

Blue Proposal

1. Eliminate corporate income tax
 - a. Retain current tax structure for financial sector
2. Eliminate state sales tax
3. Business Net Receipts Tax
 - a. Transition to include two years of “information filings”, to get administration in order
 - b. Needed rulemaking authority to fill in details
 - c. Exemption (zero bracket) for small businesses [TBD]
 - d. Not applicable to banks, etc.
4. Coordination of Local Sales Tax and Business Net Receipts Tax
 - a. Small businesses have option of paying sales tax or NRT, with NRT going to the locality.
 - b. Large firms pay an additional “local” NRT [LNRT] calculated by regulation to be as equal as possible to what would have been paid in sales tax.
 - c. Prospectively, localities adopting local sales tax would also be imposing a corresponding LNRT, as computed by state tax authorities
5. Personal Income Tax remains the same as at present, except:
 - a. Revenue from taxation of capital gains would be divided roughly in three:
 - b. One-third of the moving five-year average receipts would go to General Fund
 - c. One half of the balance could be used for one-time expenditures, such as debt reduction or pension liability prepayment
 - d. One-half of the balance for Rainy Day Fund.
6. Fuel Tax:
 - a. Revenue could be used to reduce PIT for low and moderate income taxpayers as partial offset to regressivity of the Fuel Tax,
 - b. Or, drop this option because it will have negligible impact on climate change, and is otherwise inferior to NRT as a revenue source.

Option A: reduce top marginal rate by 1%: What distributional and revenue impact?

Option B: Put an investment tax credit (not just a “deduction”) in the NRT

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