

Personal Income Tax Policy in West Virginia

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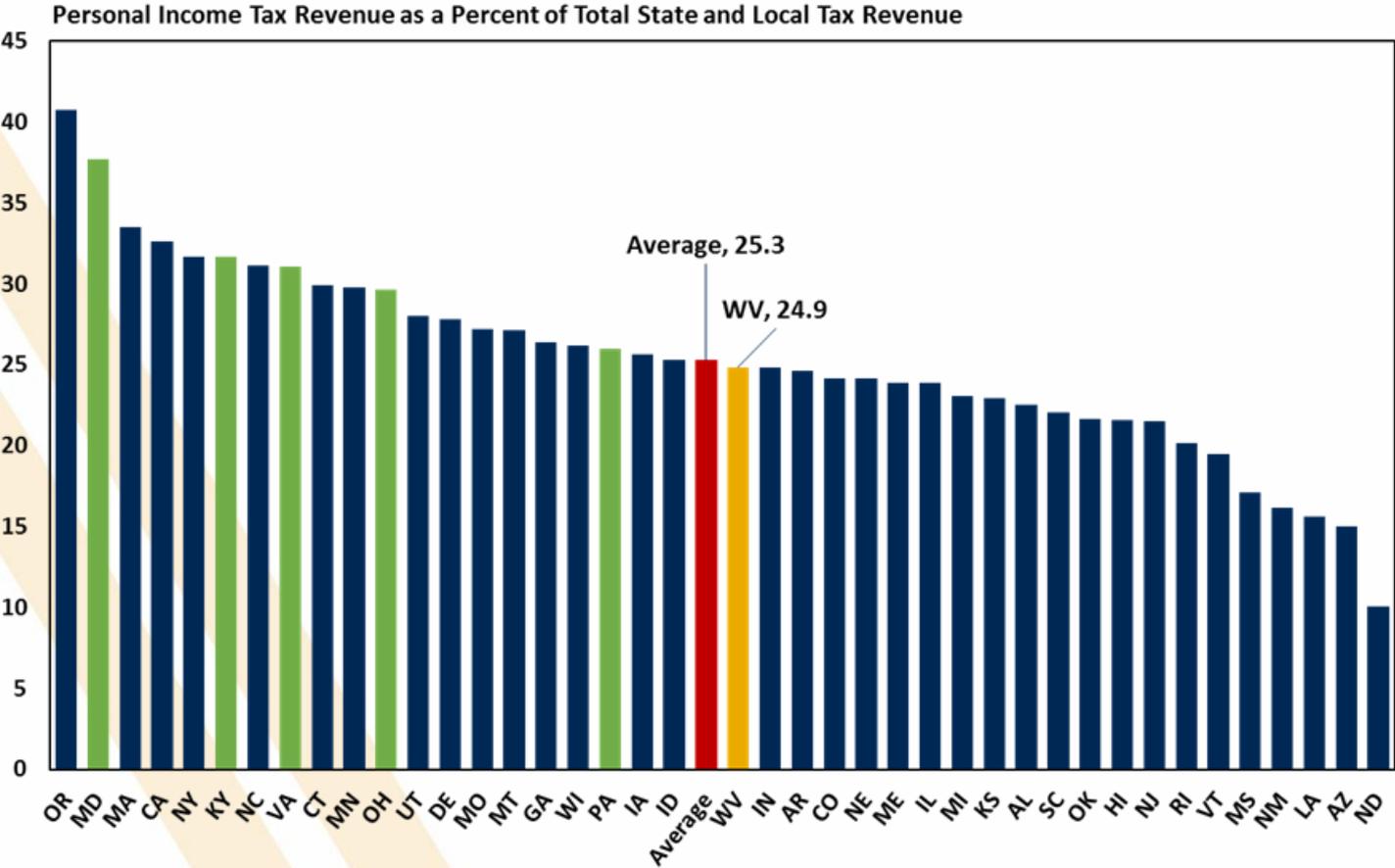
Joint Select Committee on Tax Reform
August 2016

Bureau of Business & Economic Research
College of Business & Economics
West Virginia University
www.be.wvu.edu/bber

