		
	600,000	800,000	12.0		
	800,000	1,000,000	13.0		
	1,000,000	2,000,000	14.0		
	2,000,000	4,000,000	15.0		
	4,000,000		16.0		
<b>Michigan</b>					Federal Pick-Up Tax
					Counties collect an additional 0.5 percent of the federal estate tax paid
<b>Mississippi</b>					
					<b>After 10/1/89</b>
	0	100,000	1.7	1.4	Exemption: property up to the value of \$400,000 (\$500,000 effective 10/1/89) Rates will change for decedents dying on or after 10/1/89, through 9/30/90 Rates will change again for decedents dying on or after 10/1/90
	100,000	200,000	3.4	2.8	
	200,000	400,000	5.2	4.4	
	400,000	600,000	6.6	5.75	
	600,000	800,000	8.0	6.9	
	800,000	1,000,000	9.7	8.3	
	1,000,000	1,500,000	11.4	9.7	
	1,500,000	2,000,000	12.7	10.85	
	2,000,000	2,500,000	14.0	12.0	
	2,500,000	3,000,000	15.3	13.15	
	3,000,000	3,500,000	16.7	14.3	
	3,500,000	4,000,000	18.4	15.7	
	4,000,000	5,000,000	18.4	16.1	
	5,000,000	6,000,000	18.4	16.5	
	6,000,000	7,000,000	18.4	16.9	
	7,000,000	8,000,000	18.4	17.3	
	8,000,000	9,000,000	18.4	17.7	
	9,000,000	10,000,000	18.4	18.1	
	10,000,000		18.4	18.5	
<b>New York</b>					
	0	50,000	2.0		New York follows federal guidelines for deductions, including unlimited marital deductions as of 1/1/84 Credits: if tax < or = \$2,750, credit equals full amount of tax \$2,750 < tax < \$5,000, credit = an amount by which \$5,500 exceeds the tax = or > \$5,000, credit = \$500
	50,000	150,000	3.0		
	150,000	300,000	4.0		
	300,000	500,000	5.0		
	500,000	700,000	6.0		
	700,000	900,000	7.0		
	900,000	1,100,000	8.0		
	1,100,000	1,600,000	9.0		
	1,600,000	2,100,000	10.0		
	2,100,000	2,600,000	11.0		
	2,600,000	3,100,000	12.0		
	3,100,000	3,600,000	13.0		
	3,600,000	4,100,000	14.0		
	4,100,000	5,100,000	15.0		
	5,100,000	6,100,000	16.0		
	6,100,000	7,100,000	17.0		
	7,100,000	8,100,000	18.0		
	8,100,000	9,100,000	19.0		
	9,100,000	10,100,000	20.0		
	10,100,000		21.0		
<b>Ohio</b>					
	0	40,000	2.0		Tax credit of the lesser of \$500 or the amount of the tax, thus no tax liability for estates < \$25,000 Gross estate includes gifts made within three years of the death Marital deduction is the lesser of: (a) 1/2 difference between value of gross estate and deductions or \$500,000 whichever is greater (b) the federal marital deduction or (c) if decedent dies between 7/1/89-7/1/91, \$500,000; after 7/1/91, \$1,000,000; after 7/1/91, spouse exempt
	40,000	100,000	3.0		
	100,000	200,000	4.0		
	200,000	300,000	5.0		
	300,000	500,000	6.0		
	500,000		7.0		



Table 42 (cont.)

State Estate Tax Rates and Exemptions, September 1989

State	Taxable Estate		Rate		Considerations
	Over	But Not Over	Percent		
<b>Oklahoma</b>			A	B	
	0	10,000	0.5	1.0	Class A = Parent, child (step, adopted), and other lineal descendants Class B = all others
	10,000	20,000	1.0	2.0	
	20,000	40,000	1.5	3.0	Property passing to the spouse is exempt
	40,000	60,000	2.0	4.0	A total exemption of \$175,000 may be divided among lineal heirs
	60,000	100,000	2.5	5.0	Gifts made three years prior to death are included in the estate
	100,000	250,000	3.0	6.0	If estate does not exceed \$100 it is exempt
	250,000	500,000	6.5	13.0	
	500,000	750,000	7.0	14.0	
	750,000	1,000,000	7.5	14.0	
	1,000,000	3,000,000	8.0	15.0	
	3,000,000	5,000,000	8.5	15.0	
	5,000,000	10,000,000	9.0	15.0	
		10,000,000	10.0	15.0	
<b>Rhode Island</b>					
	0	25,000	2.0		Marital deduction = \$175,000
	25,000	50,000	3.0		Orphan child exemption \$50,000 x number of years (age of child from 21)
	50,000	100,000	4.0		Exemption: \$25,000
	100,000	250,000	5.0		Civil and military services annuity payments are exempt
	250,000	500,000	6.0		Gifts made within two years of death are included in the estate
	500,000	750,000	7.0		
	750,000	1,000,000	8.0		
	1,000,000		9.0		
					Phase out of estate tax: (Federal credit or Rhode Island tax whichever is greater)
		additional tax			deaths occurring during:
	250,000	300,000	1.4		1987 pay 80 percent of tax
	300,000	500,000	2.2		1988 60%
	500,000	700,000	3.0		1989 40%
	700,000	900,000	3.8		1990 20%
	900,000	1,000,000	4.6		after 1990 estates are subject to a pick-up tax only
	1,000,000	1,500,000	5.24		The intention of the additional tax is to pick up the federal credit levied on net estates in excess of \$250,000
	1,500,000	2,000,000	6.04		
	2,000,000	2,500,000	6.84		
	2,500,000	3,000,000	7.64		
	3,000,000	3,500,000	8.44		
	3,500,000	4,000,000	9.24		
	4,000,000	5,000,000	10.12		
	5,000,000	6,000,000	10.92		
	6,000,000	7,000,000	11.72		
	7,000,000	8,000,000	12.52		
	8,000,000	9,000,000	13.32		
	9,000,000	10,000,000	14.12		
	10,000,000		14.92		
<b>South Carolina</b>					
	0	40,000	6		Deductions and exemptions are the same as the federal code
	40,000	100,000	7		Exemptions: \$170,000 (320,000 for decedents dying after 6/30/90)
	100,000		8		After 7/1/91 estates are subject to a pick-up tax only. For decedents dying before 7/1/91, an additional estate tax is imposed equal to the excess, if any, over the state estate tax up to the credit allowable against the federal estate tax, so that the aggregate state tax will always at least equal the maximum federal credit.
<b>Virginia</b>					
		Federal Pickup Tax			In addition to the estate tax, the probate of every will or grant of administration, not exempt by law, is subject to tax. This tax amounts to \$.10 on every \$100 of value or fraction thereof, except that estates of \$5,000 or less are not subject to the tax. The governing bodies of cities and counties may also impose a tax on the probate of wills or grants of administration in an amount equal to one-third the amount of the state tax levied on such probate or administration.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, September 1989.

