

Income Tax and Property Tax Burdens for Hypothetical Taxpayers: Calendar Years 2009 & 2010
Impact of Certain Proposals on Homestead Rebates and Gross Income Tax
Assuming 4.0% Property Tax Growth

	Taxpayer A	Taxpayer B	Taxpayer C	Taxpayer D	Taxpayer E	Taxpayer F
Family Type	Retired Couple	Family of Four	Family of Four	Family of Four	Family of Four	Family of Four
Total Income	\$40,000	\$40,000	\$75,000	\$200,000	\$500,000	\$1,200,000
Combined Net Tax* 2009	\$4,400	\$3,786	\$7,611	\$16,806	\$44,038	\$121,650
Tax as % of Total Income	11.0%	9.5%	10.1%	8.4%	8.8%	10.1%
Combined Net Tax* 2010	\$5,720	\$4,919	\$8,904	\$17,143	\$42,452	\$110,052
Tax as % of Total Income	14.3%	12.3%	11.9%	8.6%	8.5%	9.2%
Net Tax Change	\$1,320	\$1,132	\$1,293	\$337	-\$1,586	-\$11,598

* Combined Net Tax consists of the gross income tax, including the EITC, local property taxes, and the Homestead Rebate. Proposals consist of the expiration of the 1-year income tax changes under P.L.2009, c.69, and the reduction in the Earned Income Tax Credit (EITC) and the shift of the Homestead Rebate to CY 2011 in the Governor's Budget Message. See attachment for greater detail. Prepared by OLS (Revenue, Finance, and Appropriations Section) at the request of the Senate Majority Office.

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	<u>CY 2009</u>	<u>CY 2010</u>	<u>Change</u>
Taxpayer A: Retired Couple, Limited Income			
Total Income: from Social Sec + Pension	\$40,000	\$40,000	\$0
NJ Taxable Income	\$0	\$0	\$0
Income Tax	\$0	\$0	\$0
Less EITC	\$0	\$0	\$0
Property Tax	\$5,500	\$5,720	\$220
Less Homestead Rebate (20.00% prop. tax)	\$1,100	\$0	-\$1,100
Combined Net GIT and Property Tax	\$4,400	\$5,720	\$1,320
Combined Net Tax as % of Total Income	11.0%	14.3%	3.3%

Taxpayer B: Family of 4, Lower Income			
Total Income	\$40,000	\$40,000	\$0
NJ Taxable Income	\$30,500	\$30,320	-\$180
Income Tax	\$464	\$461	-\$3
Less EITC	\$278	\$222	-\$56
Property Tax	\$4,500	\$4,680	\$180
Less Homestead Rebate (20.00% prop. tax)	\$900	\$0	-\$900
Combined Net GIT and Property Tax	\$3,786	\$4,919	\$1,132
Combined Net Tax as % of Total Income	9.5%	12.3%	2.8%

Taxpayer C: Family of 4, Average Income			
Total Income	\$75,000	\$75,000	\$0
NJ Taxable Income	\$62,500	\$62,200	-\$300
Income Tax	\$1,111	\$1,104	-\$7
Less EITC	\$0	\$0	\$0
Property Tax	\$7,500	\$7,800	\$300
Less Homestead Rebate (13.34% prop. tax)	\$1,001	\$0	-\$1,001
Combined Net GIT and Property Tax	\$7,611	\$8,904	\$1,293
Combined Net Tax as % of Total Income	10.1%	11.9%	1.7%

Taxpayer D: Family of 4, Above Average Income			
Total Income	\$200,000	\$200,000	\$0
NJ Taxable Income	\$186,000	\$185,640	-\$360
Income Tax	\$7,806	\$7,783	-\$23
Less EITC	\$0	\$0	\$0
Property Tax	\$9,000	\$9,360	\$360
Less Homestead Rebate	\$0	\$0	\$0
Combined Net GIT and Property Tax	\$16,806	\$17,143	\$337
Combined Net Tax as % of Total Income	8.4%	8.6%	0.2%

Taxpayer E: Family of 4, Wealthy			
Total Income	\$500,000	\$500,000	\$0
NJ Taxable Income*	\$495,000	\$485,000	-\$10,000
Income Tax	\$29,038	\$26,852	-\$2,186
Less EITC	\$0	\$0	\$0
Property Tax	\$15,000	\$15,600	\$600
Less Homestead Rebate	\$0	\$0	\$0
Combined Net GIT and Property Tax	\$44,038	\$42,452	-\$1,586
Combined Net Tax as % of Total Income	8.8%	8.5%	-0.3%

* CY 2009 did not allow maximum \$10,000 property tax deduction for those >\$250,000 income.

Taxpayer F: Family of 4, Wealthy			
Total Income	\$1,200,000	\$1,200,000	\$0
NJ Taxable Income*	\$1,195,000	\$1,185,000	-\$10,000
Income Tax	\$101,650	\$89,252	-\$12,398
Less EITC	\$0	\$0	\$0
Property Tax	\$20,000	\$20,800	\$800
Less Homestead Rebate	\$0	\$0	\$0
Combined Net GIT and Property Tax	\$121,650	\$110,052	-\$11,598
Combined Net Tax as % of Total Income	10.1%	9.2%	-1.0%

* CY 2009 did not allow maximum \$10,000 property tax deduction for those >\$250,000 income.