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Rate Comparison

PIT Revenue as a Share of Total State and Local Revenue

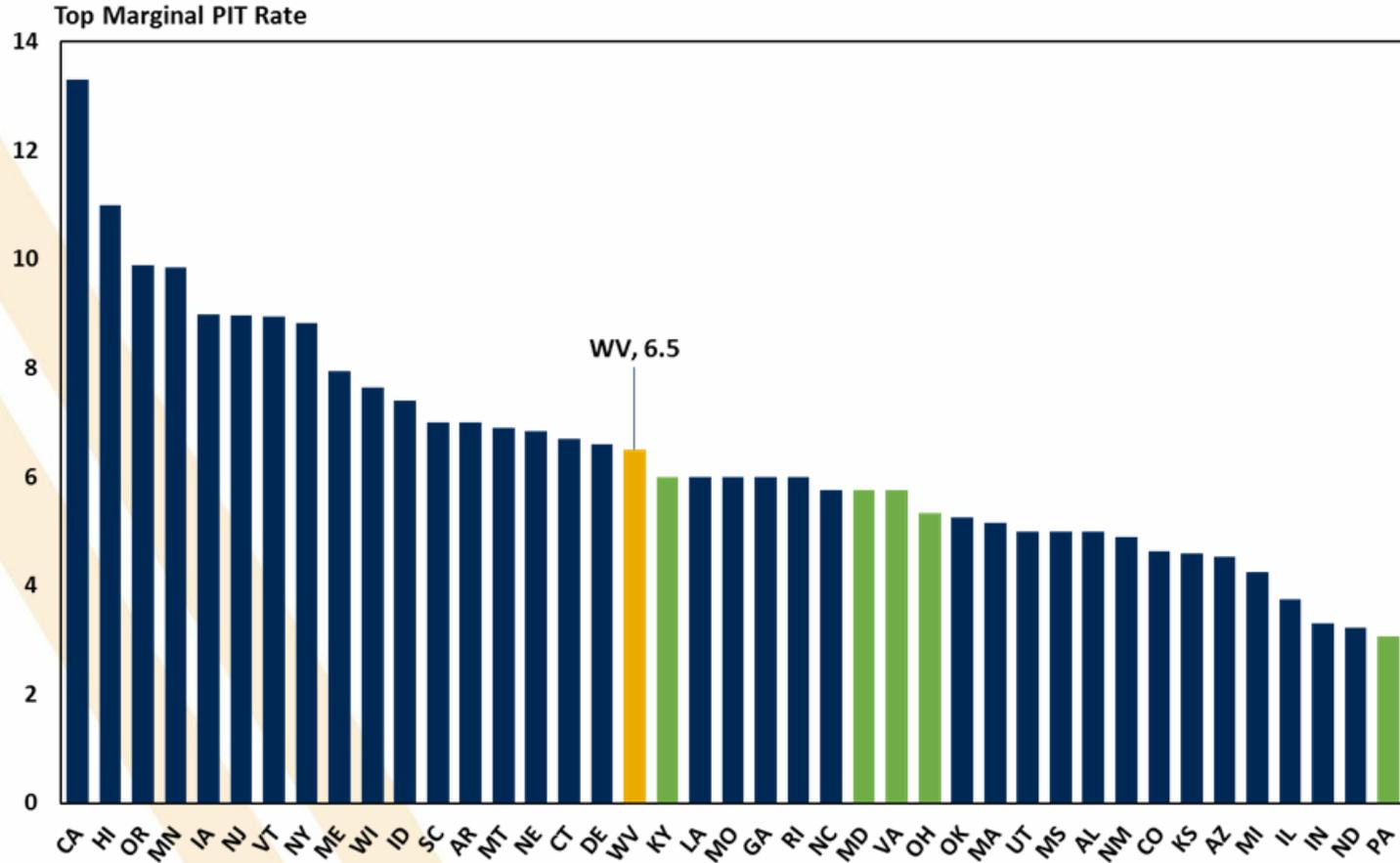


Source: State and Local Government Finance, US Census Bureau
 Note: Based on the 41 states that impose a broad-based personal income tax

PIT Rate Structure, 1988 to Present

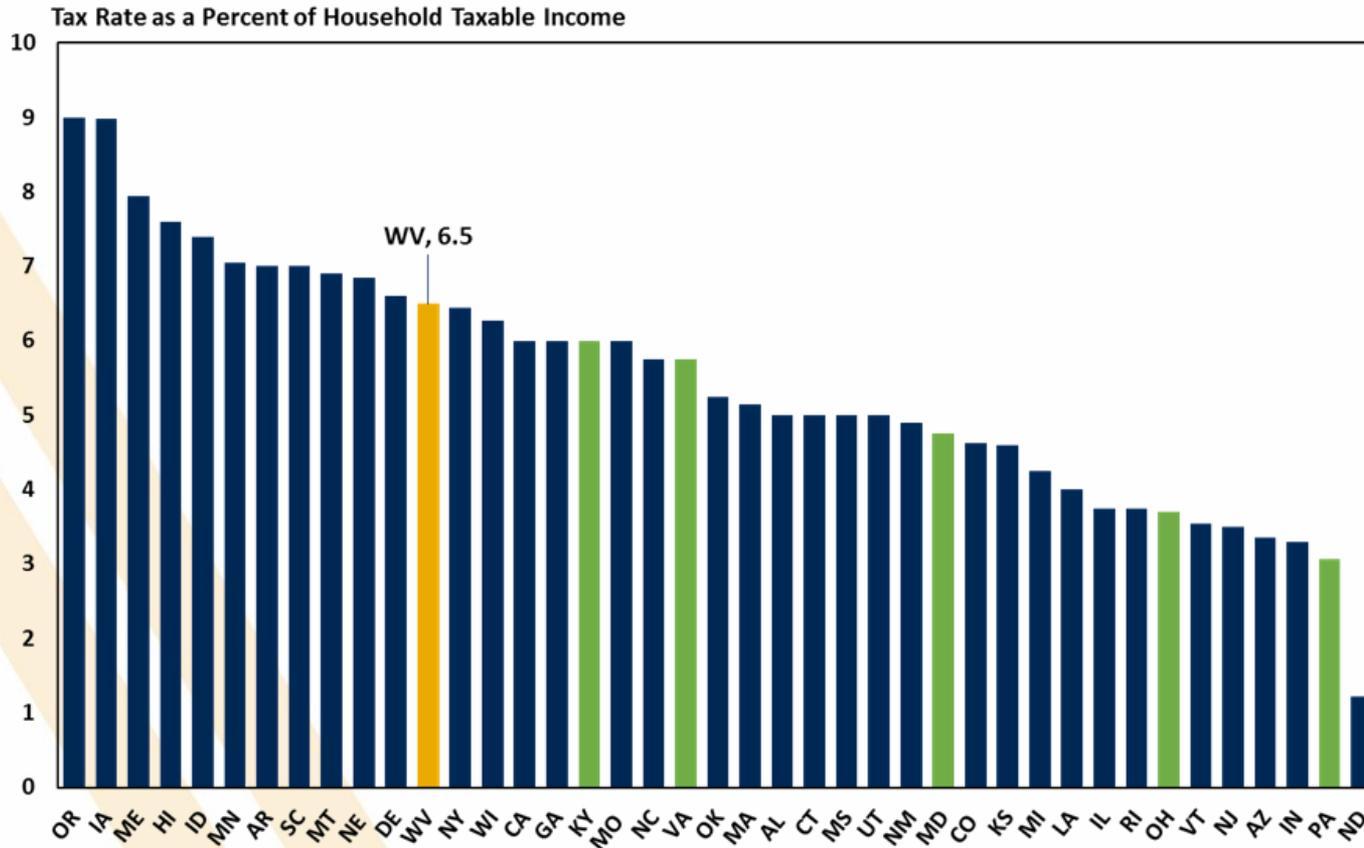
All Taxpayers EXCEPT Married Filing Separately		Married Filing Separately	
Taxable Income	Marginal Tax Rate	Taxable Income	Marginal Tax Rate
0 – 10,000	3.0%	0 – 5,000	3.0%
10,001 – 25,000	4.0%	5,001 – 12,500	4.0%
25,001 – 40,000	4.5%	12,501 – 20,000	4.5%
40,000 – 60,000	6.0%	20,001 – 30,000	6.0%
> 60,000	6.5%	> 30,000	6.5%