Table 43

**State Inheritance Tax Rates and Exemptions,  
September 1989**

State	Value of Share before Exemption Applied		Rates According to Class (in percent)					Conditions
	Over	But Not Over	A	B	C	D	E	
<b>Connecticut</b>								
	\$0	\$1,000						Class A = (grand)parent, descendant (natural or adoptive)
	1,000	6,000			8			Class B = spouse or widow(er) of child who has not remarried, stepchild, sibling, descendant of sibling
	6,000	25,000		4	8			Class C = any others
	25,000	50,000		5	9			
	50,000	150,000	3	5	9			
	150,000	250,000	4	6	10			Exemptions:
	250,000	400,000	5	7	11			Surviving spouse is fully exempt
	400,000	600,000	6	8	12			Class A \$50,000
	600,000	1,000,000	7	9	13			Class B \$6,000
	1,000,000		8	10	14			Class C \$1,000
								An additional tax may apply
<b>Delaware</b>								
	1,000	3,000				10		Class A = spouse
	3,000	10,000			5	10		Class B = lineal descendant and parents
	10,000	25,000			5	10		Class C = any other relative within 5 degrees consanguinity
	25,000	50,000		2	6	12		Class D = anyone else
	50,000	70,000		3	7	14		Exemptions:
	70,000	75,000	2	3	7	14		Class A \$70,000
	75,000	100,000	2	4	7	14		Class B \$25,000
	100,000	150,000	3	5	8	16		Class C \$5,000
	150,000	200,000	3	5	9	16		Class D \$1,000
	200,000		4	6	10	16		
<b>Indiana</b>								
	0	25,000	1	7	10			Class A = spouse, lineal ancestor, lineal descendant,
	25,000	50,000	2	7	10			Class B = siblings, their descendants, spouse or widow(er) of child
	50,000	100,000	3	7	10			Class C = all others
	100,000	200,000	3	10	15			Exemptions:
	200,000	300,000	4	10	15			transfers to spouse
	300,000	500,000	5	10	15			proceeds from insurance policies are exempt
	500,000	700,000	6	12	15			minor (under 21 years) \$10,000
	700,000	1,000,000	7	12	15			child 21 and older \$5,000
	1,000,000	1,500,000	8	15	20			parent \$5,000
	1,500,000		10	15	20			other Class A \$2,000
								Class B \$500
								Class C \$100
<b>Iowa</b>								
	0	5,000	1	5	10			Class A = spouse, parent, child, lineal descendant
	5,000	12,500	2	5	10			Class B = sibling, spouse of child, step child
	12,500	25,000	3	6	10			Class C = all others
	25,000	50,000	4	7	10			Estates which do not exceed \$10,000 are exempt
	50,000	75,000	5	7	12			Exemptions for Class A:
	75,000	100,000	6	8	12			spouse \$180,000
	100,000	150,000	7	9	15			each child \$50,000
	150,000		8	10	15			parent \$15,000
								other lineal descendants \$15,000

Bequests to profitable organizations are taxable at 15 percent  
Bequests to charitable organizations are taxable at 10 percent  
unless organization is incorporated under the laws of Iowa  
for charitable, educational or religious purposes.

Transfers to alien, nonresident of US,  
within Class A are taxable at 10 percent

Spouse is granted a 2/3 tax credit for tax liability due  
under rates at left (for 1987); spousal transfers are  
completely exempt after 1987.

Table 43 (cont.)  
**State Inheritance Tax Rates and Exemptions,  
 September 1989**

State	Value of Share before Exemption Applied		Rates According to Class (in percent)					Conditions
	Over	But Not Over	A	B	C	D	E	
<b>Kansas</b>								
	0	25,000	1	3	10			Class A = lineal ancestor, descendant, step parent or child, adopted child, spouse of child Class B = siblings Class C = all others Deductions: Class A       \$30,000 Class B       \$5,000 (if share of estate after deductions is less than \$200, no tax is due) Spouse is exempt
	25,000	50,000	2	5	10			
	50,000	100,000	3	7.5	10			
	100,000	200,000	4	10	12			
	200,000	500,000	4	10	15			
	500,000		5	12.5	15			
<b>Kentucky</b>								
	0	10,000	2	4	6			Class A = parent, spouse, (grand)child Class B = sibling, their descendants, spouse of child, aunt, uncle Class C = any one else Exemptions: spouse is exempt in full minor (< 18 years) or incompetent child \$20,000 parent         \$5,000 child           \$5,000 grandchild     \$5,000 Class B         \$1,000 Class C         \$500
	10,000	20,000	2	5	8			
	20,000	30,000	3	6	10			
	30,000	45,000	4	8	12			
	45,000	60,000	5	10	14			
	60,000	100,000	6	12	16			
	100,000	200,000	7	14	16			
	200,000	500,000	8	16	16			
	500,000		10	16	16			
<b>Louisiana</b>								
	0	5,000	2	5	5			Class A = spouse, direct descendant Class B = collateral relation (includes sibling by marriage) Class C = all others Exemptions: Class A \$25,000 Class B \$1,000 Class C \$500 Transfers to a surviving spouse
	5,000	20,000	2	5	10			
	20,000		3	7	10			
<b>Maryland</b>								
			1	10				Class A = (grand)parent, spouse, child, lineal descendant, step child or parent Class B = all others* All real property bequeathed to spouse is exempt; \$100,000 of other property If transfer is < \$150, no tax is due *the aggregate sum of \$2,000, which was held in joint savings account passing to the spouse of a lineal descendant is taxed at 1 percent
	Tax on executor's commission is the greater of:							
	(a) 1 percent of the first \$20,000 of the estate or							
	(b) 10 percent of the total commission allowed							
	The limit on commission is as follows:							
	(a) on the first \$20,000 of estate—1 percent							
	(b) balance of estate over \$20,000—0.2 percent							
<b>Michigan</b>								
	0	50,000	2	12				Class A = (grand)parent, spouse, child, sibling, spouse of child Class B = all others No tax due if share of estate is < or = \$100 Exemptions: spouse \$65,000 an additional \$5,000 is exempt for widows with minor children if transfer qualifies for marital deduction under federal estate tax, the transfer is exempt other Class A \$10,000 Counties collect an additional 0.5 percent of the tax paid
	50,000	250,000	4	14				
	250,000	500,000	7	14				
	500,000	750,000	8	17				
	750,000		10	17				

Table 43 (cont.)  
**State Inheritance Tax Rates and Exemptions,  
 September 1989**

