

**SAMPLE PACKAGES & HOW THEY ADDRESS TOP PROBLEM AREAS\***

|                                      | VALUE ADDED TAXES                                       |   |   | INCOME TAXES  |  |  | ADJUSTMENTS  |
|--------------------------------------|---|---|---|---|--|--|--|
| <u>Problem areas addressed</u>       | Package 1   | Package 2   | Package 3   | Package 4   | Package 5  | Package 6  | Package 7  |
|                                      | <u>Neutrality Emphasis</u>                              | <u>Erosion, Neutrality, Transparency</u>  | <u>Neutrality/Regressivity</u>                            | <u>Regressivity Emphasis</u>  | <u>More Progressive</u>  | <u>Regressivity/Neutrality</u>   | <u>Adjustments</u>   |
| <u>Tax Change</u>                    | <b>Subtraction Method Business VAT Replaces B&amp;O</b> | <b>Invoice Method GST Replaces B&amp;O and Sales Tax</b>                          | <b>Progressive VAT Replaces B&amp;O</b>                   | <b>Flat Personal Income Tax Buys Down RST and State Prop Tax Levy</b> | <b>Graduated Personal income Tax Buys Down RST and State Prop Tax Levy</b> | <b>Flat Personal Income Tax Buys Down RST and State Prop Tax Levy.</b><br><br><b>Corporate Income Tax Replaces B&amp;O</b> | <b>Homestead Extend Senior exemption, Tax on Services, Streamline, B&amp;O apportionment, Rainy Day Fund, Resolution to Congress</b> |
| <u>Regressivity</u>                  |   | <b>Broad base GST could be more regressive if on food, medical services, etc.</b> | Progressive VAT provides mechanism for low income relief. | Flat Income tax is proportional instead of regressive.                | Graduated Income tax is progressive.                                       | Flat Income tax is proportional instead of regressive.   | Homestead exemption and/or extend Senior exemption.  |
| <u>Erosion of Tax Base</u>           |   | 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   |
| <u>Neutrality</u>                    | Subtraction method VAT removes pyramiding.              | GST removes pyramiding.   | Progressive VAT removes pyramiding.                       |   |  | Corporate income tax does not pyramid.   | B&O apportionment  |
| <u>Adequacy/ Volatility</u>          |   |   |   | Flat Personal Income Tax is less volatile than RST                    | <b>Graduated Personal Income tax is more volatile than RST</b>             | Flat Personal Income Tax is less volatile than RST.<br><b>Corporate Income tax is more volatile than B&amp;O.</b>          | Rainy Day Fund   |
| <u>Transparency (Business Taxes)</u> |   | Consumer sees business portion of GST.  |   |   |  |  |  |
| <u>Exportability</u>                 |   |   |   | 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.