Top Marginal PIT Rate, Married Filing Jointly



Source: Tax Foundation

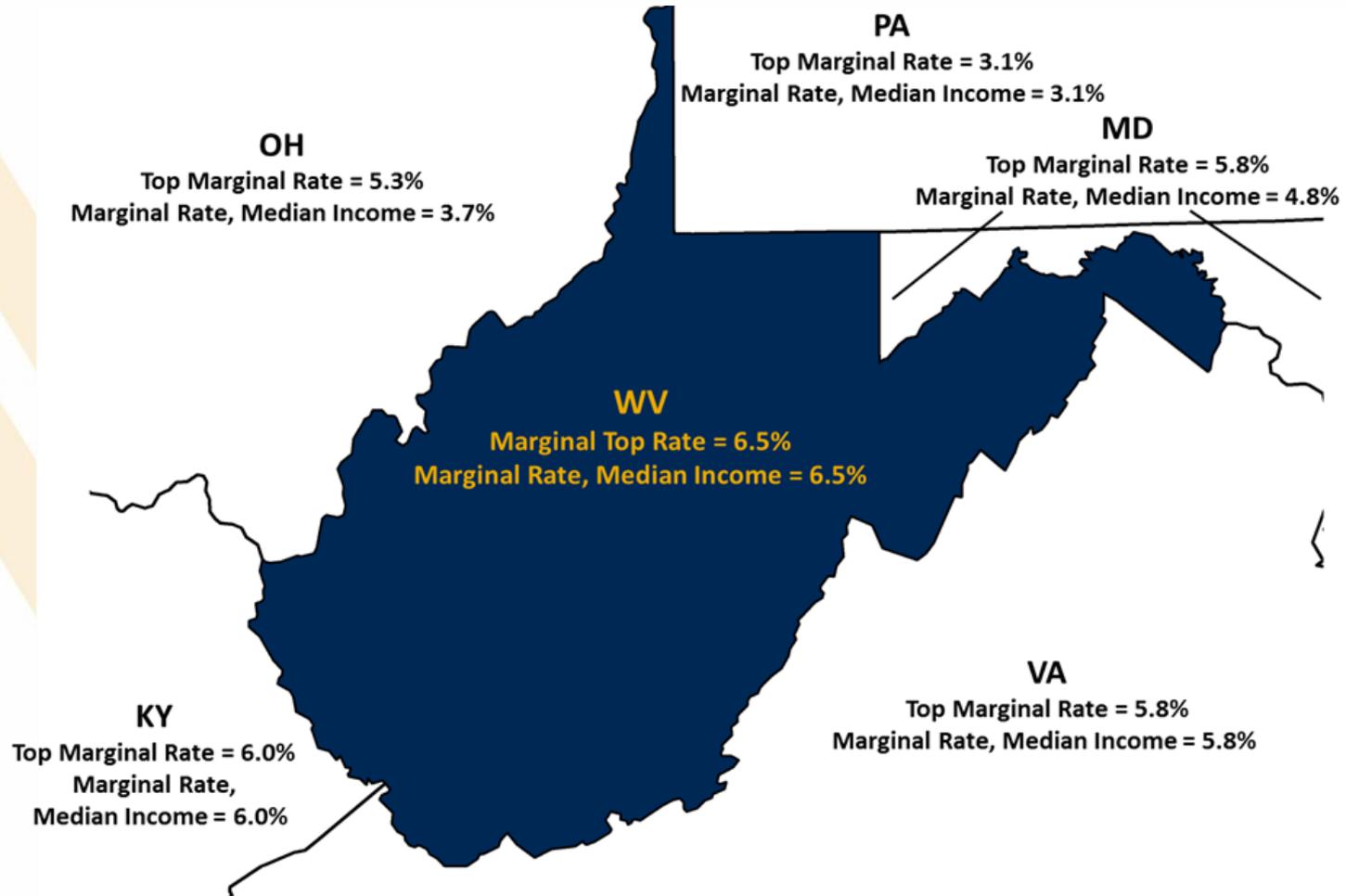
Marginal PIT Rate, Median Income, Married Filing Jointly, Two Dependents



Source: Data on tax rates come from the Tax Foundation; Data on median income come from the 2014 American Community Survey, US Census Bureau.