State	Value of Share before Exemption Applied		Rates According to Class (in percent)					Conditions
	Over	But Not Over	A	B	C	D	E	
<b>Montana</b>								
	0	25,000	2	4	6	8		Class A = spouse, child, lineal descendants, ancestor Class B = siblings, their descendants, spouse of child Class C = uncle, aunt, 1st cousin Class D = all others Exemptions: Class A property passing to spouse and lineal descendant exempt. Lineal ancestor, \$7,000 Class B \$1,000
	25,000	50,000	4	8	12	16		
	50,000	100,000	6	12	18	24		
	100,000		8	16	24	32		
<b>Nebraska</b>								
	0	5,000		6	6			Class A = parent, spouse, child, sibling, spouse or widow(er) of child, lineal descendant, anyone, who for 5 continuous years lived with the decedent Class B = uncle, aunt, their descendants, spouses of descendants Class C = all others Exemptions: Class A \$10,000 Class B \$2,000 Class C \$500 Tax is paid to and administered by county where decedent resided or had property
	5,000	10,000		6	9			
	10,000	20,000	1	6	12			
	20,000	50,000	1	6	15			
	50,000	60,000	1	6	18			
	60,000		1	9	18			
<b>New Hampshire</b>								
	There is a 15 percent tax rate for those not exempt. Those exempt include: spouse, lineal ascendants, lineal descendants, their spouses, legal guardians, step children, their spouses and lineal descendants.							
	There is a credit for taxes paid on prior transfers between siblings. If sibling died within two years, credit is 100 percent							
				3-4	80%			
				5-6	60%			
				7-8	40%			
				9-10	20%			
	Real property for nonresidents is taxed at same rate. Personal property is taxed at a flat 2 percent, no deductions or exemptions allowed.							
<b>New Jersey</b>								
	0	25,000				15		Class A = (grand)parents, child, issue of any child or legally adopted child of a decedent, mutually acknowledged child and stepchild Class C = brother or sister of decedent, wife or widow of decedent's son, or husband or widower of a daughter Class D = all others Class A exempt Class C \$25,000 Class B eliminated effective 7/1/63 If share is < \$500 there is no tax due Life insurance proceeds payable to a named beneficiary are not included in estate Spouse is exempt
	25,000	700,000			11	15		
	700,000	1,100,000			11	16		
	1,100,000	1,400,000			13	16		
	1,400,000	1,700,000			14	16		
	1,700,000				16	16		
<b>North Carolina</b>								
	0	5,000	1	4	8			Class A = lineal ancestor, descendant, adopted or stepchild, spouse of child if the child is not entitled to any beneficial interest Class B = siblings, their descendants, uncle, aunt Class C = all others Spouse is exempt Total credits due Class A if decedent dies on or after: 1/1/88-\$20,150 1/1/89-\$26,150 total credit divided among Class A cannot exceed total credit amount Priority given: 1) minors, children 18 or over who are single and unable to support themselves due to being mentally or physically incapacitated 2) others
	5,000	10,000	1	5	8			
	10,000	25,000	2	6	9			
	25,000	50,000	3	7	10			
	50,000	100,000	4	8	11			
	100,000	200,000	5	10	12			
	200,000	250,000	6	10	12			
	250,000	500,000	6	11	13			
	500,000	1,000,000	7	12	14			
	1,000,000	1,500,000	8	13	15			
	1,500,000	2,000,000	9	14	16			
	2,000,000	2,500,000	10	15	16			
	2,500,000	3,000,000	11	15	17			
	3,000,000		12	16	17			

Table 43 (cont.)

**State Inheritance Tax Rates and Exemptions,  
September 1989**

State	Value of Share before Exemption Applied		Rates According to Class (in percent)					Conditions
	Over	But Not Over	A	B	C	D	E	
<b>Pennsylvania</b>	0		6	15				Class A = (grand)parent, spouse, lineal descendant, spouse or widow(er) of child Class B = all others Exemptions: gift of < \$3,000 per year, proceeds from insurance, property held jointly with spouse, employment benefits, family exemption of \$2,000
<b>South Dakota</b>	0	15,000		3	4	5	6	Class A = lineal issue, adopted child, loco parentis Class B = lineal ancestor and (sibling who for at least 10 of 15 years operated business or farm with decedent) Class C = siblings, their descendants, spouse or widow(er) of child Class D = uncle, aunt, their descendants Class E = any others Exemptions deducted from first bracket: Class A spouse, child, lineal issue, adopted child: \$30,000 Class B lineal ancestor \$3,000 Class C \$500 Class D \$200 Class E \$100
	15,000	30,000		7.5	10	12.5	15	
	30,000	50,000	3.75	7.5	10	12.5	15	
	50,000	100,000	6	12	16	20	24	
	100,000		7.5	15	20	25	30	
<b>Tennessee</b>	0	40,000	5.5	5.5				Class A = spouse, child, lineal ancestor, descendant, siblings, spouse of children Class B = all others credit for gift tax paid for gifts made within three years of death Exemptions: the spouse Class A \$600,000 Class B 1989 \$350,000 1990 \$600,000 marital deduction = one-half value of taxable transfer
	40,000	200,000	6.5	6.5				
	200,000	240,000	6.5	6.5				
	240,000	300,000	7.5	7.5				
	300,000	440,000	7.5	7.5				
	440,000		9.5	9.5				
	after 1989, no distinction will be made between the classes							
<b>Wisconsin</b>	0	25,000	2.5	5	7.5	10		Class A = lineal ancestor, issue, spouse of child, adopted child Class B = siblings, their descendants Class C = uncle, aunt, their descendants Class D = all others Exemptions: the spouse is totally exempt Class A \$50,000 Class B \$1,000 Class C \$1,000 Class D \$500 government retirement plans First \$10,000 of tangible personal property, household furniture, appliances, except money Credit: If donee paid gift tax, tax paid applies as a credit for that donee against the estate or inheritance tax.
	25,000	50,000	5	10	15	20		
	50,000	100,000	7.5	15	22.5	20		
	100,000	500,000	10	20	20	20		
	The inheritance/gift tax is being phased out according to the following schedule: for deaths in 1988 tax reduced 20 percent							
			1989	40%				
			1990	60%				
			1991	80%				
			1992	100%				

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Reporter*, September 1989.

Table 44

State Gift Tax Rates and Exemptions, October 1989

State	Taxable Gift		Rate According to Class (in percent)				Considerations
	Over	But Not Over	A	B	C	D	
<b>Delaware</b>							
	\$0	\$25,000	1				Gifts given to spouse are exempt.
	25,000	50,000	2				
	50,000	75,000	3				
	75,000	100,000	4				
	100,000	200,000	5				
	200,000		6				
<b>Louisiana</b>							
	0	15,000	2				\$10,000 per donee per year is excluded from taxation. In addition, a \$30,000 lifetime exclusion is allowed for the donor. Gifts made by either spouse to a third party may be considered as being made one-half by each spouse.
	15,000		3				
<b>New York</b>							
	see estate tax rates						\$10,000 per donee per year is excluded from taxation. Unlimited marital deduction applies only to gifts given after September 30, 1983. Credits: if tentative tax 1) < or = \$2,750, credit = full amount of tax; 2) \$2,750 < tax < 5,000, credit = \$5,500 - tax; 3) > \$5,000, credit = \$500.
<b>North Carolina</b>			A	B	C		
	0	5,000	1	4	8	Class A = lineal issue, lineal ancestor, adopted child, or stepchild Class B = siblings, their descendants, uncle, aunt Class C = all others \$10,000 per donee per year is excluded from taxation. Exclusion does not apply to gifts of future interest in property. In addition, a \$100,000 lifetime exemption is allowed to the donor for gifts made to donees of Class A. Gifts to spouse are exempt. When a gift is made by either spouse to a third party, the donor may claim both the donor's annual exclusion and the spouse's annual exclusion provided both spouses consent and are residents of North Carolina when the gift is made.	
	5,000	10,000	1	5	8		
	10,000	25,000	2	6	9		
	25,000	50,000	3	7	10		
	50,000	100,000	4	8	11		
	100,000	200,000	5	10	12		
	200,000	250,000	6	10	12		
	250,000	500,000	6	11	13		
	500,000	1,000,000	7	12	14		
	1,000,000	1,500,000	8	13	15		
	1,500,000	2,000,000	9	14	16		
	2,000,000	2,500,000	10	15	16		
	2,500,000	3,000,000	11	15	17		
	3,000,000		12	16	17		
<b>South Carolina*</b>							
	0	40,000	6			\$10,000 per donee per year is excluded. In addition, a \$60,000 exclusion is allowed (on gifts made on or after 1/1/79). Unlimited marital deductions (with a few restrictions).	
	40,000	100,000	7				
	100,000		8				
<b>Tennessee</b>			A	B			
	0	40,000	5.5	6.5	Class A = spouse, child, step child, lineal ancestor, descendant siblings, spouse of child Class B = all others Gifts made by either spouse to a third party may be considered as being made one-half by each spouse. Marital Exemption: One-half of gift Exemptions: Class A = \$10,000 Class B = \$5,000		
	40,000	50,000	6.5	6.5			
	50,000	100,000	6.5	9.5			
	100,000	150,000	6.5	12.0			
	150,000	200,000	6.5	13.5			
	200,000	240,000	6.5	16.0			
	240,000	440,000	7.5	16.0			
	440,000		9.5	16.0			
<b>Wisconsin*</b>							
	see inheritance tax rates						\$10,000 per donee per year is excluded from taxation. Gifts made to spouse are completely exempt. One-time exemption of \$50,000 is allowed to gifts going to Class A. Gift tax reduced by 40% in 1989; 60% in 1990; 80% in 1991; and 100% thereafter.

