SAMPLE PACKAGES & HOW THEY ADDRESS TOP PROBLEM AREAS*

VALUE ADDED TAXES INCOME TAXES ADJUSTMENTS

Problem areas	Package 1	Package 2	Package 3	Package 4	Package 5	Package 6	Package 7
addressed	1 uchage 1	r uchuge 2	1 uchuge c	I uchage !	1 uchage c	1 uchage o	r uchage /
	Neutrality	Erosion, Neutrality,	Neutrality/	Regressivity	More Progressive	Regressivity/	Adjustments
	Emphasis	Transparency	Regressivity	Emphasis		Neutrality	
Tax Change	Subtraction Method Business VAT Replaces B&O	Invoice Method GST Replaces B&O and Sales Tax	Progressive VAT Replaces B&O	Flat Personal Income Tax Buys Down RST and State Prop Tax Levy	Graduated Personal income Tax Buys Down RST and State Prop Tax Levy	Flat Personal Income Tax Buys Down RST and State Prop Tax Levy. Corporate Income Tax Replaces B&O	Homestead Extend Senior exemption, Tax on Services, Streamline, B&O apportionment, Rainy Day Fund, Resolution to Congress
Regressivity		Broad base GST could be more regressive if on food, medical services, etc.	Progressive VAT provides mechanism for low income relief.	Flat Incometax is proportional instead of regressive.	Graduated Income tax is progressive.	Flat Incometax is proportional instead of regressive.	Homestead exemption and/or extend Senior exemption.
Erosion of Tax Base		GST base can be broadened, e.g. business services could be included.		Less reliance on RST.	Less reliance on RST.	Less reliance on RST.	Sales tax on services. Streamlined sales tax
Neutrality	Subtraction method VAT removes pyramiding.	GST removes pyramiding.	Progressive VAT removes pyramiding.			Corporate income tax does not pyramid.	B&O apportionment
Adequacy/ Volatility				Flat Personal Income Tax is less volatile than RST	Graduated Personal Income tax is more volatile than RST	Flat Personal Income Tax is less volatile than RST. Corporate Income tax is more volatile than B&O.	Rainy Day Fund
Transparency (Business Taxes)		Consumer sees business portion of GST.					
Exportability				Flat Personal Income Tax is exportable	Graduated Personal Income tax is exportable	Flat Personal Income tax is exportable	Resolution to Congress

^{*}The top problem areas come from the 11 problem statements that the Committee gave the highest problem ratings. The 11 statements were grouped into the 6 major areas. Other alternatives address other problem areas. For example, sales tax exemption on construction labor addresses economic vitality. For purposes of these sample packages, only alternatives that addressed the top issues were included. Other alternatives can be added.

Effect on Other Tax Principles

VALUE ADDED TAXES

INCOME TAXES

ADJUSTMENT

	Package 1	Package 2	Package 3	Package 4	Package 5	Package 6	Package 7
	Neutrality Emphasis	Erosion, Neutrality, Transparency	Neutrality/ Regressivity	Regressivity Emphasis	More Progressive	Regressivity/ Neutrality	Adjustments
Vitality	Origin based tax is a disadvantage for exports.		Origin based tax is a disadvantage for exports.	May put upward pressure on wages.	May put upward pressure on wages.	May put upward pressure on wages.	
Simplicity	More complicated for business.	More complicated for business	More complicated for business.	Individuals will have to file returns.	Individuals will have to file returns.	Individuals will have to file returns.	
Home Ownership							
Tax Harmony	Different than other states.	Different than other states.	Different than other states.	Similar to other states	Similar to other states	Similar to other states.	
Other Equity	Vertically integrated and non-vertically integrated firms are taxed the same.	Vertically integrated and non-vertically integrated firms are taxed the same.	Vertically integrated and non-vertically integrated firms are taxed the same.			Business does not have a high tax burden in low profit years.	