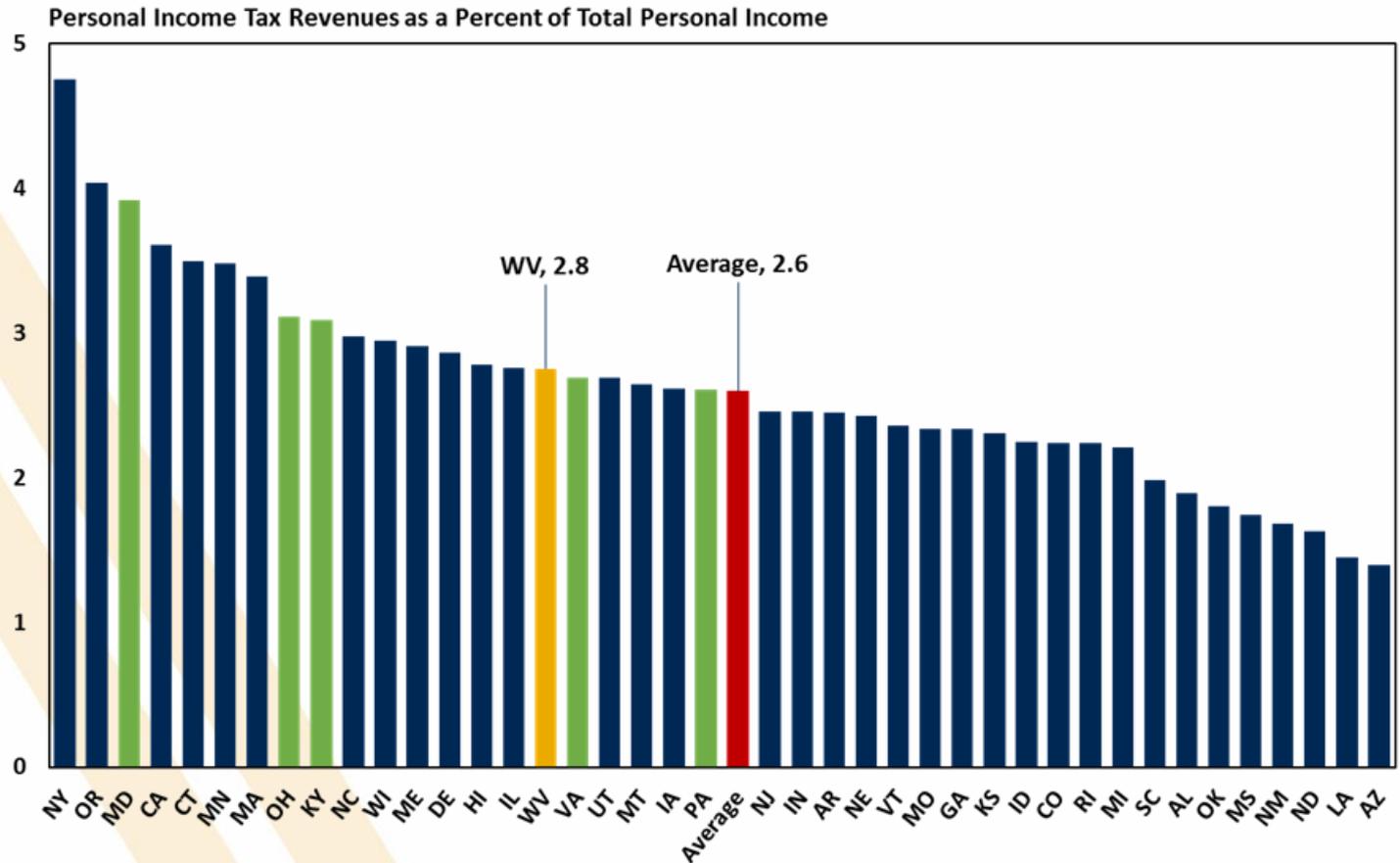
Note: Taxable income is estimated by subtracting the 2014 US Median Income by the state's standard deduction and personal exemption.

West Virginia and Neighboring States



Note: Rates represent the marginal tax rates for married couples with two dependents, filing jointly

PIT Revenue as a Share of Total Personal Income



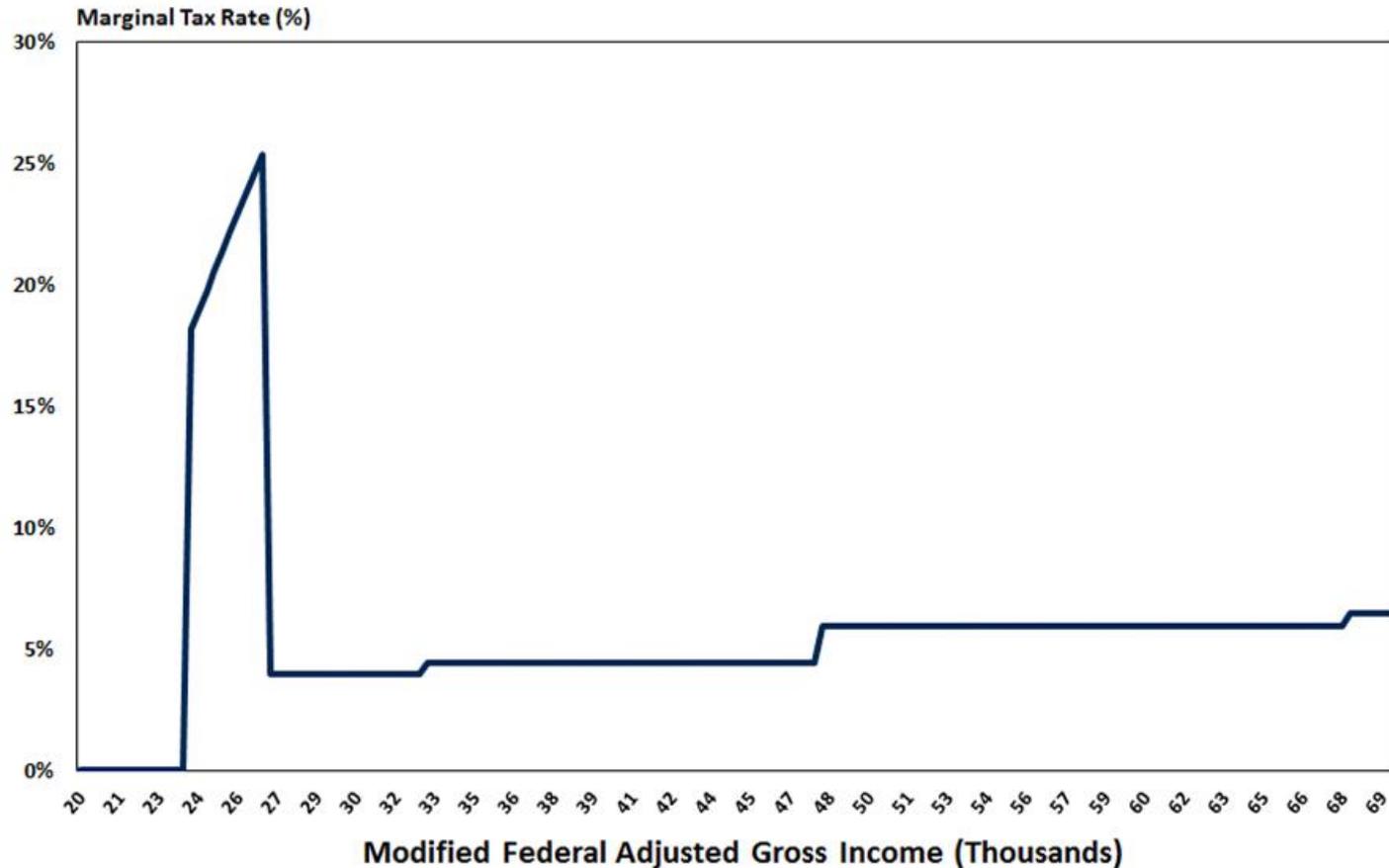
Sources: Tax revenue data come from the State and Local Government Finance, US Census Bureau; Total personal income data come from the Bureau of Economic Analysis.