\*This law has been repealed, effective 1/1/92.

Source: ACIR staff compilation from Commerce Clearing House, *State Tax Guide*, October 1989.

*Section V*

*Special Study:*

**Taxation of Telecommunications Activity,  
by State, 1989**

Table 45

## State Gross Receipts Taxation of Telecommunications Companies, 1989

State	Tax	Rate (in percent)	Tax Base	Access Charges Deductible	Tax in Lieu of
Alabama	Yes	2.5	Intrastate Service	Yes, by IXC and LEC	Nothing
Alaska	No	—	—	—	—
Arizona	No	—	—	—	—
Arkansas	No	—	—	—	—
California	No	—	—	—	—
Colorado	No	—	—	—	—
Connecticut	Yes	6.5-9.0	Intra and Interstate Service	Yes, by IXC	Personal Property Tax LECs Only
Delaware	Yes <sup>1</sup>	5.0	Intrastate Service <sup>1</sup>	NA	Nothing
District of Columbia	Yes	6.7	Intra and Interstate Service	Yes, by LEC	Personal Property Tax
Florida	Yes	1.5	Intra and Interstate Service	Yes, by LEC	Nothing
Georgia	No	—	—	—	—
Hawaii	No	—	—	—	—
Idaho	No	—	—	—	—
Illinois	No	—	—	—	—
Indiana	Yes <sup>2</sup>	1.20	Intrastate Service	No	May be in lieu of Income Tax
Iowa	No	—	—	—	—
Kansas	No	—	—	—	—
Kentucky	No <sup>3</sup>	—	—	—	—
Louisiana	Yes	2.0	Intrastate Service	Yes, by IXC	Nothing
Maine	No	—	—	—	—
Maryland	Yes	2.0	Intra and Interstate Service	Yes, by LEC	Corporation Income Tax <sup>4</sup>
Massachusetts	No	—	—	—	—
Michigan	No	—	—	—	—
Minnesota	Yes	3.0-5.5	Intrastate Service <sup>5</sup>	Yes, by IXC	Real Property Tax <sup>5</sup>
Mississippi	No	—	—	—	—
Missouri	No	—	—	—	—
Montana	Yes	1.725	Intrastate Service	No	Nothing
Nebraska	No	—	—	—	—
Nevada	No	—	—	—	—
New Hampshire	No	—	—	—	—
New Jersey	Yes	2.75-6.125	Intrastate Service	Yes, by LEC	Corporation Business Tax <sup>6</sup>
New Mexico	No	—	—	—	—
New York	Yes	3.3	Intra and Interstate Service	Yes, by LEC	Corporation Income Tax
North Carolina	No	—	—	—	—
North Dakota	No	—	—	—	—
Ohio	No	—	—	—	—
Oklahoma	No	—	—	—	—
Oregon	No	—	—	—	—
Pennsylvania	Yes	4.5	Intrastate Service	Yes, by IXC	Nothing
Rhode Island <sup>7</sup>	Yes	6.0	Intra and Interstate Service	Yes, by IXC	Corporation Income Tax
South Carolina	Yes	0.3	Intrastate Service	Pending	Nothing
South Dakota	No	—	—	—	—
Tennessee	No	—	—	—	—
Texas	No	—	—	—	—
Utah	No	—	—	—	—
Vermont <sup>8</sup>	Yes	2.25-5.25	Intra and Interstate Service	No	Corporation Income Tax
Virginia <sup>9</sup>	Yes	1.6	Intra and Interstate Service	Yes, by LEC	Corporation Income Tax
Washington	No <sup>10</sup>	—	—	—	—
West Virginia	No	—	—	—	—
Wisconsin <sup>11</sup>	Yes	6.333-8.073	Intra and Interstate Service	Yes, by IXC	Property Tax
Wyoming	No	—	—	—	—
Total	Yes = 18	Range = .03-9%	Intrastate = 9 Intra and Interstate = 9	Yes = 12	—



Table 45 (cont.)

State Gross Receipts Taxation of Telecommunications Companies, 1989

Notes

IXC—interexchange carrier

LEC—local exchange carrier

- <sup>1</sup> Residential consumers are exempt from this tax. Also, there is a tax based on miles of wire and number of telephone transmitters within the state.
- <sup>2</sup> Other corporations as well as utilities are subject to Indiana's gross earnings tax.
- <sup>3</sup> In Kentucky there is a 3.0% gross earnings license tax on LECs, which is administered at the county level.
- <sup>4</sup> Receipts subject to gross earnings tax are allowed as a deduction in computing corporation net income tax liability in Maryland.
- <sup>5</sup> IXCs have been exempt from gross receipts (earnings) tax since 1986. The gross receipts tax on the LEC will phase out from 4% (on rural LECs) and 7% (other LECs) from calendar year 1989-91. The Minnesota tax will sunset on 12/31/91.
- <sup>6</sup> Effective 1/1/90, IXCs exempt from gross receipts tax and subject to corporate business tax.
- <sup>7</sup> The Rhode Island special tax on telecommunications is being phased down according to the following schedule: 7% currently; 6% on 7/1/88; 5% on 7/1/89. An access charge deduction for IXCs will be phased in according to the following schedule: 50% deduction effective 7/1/87; 100% deduction effective 7/1/88.
- <sup>8</sup> Effective 6/30/91, the Vermont gross receipts tax will be repealed for IXCs and LECs. Effective 1/1/88, subject to income tax; effective 7/1/88, subject to personal property tax. Income and property taxes are allowed as a credit against gross receipts tax liability. Telephone companies with annual gross receipts of \$50 million or less may elect to pay the gross receipts tax and not the income and personal property tax.
- <sup>9</sup> The Virginia tax is the greater of a 6% income tax or a minimum tax on gross receipts at the following rates: 1.2% (1989 and 1990); 1.0% (1991); and decreasing 0.1% per year thereafter until the rate reaches 0.5% in 1996.
- <sup>10</sup> Since Washington levies a multistage, multirate gross earnings tax on all businesses (the business and occupations tax), that tax, as it applies to retail telephone service, is not considered a form of special gross receipts taxation for the purposes of this table.
- <sup>11</sup> Wisconsin's special tax rates are 8.073% on toll revenues and 6.333% on exchange revenues.

