

MAJOR REPLACEMENT ALTERNATIVES FOR WASHINGTON TAXES

Calendar 2005

Taxes on Good and Services	Description	Estimated Impact
1 Value added tax	<ul style="list-style-type: none"> • Single rate at 1.1% • Base includes services 	• \$2.1 billion*
2 Unified goods and services tax (<i>multi-stage tax</i>)	<ul style="list-style-type: none"> • Rate at 4% • Base includes services 	• \$7.7 billion*
3 Modified VAT/flat tax on wages (<i>true business and occupation tax</i>)	<ul style="list-style-type: none"> • Single rate at 4.2% on wages and value added • \$20,000 rebate/household 	• \$7.7 billion*
Taxes on Business and Personal Income		
4 Corporate net income tax <ul style="list-style-type: none"> • Based on federal taxable income • Evenly weighted three-factor apportionment (payroll, property, and sales) • Consolidated reporting 	<ul style="list-style-type: none"> • All corporate ("S" and "C" corporations) • Rate is 16% to replace B&O 	• \$2.3 billion
	<ul style="list-style-type: none"> • "C" corporations only • Rate is 22% to replace B&O 	• \$2.3 billion
5 Flat rate personal income tax <ul style="list-style-type: none"> • Based on federal AGI • 1% rate • No exemptions 	<ul style="list-style-type: none"> • Includes all personal income • Implies corporate income tax 	• \$1.639 billion
	<ul style="list-style-type: none"> • Excludes Schedule C, E, and F income (sole proprietors, partnerships and farm) 	• \$1.502 billion
6 Flat rate personal income tax <ul style="list-style-type: none"> • Based on federal AGI • 1% rate • \$5,000 per exemption 	<ul style="list-style-type: none"> • Includes all personal income • Implies corporate income tax 	• \$1.356 billion
	<ul style="list-style-type: none"> • Excludes Schedule C, E, and F income (sole proprietors, partnerships and farm) 	• \$1.228 billion
7 Graduated personal. income tax <ul style="list-style-type: none"> • Based on federal AGI • 3%, 4.5%, 5.5% rates • Thresholds for married filing jointly (IRS projections): <ul style="list-style-type: none"> • 3% up to \$49,900 • 4.5% - \$49,900 to \$120,000 • 5.5% over \$120,000 	<ul style="list-style-type: none"> • Includes all personal income • Implies corporate income tax 	• \$6.653 billion
	<ul style="list-style-type: none"> • Excludes Schedule C, E, and F income (sole proprietors, partnerships and farm) 	• \$6.013 billion

*Impacts are based on calibrations by Neil Bruce. All others are the estimates based on the results of Department simulation modeling.