Note: Based on the 41 states that impose a broad-based personal income tax

PIT Preferences for Low-Income Families

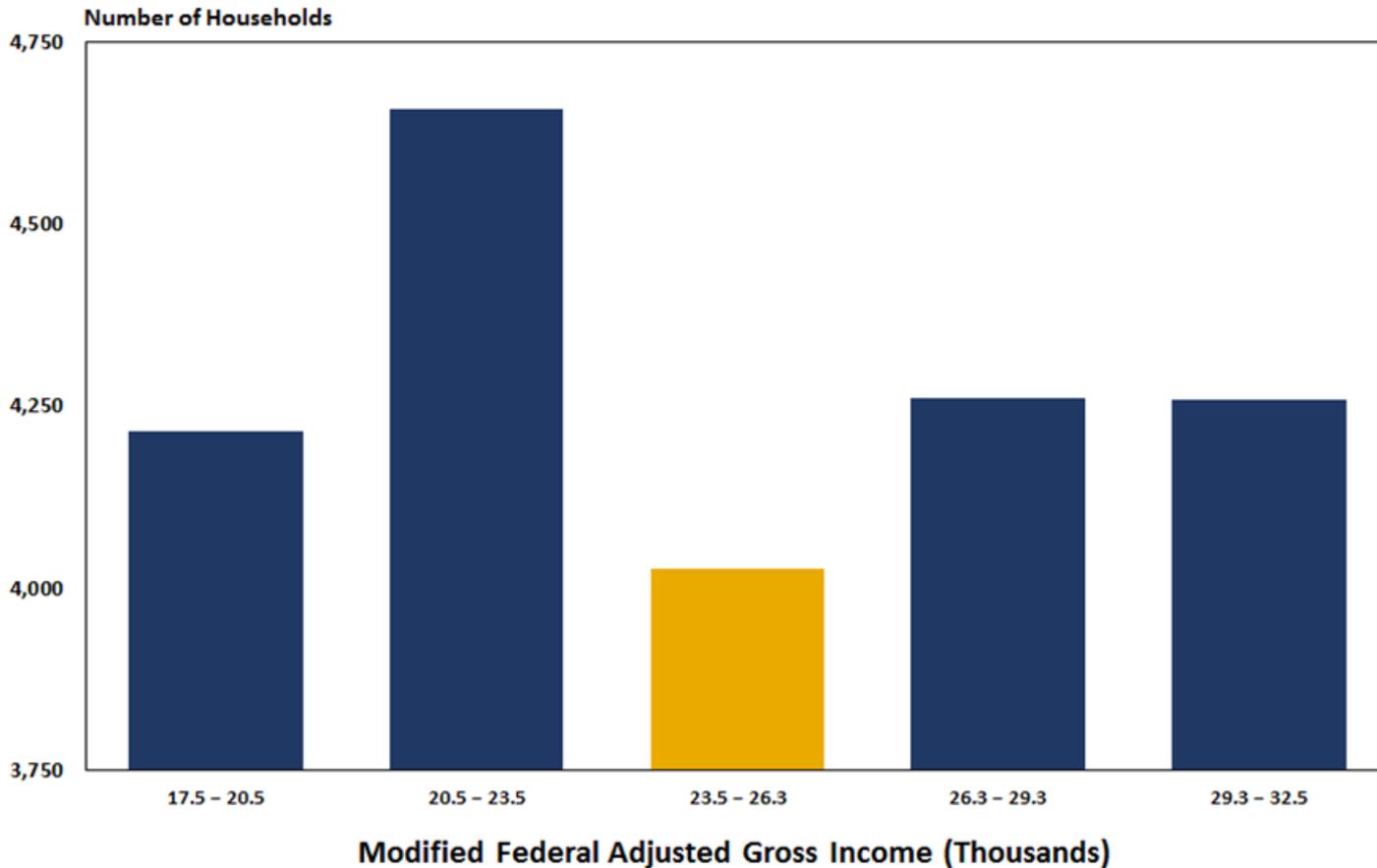
- **Low Income Earned Income Exclusion**
 - Exempts all earned income for individuals whose AGI is below \$10,000.
- **Family Tax Credit**
 - Household with four family members (married filing jointly) receive a 100 percent tax credit if their AGI does not exceed \$23,550.
 - Phased out between \$23,550 and \$26,250 (threshold amounts indexed to inflation).