Sources: Compiled from Commerce Clearing House, *State Tax Guide*, and with the assistance of AT&T, MCI, BellSouth, Southwestern Bell, and US West.

Table 46

## State Sales Taxation of Telecommunications Services, 1989

State	Tax	Rate (in percent)	Tax Base
Alabama	Yes	4.0	Intrastate Service <sup>1</sup>
Alaska	No	—	—
Arizona	Yes	5.0	Intrastate Service
Arkansas	Yes	4.0	Intrastate and Interstate MTS
California	Yes	0.5 <sup>2</sup>	Intrastate MTS and WATS/800 Service
Colorado	Yes	3.0	Intrastate Service
Connecticut	Yes	8.0	Local, Intrastate, and Interstate Service
Delaware	No	—	—
District of Columbia	Yes	6.0	Local Service
Florida	Yes	6.0	Intrastate and Interstate Business Service
Georgia	Yes	4.0	Local Service
Hawaii	Yes	4.0	Interstate Service
Idaho	NA	—	—
Illinois	Yes	5.0	Intrastate and Interstate Service
Indiana	Yes	5.0	Intrastate Service
Iowa	Yes	4.0	Intrastate Service
Kansas	Yes	4.25	Intrastate Service
Kentucky	Yes	5.0	Intrastate Service
Louisiana	NA	—	—
Maine	Yes	5.0	Intrastate Service
Maryland	NA	—	—
Massachusetts	NA	—	—
Michigan	Yes	4.0	Intrastate Service
Minnesota	Yes	6.0	Intrastate Service and Interstate MTS and Outgoing WATS
Mississippi	Yes	6.0	Intrastate Service <sup>3</sup>
Missouri	Yes	4.225	Intrastate Service
Montana	No	—	—
Nebraska	Yes	4.0	Intrastate Service
Nevada	NA	—	—
New Hampshire	No	—	—
New Jersey	NA	—	—
New Mexico	Yes	3.75	Intrastate Service and Interstate (30% exempt) <sup>4</sup>
New York	Yes	4.0	Intrastate Service
North Carolina	Yes	3.0 and 6.5	Intrastate Service
North Dakota	Yes	4.0	Intrastate Service
Ohio	Yes	4.0	Intrastate and Interstate MTS
Oklahoma	Yes	4.0	Intrastate and Interstate Service
Oregon	No	—	—
Pennsylvania	Yes	6.0	Intrastate Service
Rhode Island	Yes	6.0	Intrastate, Interstate, and International Service
South Carolina	Yes	5.0	Local Service
South Dakota	Yes	5.5	Intrastate Service
Tennessee	Yes	5.5	Intrastate Service
Texas	Yes	5.0	Intrastate and Interstate Service
Utah	Yes	5.094	Intrastate Service
Vermont	NA	—	—
Virginia	NA	—	—
Washington	Yes	6.5	Intrastate and Interstate Service <sup>5</sup>
West Virginia	NA	—	—
Wisconsin	Yes	5.0	Intrastate and Interstate Service <sup>6</sup>
Wyoming	Yes	3.0	Intrastate Service
Total	Yes = 37	Range = 0.5-8.0%	Intrastate = 34 Interstate = 13 Local Only = 3 None = 14

Table 46 (cont.)

**State Sales Taxation of Telecommunications Services, 1989**

**Notes**

NA—is used when there is a statewide general retail sales tax, but it is not levied on telecommunications services.

<sup>1</sup> Alabama telephone service is not taxed under the sales tax statute; however, a 4% privilege tax, limited to utilities, is considered equivalent to a sales tax.

<sup>2</sup> In California, tax is a 911 surcharge.

<sup>3</sup> Mississippi and Tennessee have interpreted their statutes to include end user (customer) access charges, which are interstate services established by the FCC.

<sup>4</sup> The 30% exemption on interstate sales is intended to adjust for the intrastate portion of interstate service.

<sup>5</sup> Basic local exchange service is exempt.

<sup>6</sup> Wisconsin is the only state to include intra and interstate carrier access charges in the tax base. Similar provisions to apply the sales tax to access charges were repealed in South Carolina effective July 1, 1987, and in Maine effective January 1, 1988.

Sources: Compiled from Commerce Clearing House, *State Tax Guide*, and with the assistance of AT&T, MCI, BellSouth, Southwestern Bell, and US West.

Table 47

## State Corporation Income Taxation of Telecommunications Companies, 1989

State	Tax	Rate (in percent)	Comments
Alabama	Yes	5.0	—
Alaska	Yes	1.0-9.4	—
Arizona	Yes	2.5-10.5	—
Arkansas	Yes	1.0-6.0	—
California	Yes	9.3	—
Colorado	Yes	5.5-6.0	Effective July 1, 1989
Connecticut	Yes	11.5	—
Delaware	Yes	8.7	—
District of Columbia	Yes	10.25 <sup>1</sup>	—
Florida	Yes	5.5	—
Georgia	Yes	6.0	—
Hawaii	Yes	4.4-6.4	—
Idaho	Yes	8.0	—
Illinois	Yes	4.0	—
Indiana	Yes	7.9 <sup>2</sup>	Tax due is greater of gross receipts tax or adjusted gross income plus supplemental income tax
Iowa	Yes	6.0-12.0	—
Kansas	Yes	4.5-6.75	—
Kentucky	Yes	3.0-7.25	—
Louisiana	Yes	4.0-8.0	—
Maine	Yes	3.5-8.93	—
Maryland	Yes	7.0	Gross receipts tax deductible
Massachusetts	Yes	6.5	—
Michigan	Yes <sup>3</sup>	2.35	—
Minnesota	Yes	6.0-9.5	—
Mississippi	Yes	3.0-5.0	—
Missouri	Yes	5.0	—
Montana	Yes	6.75	—
Nebraska	Yes	4.75-6.65	—
Nevada	No	—	—
New Hampshire	Yes	8.0	—
New Jersey	NA	—	Gross receipts tax is in lieu <sup>4</sup>
New Mexico	Yes	4.8-7.6	—
New York	NA	—	Gross receipts tax is in lieu
North Carolina	Yes	7.0	—
North Dakota	Yes	3.0-10.5	—
Ohio	Yes	5.1-9.2	On IXC in lieu of gross receipts
Oklahoma	Yes	5.0	—
Oregon	Yes	6.6	—
Pennsylvania	Yes	8.5	—
Rhode Island	Yes	8.0	Gross receipts tax deductible
South Carolina	Yes	5.5 (1988), 5.0 (1989)	—
South Dakota	No	—	—
Tennessee	Yes	6.0	Less credit for gross receipts tax
Texas	No	—	—
Utah	Yes	5.0	—
Vermont	Yes	5.5-8.25	—
Virginia	Yes	6.0	Greater of minimum gross receipts tax or net income tax
Washington	No	—	—
West Virginia	Yes	9.6 <sup>5</sup>	—
Wisconsin	Yes	7.9	—
Wyoming	No	—	—
Total	Yes = 44	Range = 1.0-12.0%	

NA—is used when there is a corporate income tax, but it is not levied on telecommunications firms. When the state does not levy a corporate income tax, the response in column 2 is “No.”