Note: Family of 4 = married couple with 2 dependent children, for \$5,000 personal exemptions.
Proposals consist of the expiration of the 1-year income tax changes under P.L.2009, c.69, and the reduction in the Earned Income Tax Credit (EITC) and the shift of the Homestead Rebate to CY 2011 in the Governor's Budget Message.
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Income Tax and Property Tax Burdens for Hypothetical Taxpayers: Calendar Years 2009 & 2010
Impact of Certain Proposals on Homestead Rebates and Gross Income Tax
Assuming 2.5% Property Tax Growth

	Taxpayer A	Taxpayer B	Taxpayer C	Taxpayer D	Taxpayer E	Taxpayer F
Family Type	Retired Couple	Family of Four	Family of Four	Family of Four	Family of Four	Family of Four
Total Income	\$40,000	\$40,000	\$75,000	\$200,000	\$500,000	\$1,200,000
Combined Net Tax* 2009	\$4,400	\$3,786	\$7,611	\$16,806	\$44,038	\$121,650
Tax as % of Total Income	11.0%	9.5%	10.1%	8.4%	8.8%	10.1%
Combined Net Tax* 2010	\$5,638	\$4,852	\$8,794	\$17,016	\$42,227	\$109,752
Tax as % of Total Income	14.1%	12.1%	11.7%	8.5%	8.4%	9.1%
Net Tax Change	\$1,238	\$1,066	\$1,183	\$210	-\$1,811	-\$11,898

* Combined Net Tax consists of the gross income tax, including the EITC, local property taxes, and the Homestead Rebate. Proposals consist of the expiration of the 1-year income tax changes under P.L.2009, c.69, and the reduction in the Earned Income Tax Credit (EITC) and the shift of the Homestead Rebate to CY 2011 in the Governor's Budget Message. See attachment for greater detail. Prepared by OLS (Revenue, Finance, and Appropriations Section) at the request of the Senate Majority Office.

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	<u>CY 2009</u>	<u>CY 2010</u>	<u>Change</u>
Taxpayer A: Retired Couple, Limited Income			
Total Income: from Social Sec + Pension	\$40,000	\$40,000	\$0
NJ Taxable Income	\$0	\$0	\$0
Income Tax	\$0	\$0	\$0
Less EITC	\$0	\$0	\$0
Property Tax	\$5,500	\$5,638	\$137
Less Homestead Rebate (20.00% prop. tax)	\$1,100	\$0	-\$1,100
Combined Net GIT and Property Tax	\$4,400	\$5,638	\$1,238
Combined Net Tax as % of Total Income	11.0%	14.1%	3.1%

Taxpayer B: Family of 4, Lower Income			
Total Income	\$40,000	\$40,000	\$0
NJ Taxable Income	\$30,500	\$30,388	-\$113
Income Tax	\$464	\$462	-\$2
Less EITC	\$278	\$222	-\$56
Property Tax	\$4,500	\$4,613	\$113
Less Homestead Rebate (20.00% prop. tax)	\$900	\$0	-\$900
Combined Net GIT and Property Tax	\$3,786	\$4,852	\$1,066
Combined Net Tax as % of Total Income	9.5%	12.1%	2.7%

Taxpayer C: Family of 4, Average Income			
Total Income	\$75,000	\$75,000	\$0
NJ Taxable Income	\$62,500	\$62,313	-\$188
Income Tax	\$1,111	\$1,107	-\$5
Less EITC	\$0	\$0	\$0
Property Tax	\$7,500	\$7,688	\$187
Less Homestead Rebate (13.34% prop. tax)	\$1,001	\$0	-\$1,001
Combined Net GIT and Property Tax	\$7,611	\$8,794	\$1,183
Combined Net Tax as % of Total Income	10.1%	11.7%	1.6%

Taxpayer D: Family of 4, Above Average Income			
Total Income	\$200,000	\$200,000	\$0
NJ Taxable Income	\$186,000	\$185,775	-\$225
Income Tax	\$7,806	\$7,791	-\$14
Less EITC	\$0	\$0	\$0
Property Tax	\$9,000	\$9,225	\$225
Less Homestead Rebate	\$0	\$0	\$0
Combined Net GIT and Property Tax	\$16,806	\$17,016	\$211
Combined Net Tax as % of Total Income	8.4%	8.5%	0.1%

Taxpayer E: Family of 4, Wealthy			
Total Income	\$500,000	\$500,000	\$0
NJ Taxable Income*	\$495,000	\$485,000	-\$10,000
Income Tax	\$29,038	\$26,852	-\$2,186
Less EITC	\$0	\$0	\$0
Property Tax	\$15,000	\$15,375	\$375
Less Homestead Rebate	\$0	\$0	\$0
Combined Net GIT and Property Tax	\$44,038	\$42,227	-\$1,811
Combined Net Tax as % of Total Income	8.8%	8.4%	-0.4%

* CY 2009 did not allow maximum \$10,000 property tax deduction for those >\$250,000 income.

Taxpayer F: Family of 4, Wealthy			
Total Income	\$1,200,000	\$1,200,000	\$0
NJ Taxable Income*	\$1,195,000	\$1,185,000	-\$10,000
Income Tax	\$101,650	\$89,252	-\$12,398
Less EITC	\$0	\$0	\$0
Property Tax	\$20,000	\$20,500	\$500
Less Homestead Rebate	\$0	\$0	\$0
Combined Net GIT and Property Tax	\$121,650	\$109,752	-\$11,898
Combined Net Tax as % of Total Income	10.1%	9.1%	-1.0%

* CY 2009 did not allow maximum \$10,000 property tax deduction for those >\$250,000 income.

Note: Family of 4 = married couple with 2 dependent children, for \$5,000 personal exemptions.
Proposals consist of the expiration of the 1-year income tax changes under P.L.2009, c.69, and the reduction in the Earned Income Tax Credit (EITC) and the shift of the Homestead Rebate to CY 2011 in the Governor's Budget Message.
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