Marginal PIT Rate, WV, Married Couple Filing Jointly, Two Dependents

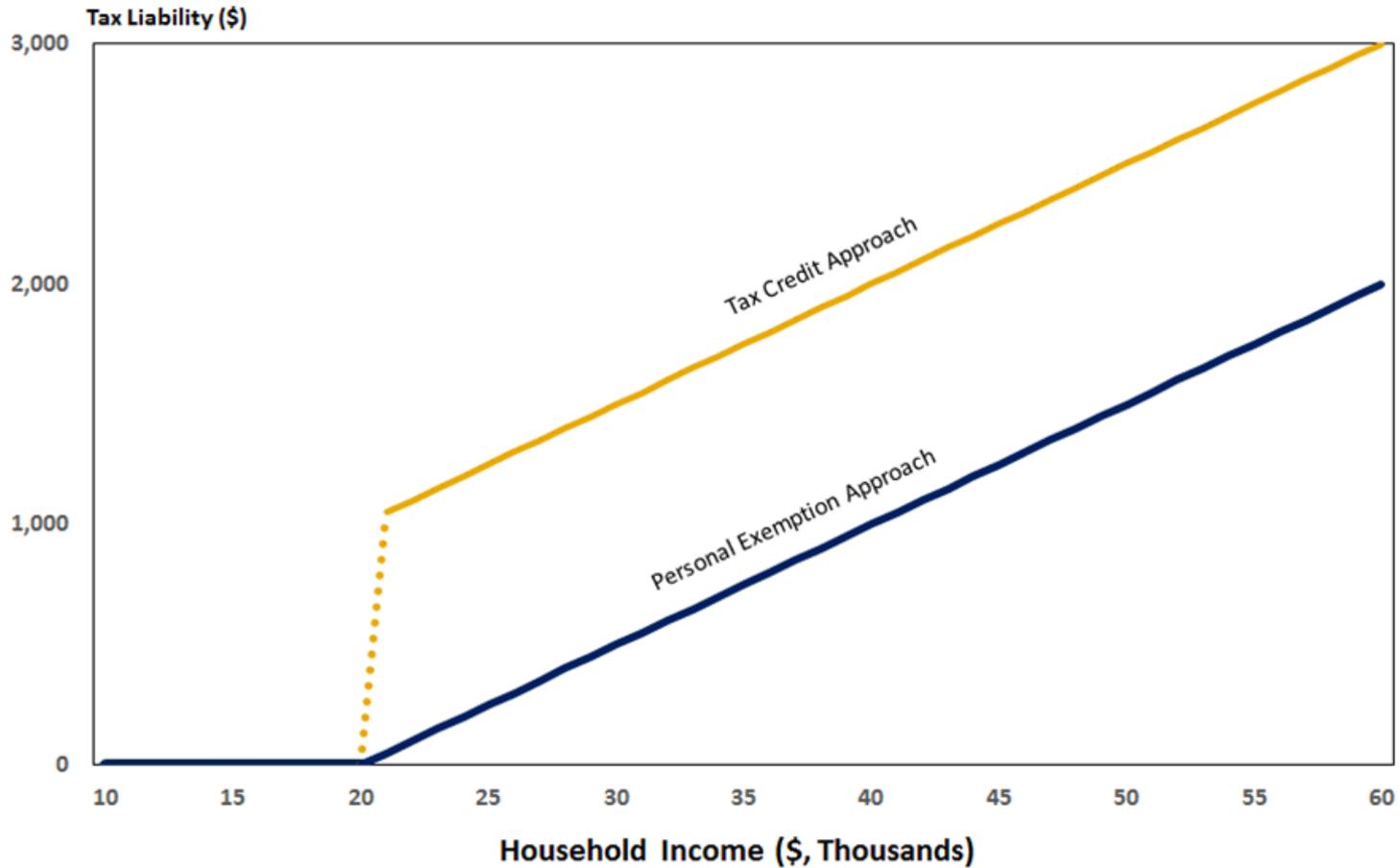


Note: Calculation is based on the Family Tax Credit for the 2014 tax year. Taxable income is calculated by subtracting the personal exemption from modified federal adjusted gross income.

Number of Tax Returns by Income Group, Married Filing Jointly, Two Dependents



Effect of Personal Exemption vs. Tax Credit



Note: Figure assumes a flat tax structure with a 5 percent rate.