IXC—interexchange carrier

<sup>1</sup> Includes surtax at 2.5%.

<sup>2</sup> This is a combination of a 3.4% adjusted gross income tax, plus a 4.5% supplemental net income tax on all corporations.

<sup>3</sup> Michigan levies a “single business” (value added) tax.

<sup>4</sup> Effective 1/1/90. IXCs are subject to the income tax but are exempt from the gross receipts tax.

<sup>5</sup> Rate is 9.6% as of 7/1/88, and decreases 0.15% per year to 9.0% by 7/1/92.

Sources: Compiled from Commerce Clearing House, *State Tax Guide*; and with the assistance of AT&T, MCI, BellSouth, Southwestern Bell, and US West.

Table 48

## State and Local Taxation of Telecommunications Property, 1989

State	Tax	Base	Assessment Practice
Alabama	Yes	Real and Personal	Centrally Assessed
Alaska	Yes	Real and Personal	Locally Assessed
Arizona	Yes	Real and Personal	Centrally Assessed
Arkansas	Yes	Real and Personal	Centrally Assessed
California	Yes	Real and Personal	Centrally Assessed
Colorado	Yes	Real and Personal	Centrally Assessed
Connecticut	Yes	Real and Personal	Locally Assessed
Delaware	Yes	Real and Personal	Locally Assessed
District of Columbia	Yes	Real and Personal	Locally Assessed
Florida	Yes	Real and Personal	Locally Assessed
Georgia	Yes	Real and Personal	Locally Assessed
Hawaii	Yes	Real	Locally Assessed
Idaho	Yes	Real and Personal	Centrally Assessed
Illinois	Yes	Real	Locally Assessed
Indiana	Yes	Real and Personal	Centrally Assessed
Iowa	Yes	Real and Personal	Centrally Assessed
Kansas	Yes	Real and Personal	Centrally Assessed
Kentucky	Yes	Real and Personal	Centrally Assessed
Louisiana	Yes	Real and Personal	Centrally Assessed
Maine	Yes	Real and Personal <sup>1</sup>	Centrally Assessed
Maryland	Yes	Real and Personal	Centrally Assessed
Massachusetts	Yes	Real and Personal	Locally Assessed
Michigan	Yes	Real and Personal	Centrally Assessed
Minnesota	Yes	Real <sup>2</sup>	Locally Assessed
Mississippi	Yes	Real and Personal	Centrally Assessed
Missouri	Yes	Real and Personal	Centrally Assessed
Montana	Yes	Real and Personal	Centrally Assessed
Nebraska	Yes	Real and Personal	Centrally Assessed
Nevada	Yes	Real and Personal	Centrally Assessed
New Hampshire	Yes	Real and Personal	Centrally Assessed
New Jersey	Yes	Real and Personal <sup>3</sup>	Locally Assessed
New Mexico	Yes	Real and Personal	Centrally Assessed
New York	Yes	Real	Locally Assessed
North Carolina	Yes	Real and Personal	Centrally Assessed
North Dakota	Yes	Real and Personal	Centrally Assessed
Ohio	Yes	Real and Personal <sup>1</sup>	Centrally or Locally Assessed
Oklahoma	Yes	Real and Personal	Centrally Assessed
Oregon	Yes	Real and Personal <sup>4</sup>	Centrally Assessed
Pennsylvania	Yes	Real	Centrally Assessed
Rhode Island	Yes	Real and Personal <sup>1</sup>	Centrally Assessed
South Carolina	Yes	Real and Personal	Centrally Assessed
South Dakota	Yes	Real and Personal <sup>5</sup>	Centrally Assessed
Tennessee	Yes	Real and Personal	Centrally Assessed
Texas	Yes	Real and Personal	Locally Assessed
Utah	Yes	Real and Personal	Centrally Assessed
Vermont	Yes	Real and Personal	Locally Assessed
Virginia	Yes	Real and Personal	Centrally Assessed
Washington	Yes	Real and Personal	Centrally Assessed
West Virginia	Yes	Real and Personal	Centrally Assessed
Wisconsin <sup>6</sup>	No		
Wyoming	Yes	Real and Personal	Centrally Assessed
<b>Total</b>	<b>Yes = 50</b>	<b>Real Only = 5 Real and Personal = 45</b>	<b>Locally Assessed = 14 Centrally Assessed = 36</b>

<sup>1</sup> Personal is centrally assessed; realty is locally assessed. All proceeds to localities.

<sup>2</sup> In 1987, Minnesota imposed a real property tax; the gross receipts tax will be gradually phased out by 1992.

<sup>3</sup> Effective 1/1/90, interexchange carriers are subject to the state business personal property tax. Local exchange carriers continue to be subject to the local personal property tax.

<sup>4</sup> In Oregon, rural telephone exchanges pay a gross earnings tax in lieu of a property tax. However, other telephone companies pay a property tax but no gross earnings tax.

<sup>5</sup> In South Dakota, rural telephone companies with gross receipts less than \$25 million are subject to a gross receipts tax in lieu of a property tax. Other telephone companies pay a property tax but no gross receipts tax.

<sup>6</sup> In Wisconsin, gross receipts tax is in lieu of real and personal property tax.

Sources: Compiled from Commerce Clearing House, *State Tax Guide*, and with the assistance of AT&T, MCI, BellSouth, Southwestern Bell, and US West.



# Definitions

The definitions of terms used in *Significant Features of Fiscal Federalism* are taken from U.S. Bureau of the Census, *State Government Finances in [year]* or *Governmental Finances in [year]*, and Tax Analysts, *The Tax Lexicon, 1989*.

**Accelerated Cost Recovery System (ACRS)**—A system of accelerated depreciation applicable to tangible property, referred to as cost recovery, which was introduced in the *Economic Recovery Tax Act of 1981*. The system must be used to compute the depreciation deduction for federal tax purposes for most tangible property placed in service after 1980 and before 1987. In general, a modified accelerated cost recovery program (MACRS) is now mandatory for property placed in service after 12/31/86.

**Accelerated Depreciation**—A method of depreciation resulting in larger deductions in the earlier years of the life of an asset than would result from application of the straight-line (i.e., equal annual depreciation expense) method, but which stops when a reasonable salvage value is attained.

**Adjusted Gross Income**—A tax computation unique to individuals, determined by subtracting a limited group of expenses from gross income.