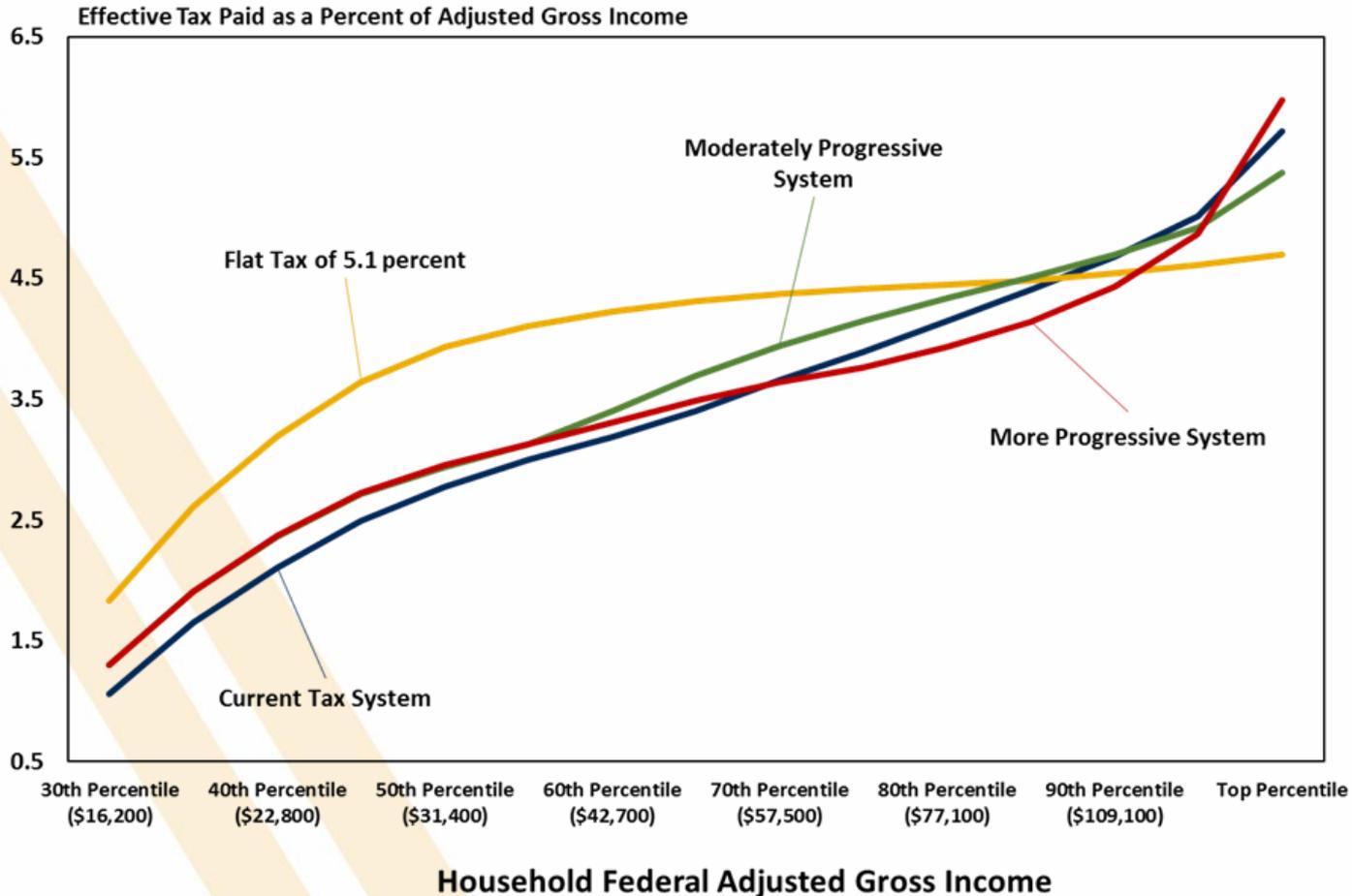


Tax Reform Scenarios

Alternative Tax Rate Schedules

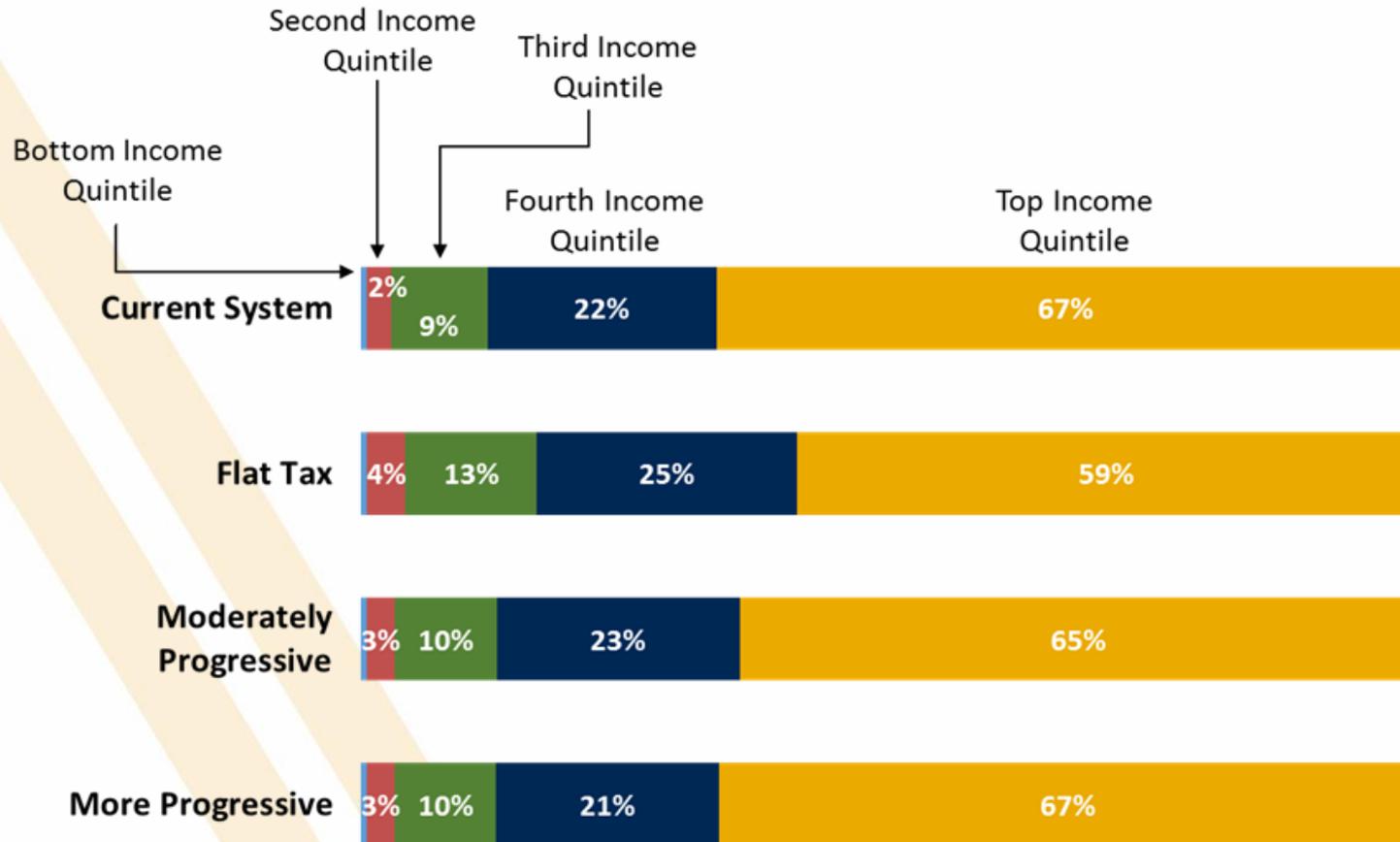
Current System		Structure 1: Flat Rate Alternative	Structure 2: Moderately Progressive Alternative		Structure 3: More Progressive Alternative	
Taxable Income	Rate		Taxable Income	Rate	Taxable Income	Rate
0-\$10,000	3.0%	Single rate of 5.1% applied to all taxable income.	0 - \$30,000 >\$30,000	3.8% 6.0%	0-\$30,000	4.0%
\$10,001 - \$25,000	4.0%				\$30,001 - \$60,000	5.0%
\$25,001 - \$40,000	4.5%				\$60,001 - \$80,000	6.0%
\$40,000 - \$60,000	6.0%				\$80,001 - \$100,000	6.5%
>\$60,000	6.5%				>\$100,000	7.0%
Personal Exemption						
\$2,000		\$2,000	\$2,000		\$2,500	
Actual/Expected Revenue (Millions) (Percent Deviation from Current)						
\$1,619		\$1,637 (+ 1.1%)	\$1,626 (+ 0.4%)		\$1,624 (+0.3%)	

Average Tax Rate Under Various Scenarios



Note: Tax rates below the 30th percentile are less than 1 percent under all scenarios

Tax Incidence Under Various Scenarios



Indexing PIT Brackets to Inflation

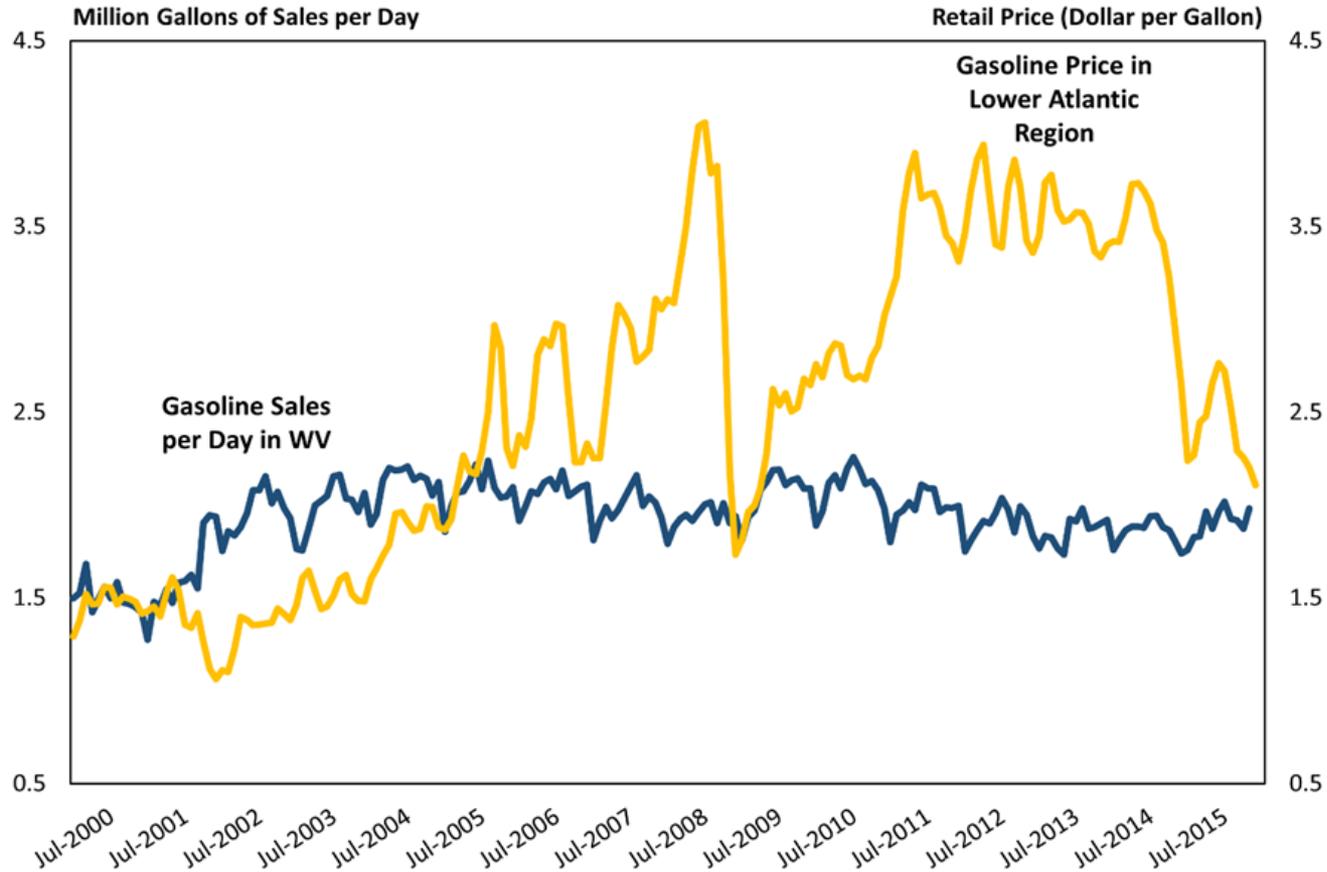
- Our brackets have not changed since 1988.
- “Bracket creep” has led to a more flat tax system and has increased revenue.
- 2023 PIT Revenue – Indexing versus bracket creep:
 - Without adjusting brackets for inflation, 2023 revenue will be approximately \$80 million (3.5 percent) higher compared to a situation in which we do index brackets.

Credits and Modifications Affecting Senior Citizens

- Exempting Social Security Income from Taxation
- Increasing the Senior citizen or Disability Deduction
- Expanding the Military Retirement Modification

Gasoline Excise Tax

Demand Response to Gasoline Price Fluctuations



Notes: Gasoline Retail Price represents the price for the Lower Atlantic Region
Source: US Energy Information Administration