**Alcoholic Beverages**—See *License Taxes and Sales and Gross Receipts Taxes*.

**Amusements**—See *License Taxes and Sales and Gross Receipts Taxes*.

**Capital Gain**—Gain from the actual or constructive sale or exchange of a capital asset.

**Capital Gain Net Income**—The excess of gains from the sale or exchange of a capital asset.

**Capital Loss**—A loss from the actual or constructive sale or exchange of a capital asset.

**Casualty Loss**—Physical damage to the taxpayer's property resulting from a casualty.

**Charitable Contribution**—Generally, gifts to charities. Only a limited class is deductible for federal income tax purposes.

**Circuit Breaker**—A type of residential property tax relief in which benefits depend on both income and/or wealth, and property tax payments. A circuit breaker usually takes one of two forms. Under the *threshold approach*, an "acceptable" tax burden is defined as some fixed percentage of household income (different percentages may be set for different income levels), and any tax above this portion of income is "excessive" and qualifies for relief. The por-

tion of income that is deemed an acceptable tax burden is the threshold level. Under the *sliding scale* approach, no threshold is defined. Rather, a fixed percentage of the property tax is rebated for each eligible taxpayer within an income class. The rebate percentage declines as income increases.

**Corporation Net Income Taxes**—Taxes on net income of corporations and unincorporated businesses (when taxed separately from individual income). Includes distinctively imposed net income taxes on special kinds of corporations (e.g., financial institutions).

**Credit**—An amount that offsets tax liabilities directly, as opposed to a deduction that offsets only income.

**Current Charges**—Amounts received from the public for performance of specific services benefiting the person charged, and from sales of commodities and services, except liquor store sales. Includes fees, assessments, and other reimbursements for current services, rents and sales derived from commodities or services furnished incident to the performance of particular functions, and gross income of commercial activities. Excludes amounts received from other governments and interdepartmental charges and transfers. Current charges are distinguished from license taxes, which relate to privileges granted by the government or regulatory measures for the protection of the public.

**Death and Gift Taxes**—Taxes imposed on transfer of property at death, in contemplation of death, or as a gift.

**Deduction**—An expense, whether paid in cash, in kind, or merely claimed on paper (e.g., depletion or depreciation), which is used as an offset in determining taxable income or a taxable estate.

**Dividend**—A distribution of money or property to stockholders of the distributing company in the ordinary course of business.

**Document and Stock Transfer Taxes**—Taxes on the recording, registering, and transfer of documents such as mortgages, deeds, and securities, except taxes on recording or transfer of motor vehicle titles, which are classified elsewhere.

**Domestic International Sales Corporation**—A domestic corporation, often a shell, that exports goods produced in the United States, meets various statutory tests, and makes a revocable election to be treated as a domestic international sales corporation (DISC). The DISC is exempt from federal income, personal holding company, and accumulated earnings taxes, but its shareholders are

taxed on a portion of the DISC's income whether or not distributed to them.

**Earned Income**—Wages, salaries, tips, and other employee compensation, plus net earnings from self-employment (or such net losses), excluding amounts received as a pension or an annuity, or not effectively connected with a United States trade or business received by nonresident aliens.

**Effective Tax Rate**—Tax rate based on economic income or wealth rather than taxable income or wealth usually expressed as a percentage of tax base.

**Excise Tax**—A tax imposed on manufacturing, selling, or using goods or on an occupation or activity. Taxes on property transfers are also viewed as excise taxes. Census classifies these taxes as selective sales taxes. For a list of related definitions, see *Sales and Gross Receipts Taxes, Selective Sales and Gross Receipts Taxes*.

**Exemption**—A deduction (after 1989, subject to indexing for inflation) granted to individuals under various circumstances. One class is the so-called personal exemption, available to individual taxpayers. The second type is the dependency exemption, which generally entitles individual taxpayers to a like deduction for each dependent.

**Fiscal Year**—The 12-month period at the end of which the government or any governmental agency determines its financial condition and the results of its operation and closes its books.

**General Sales or Gross Receipts Taxes**—See *Sales and Gross Receipts Taxes*.

**Gift Tax**—A cumulative, progressive excise tax imposed on the donor of a gift, measured by its fair market value, applicable only to individuals.

**Gross-Up**—Generally, to add the amount of the associated tax imposed on the transfer to the value of the property or income received.

**Homestead Exemption**—A specific dollar amount subtracted from the assessed value of a home. The assessed value minus the exemption equals the amount of taxable assessed value for property tax purposes. A closely related device is the *homestead credit*, which is an amount that is subtracted from the gross property tax rather than from the assessed value.

**Individual Income Taxes**—Taxes of individuals measured by net income and taxes distinctively imposed on special types of income (e.g., interest, dividends, income from intangibles, etc.).

**Inheritance Tax**—A tax imposed on the recipient of an inheritance, bequest, or devise from a decedent.

**Insurance Sales and Gross Receipts Taxes**—See *Sales and Gross Receipts Taxes*.

**Insurance Trust System**—A government-administered program for employee retirement and social insurance protection relating to unemployment compensation, workmen's compensation, and old age, survivors', disability, and health insurance. Insurance trust revenue comprises amounts from contributions required of employers and employees for financing these social insurance programs, and earnings on assets of such systems. Insurance

trust expenditure comprises only cash payments to beneficiaries (including withdrawals of contributions). The costs of administering insurance trust systems are classed as general expenditure. Insurance trust revenue and expenditure do not include any contributions of a government to a system it administers. Any amounts paid by a government as employer contributions to an insurance trust system administered by another government are classed as general expenditure for current operation, and as insurance trust revenue of the particular system and receiving government.

**Interest Earnings**—Interest earned on deposits and securities, including amounts for accrued interest on investment securities sold. However, receipts for accrued interest on bonds issued are treated as offsets to interest expenditure.

**Interest Expense**—Generally, the implicit or express price charged per unit of time for the use of a creditor's money, or for the creditor's forbearance in demanding repayment.

**Interest Expense Deduction**—A deduction allowed for interest paid or accrued in the taxable year.

**Jobs Credit, Targeted**—An elective credit for hiring unrelated individuals who are members of targeted groups. The credit applies to individuals who started work before 1988, and is somewhat lower for summer youth and cooperative educational students. The definitions have been changing rapidly in recent times, and the credit is subject to a "sunset" provision.

**License Taxes**—Taxes exacted (either for revenue raising or for regulation) as a condition to the exercise of a business or nonbusiness privilege, at a flat rate or measured by such bases as capital stock, capital surplus, number of business units, or capacity. Excludes taxes measured directly by transactions, gross or net income, or value of property except those to which only nominal rates apply. "Licenses" based on these latter measures, other than those at nominal rates, are classified according to the measure concerned. Includes "fees" related to licensing activities—automobile inspection, gasoline and oil inspection, professional examinations and licenses, etc.—as well as license taxes producing substantial revenues.

**Alcoholic Beverages**—Licenses for manufacturing, importing, wholesaling, and retailing alcoholic beverages other than those based on volume or value of transactions or assessed value of property.

**Amusements**—License taxes imposed on amusement businesses generally or on specific amusement enterprises (race tracks, theaters, athletic events, etc.) Does not include "licenses" based on value or number of admissions, amount of wagers, or gross or net income, which are classified elsewhere.

**Corporations in General**—Franchise license taxes, organization, filing and entrance fees, and other license taxes that are applicable, with specific exceptions, to all corporations. Does not include corporation taxes based on value of property, net income, or gross receipts from sales, or taxes imposed distinctively on particular types of corporations (public utilities, insurance companies, etc.).



**Hunting and Fishing**—Commercial and noncommercial hunting and fishing license and shipping permits.

**Motor Vehicles**—License taxes imposed on owners or operators of motor vehicles, commercial and noncommercial, for the right to use public highways, including charges for title registration and inspection of vehicles. Does not include personal property taxes or sales and gross receipts taxes relating to motor vehicles, taxes on motor carriers based on assessed value of property, gross receipts, or net income, or other taxes on the business of motor transport.

**Motor Vehicle Operators**—Licenses for privilege of driving motor vehicles, including private and commercial licenses.

**Occupations and Businesses, not elsewhere classified**—License taxes (including examination and inspection fees) required of persons engaging in particular professions, trades, or occupations, and such taxes on businesses not elsewhere classified. Includes charges relating to inspection and marketing of seed, feed, fertilizer, gasoline, oil, citrus fruit, and other commodities, and chain store licenses, as well as licenses relating to operation of particular business enterprises.

**Public Utilities**—License taxes imposed distinctively on public passenger and freight transportation companies, telephone, telegraph, and light and power companies, and other public utility companies, including government-owned utilities. Does not include taxes measured by gross or net income, units of service sold, or value of property.

**Other License Taxes**—License taxes not listed separately (e.g., animal licenses, marriage licenses, registration fees on pleasure boats and aircraft, individual permits to purchase liquor, and other nonbusiness privileges).

**Marginal Rate**—The rate of tax applied to the last dollar of the tax base. For example, if between \$16,000 and \$20,000 of taxable income were taxed at 20 percent and the taxpayer had \$16,500 of taxable income, the marginal rate on the last \$500 of income would be 20 percent.

**Marital Deduction**—An unlimited deduction used in determining taxable gifts or the taxable estate for interspousal transfers. After 12/31/81, generally all qualifying gifts and bequests between a husband and wife will pass without gift or estate tax liability because of the 100 percent marital deduction.

**Medical Expense Deduction**—An itemized deduction allowable to individuals for unreimbursed payments on their own behalf, and on behalf of their dependents for medical care and for certain drugs.

**Motor Fuels Sales Taxes**—See *Sales and Gross Receipts Taxes*.

**Motor Vehicle License Taxes**—See *License Taxes*.

**Natural Resources**—Government activities to conserve, promote, and develop agriculture, fish and game, forestry, and other soil and water resources, including geological

research, flood control, irrigation, drainage, and other conservation activities.

**Net Operating Loss (NOL)**—Generally, the excess of allowable deductions over gross income from a trade or business, with adjustments.

**Net Operating Loss Carrybacks**—Net operating losses applied to a taxable year earlier than the taxable year in which the loss arose. Generally, net operating losses are first carried back to the third year preceding the year of loss, and then to the second year preceding the year of loss, etc., until the loss is fully absorbed.

**Net Operating Loss Carryovers**—Net operating losses utilized in a taxable year after the year in which the loss was incurred. Generally, a net operating loss must be carried back three years before it is carried forward.

**Parimutuel Taxes**—See *Sales and Gross Receipts Taxes*.

**Pick-Up Tax, Estates**—A reference to the federal provision that a credit is given for federal estate tax purposes equal to the greater of actual state estate, inheritance, legacy, or succession taxes up to a dollar limit, to which some states react by imposing a tax equal to the allowable credit, or an addition sufficient to absorb the credit.

**Property Taxes**—Taxes conditioned on ownership of property and measured by its value. Includes general property taxes relating to property as a whole, real and personal, tangible or intangible, whether taxed at a single rate or at classified rates; and taxes on selected types of property, such as motor vehicles or certain or all intangibles.

**Public Utility Taxes**—See *License Taxes* and *Sales and Gross Receipts Taxes*.

**Safe Harbor Leases**—A colloquial term for a former system designed to allow transfers of the tax benefits associated with machinery and equipment.

**Sales and Gross Receipts Taxes**—Taxes, including “licenses” at more than nominal rates, based on volume or value of transfers of goods or services, on gross receipts therefrom, or on gross income, and related taxes based on use, storage, production (other than severance of natural resources), importation, or consumption of goods. Dealer discounts or “commissions” allowed to merchants for collection of taxes from consumers are excluded.

**General Sales or Gross Receipts Taxes**—Applicable with only specified exceptions to all types of goods, all types of goods and services, or all gross income, whether at a single rate or at classified rates. Taxes imposed distinctively on sales of or gross receipts from selected commodities, services, or businesses are reported separately under categories listed below.

**Selective Sales and Gross Receipts Taxes**—Imposed on sales of particular commodities or services or gross receipts of particular businesses, separately and apart from the application of general sales and gross receipts taxes.

**Alcoholic Beverages**—Taxes on alcoholic beverages, retail and/or wholesale.

**Amusements**—Taxes on admission tickets or admission charges and on gross receipts of all or specified types of amusement businesses.

**Insurance**—Taxes imposed distinctively on insurance companies and measured by gross premiums or adjusted gross premiums.

**Motor Fuels**—Taxes on gasoline, diesel oil, and other fuels used in motor vehicles, including aircraft fuel. Any amounts refunded are deducted from gross collections.

**Parimutuel**—Taxes measured by amounts wagered at race tracks, including “breakage” collected by the government.

**Public Utilities**—Taxes imposed distinctively on public passenger and freight transportation companies, telephone, telegraph, and light and power companies, and other public utility companies and measured by gross receipts, gross earnings, or units of service sold. Taxes levied on such companies on other bases are classified elsewhere in accordance with the nature of papers.

**Tobacco Products**—Taxes on tobacco products, including cigarette tubes and papers.

**Severance Taxes**—Imposed distinctively on removal of natural product—e.g., oil, gas, other minerals, timber,

fish, etc., from land or water and measured by value of quantity of products removed or sold.

**Social Security Tax (Federal Insurance Contributions Act—FICA)**—A term often used for the tax imposed on both employers and employees to provide funds for old age, disability, and medical benefits.

**State or Local Tax**—A tax imposed by a state or possession of the United States or any of their political subdivisions, or the District of Columbia. Such taxes are deductible from federal individual income taxes if they are (1) real property taxes, (2) personal property taxes, or (3) income, war profit, and excess profit taxes.

**Taxes**—Compulsory contributions exacted by a government for public purposes, except employee and employer assessments for retirement and social insurance purposes, which are classified as insurance trust revenue. All tax revenue is classified as general revenue and comprises amounts received (including interest and penalties but excluding protested amounts and refunds) from all taxes imposed by a government.

**Tobacco Products Taxes**—See *Excise Taxes*.

**Unearned Income**—Generally, income from investments.

**Unified Gift and Estate Tax Credit**—A reference to a feature of the present unified transfer tax system under which a limited amount of combined transfers may be made free of estate and gift taxes.

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