Abstract:
This paper provides documentation for a tax calculator program that models federal and state personal income taxes at a high level of detail for a large number of years. The current edition of the program covers federal personal income tax law from 1913 through 2016 (with projected future law through 2027), and state income tax laws from 1900 through 2015. The documentation explains the structure of the program, provides a variable-by-variable description of the data, and supplies references to sources of information on historical tax laws. [JEL Classifications: H20, H24, H71. Keywords: Personal Income Taxation, Federal Income Tax, State Income Tax.]

Jon Bakija
Department of Economics
Williams College
Williamstown, MA 01267
jbakija@williams.edu

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## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgements</td>
<td>p. 2</td>
</tr>
<tr>
<td>I. Overview</td>
<td>p. 3</td>
</tr>
<tr>
<td>II. Structure of the program</td>
<td>p. 3</td>
</tr>
<tr>
<td>III. Sources of information</td>
<td>p. 10</td>
</tr>
<tr>
<td>IV. Capabilities, limitations, and technical details of <em>IncTaxCalc</em>, and comparison with Internet <em>Taxsim</em></td>
<td>p. 12</td>
</tr>
<tr>
<td>V. Testing</td>
<td>p. 21</td>
</tr>
<tr>
<td>VI. Input data set</td>
<td>p. 23</td>
</tr>
<tr>
<td>VII. Output data set</td>
<td>p. 33</td>
</tr>
<tr>
<td>VIII. Data set with state tax law parameters</td>
<td>p. 44</td>
</tr>
<tr>
<td>IX. Data set with federal tax law parameters</td>
<td>p. 162</td>
</tr>
<tr>
<td>X. Description of recent changes</td>
<td>p. 187</td>
</tr>
<tr>
<td>XI. References</td>
<td>p. 210</td>
</tr>
</tbody>
</table>
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I. OVERVIEW

*IncTaxCalc* is a federal and state personal income tax calculator program written in SAS that currently covers state law for 1900 through 2012, and federal law for 1913 through 2019. The current edition of the calculator includes all major features of federal and state personal income tax laws in all of these years. This preliminary version of *IncTaxCalc* is not currently available to the public, and can only be used by permission of the author. I may make it freely available to the public at some future date. The intended uses of the program are to support economic research, and to perform simulations of the impacts of potential policy reforms. Among other applications, the Urban Institute is currently using a portion of the program under contract to serve as a component of its MINT and DYNASIM microsimulation models. Any research making use of the calculator or results from the calculator should cite this document for the time being.

II. STRUCTURE OF THE PROGRAM

**Tax law data**

*IncTaxCalc* consists of a single SAS program (*IncTaxCalc.sas*) and two data sets of federal and state tax parameters: *IncTaxFed.xlsx* (which contains the parameters of federal income tax laws) and *IncTaxState.xlsx* (which contains the parameters of state income tax laws). Each of the tax parameter data sets is also included as a comma-delimited (.csv) ASCII text file: *IncTaxFed.csv* and *IncTaxState.csv*. The .csv versions omit the first row (containing the variable names), and are the files that the .sas program actually reads in. We use simple ASCII text .csv files to facilitate transportability across platforms. In each of the tax parameter data sets, there are three rows (records) for each calendar year between 1900 and 2014 (or 2019 for federal) during which a personal income tax existed for the federal government or the state in question, with one row for each filing status (single, married, and head of household). Each column represents a different variable containing information about some aspect of the tax law. The tax law information can easily be edited, updated, or changed for policy simulation purposes by making copies of the .xlsx files, saving them as .csv files, and deleting the first row of each .csv file. If you save them under a different name than the default (*IncTaxFed* or *IncTaxState*), a parameter in the SAS macro that calls the tax calculator allows you to specify different names for the tax parameter files. (See “User-selected options within the SAS program” below).

**Input data set with taxpayer information**

The user must supply an input data set containing information on each taxpaying unit. There are 74 variables included in the input data set, representing various characteristics of the taxpaying unit (e.g., marital status, age of primary taxpayer and spouse, number of children, etc.) and the values of various components of income and deductions. The input data set is described further in section V below.
How it works

The program works by taking each individual taxpayer record, which contains individual-specific information on year, state, age, values of components of income, potentially deductible expenses, and certain credits, and then merging it with the applicable federal and state tax law parameters from IncTaxFed.csv and IncTaxState.csv. To speed processing, the calculator actually uses the “lookup table” approach in SAS (relying on the “key=” feature of the “set” statement and indexed data sets) instead of the “merge” statement. The calculator then runs through the records all at once to calculate tax liabilities and other variables of interest. First, federal tax liability is calculated. Then state tax liability is calculated, and the federal tax variables that were just calculated in the first step are used to help compute state tax liability (for example, this takes into account if federal taxes are deductible at the state level, if state itemization status is required to be the same as federal, if there is a state AMT that depends on the federal AMT, etc.). Then federal tax liability is re-calculated, using the state tax liability calculated in the previous step to calculate itemized deductions (and anything else in the federal tax that depends on state taxes). Federal itemization status is chosen to minimize combined federal-state income tax liability. Then state tax liability is recalculated using the newly recalculated federal tax variables from the previous step. And so on, for six iterations each of the federal and state tax computations. Then, once that is done, a small increment ($0.10) is added to some variable chosen by the user (say, wage and salary income of the primary earner), and then the entire set of iterations is done again. The marginal tax rate ($mtr$) is then the change in combined federal-state tax liability caused by adding the increment, divided by the size of the increment; the federal marginal tax rate ($mtrf$) is the change in federal tax liability divided by the size of the increment; and the state marginal tax rate ($mtrs$) is the change in state tax liability divided by the size of the increment. So this fully takes into account all interactions between federal and state income taxes -- deductibility of state taxes at the federal level, deductibility of federal taxes at the state level where applicable, and lots of other complicated interactions as well, having to do with the AMT, itemization status, etc. Finally, the program produces a basic output data set with tax liability and tax rate information, or optionally produces a more detailed data set with the basic output plus information on many details of the tax calculation.
User-selected options within the SAS program
There are a number of options that the user can modify, all of which are included at the
very top or the very bottom of the SAS tax calculator program (IncTaxCalc.sas).

Top of program: relevant pathnames on the local computer system need to be specified at
here.

Bottom of program: At the bottom of the program, the user can select a variety of options
by choosing the values of the “parameters” of the IncTaxCalc SAS macro command,
which is reproduced below:

```sas
%IncTaxCalc(
  programpath= ,
  inputpath= ,
  outputpath= ,
  inputset= ,
  outputset= ,
  fedparam= ,
  stateparam= ,
  loadparam= ,
  mtrvar= ,
  incrementkind= ,
  incrementquantity= ,
  detail= ,
  inputformat= ,
  outputformat= ,
  reverseMTR= ,
  checkMTR= ,
  statecodetype= ,
  yearstart= ,
  cbinclude= ,
  local= ) ;
```

Each name to the left of an equals sign within the parentheses above is a macro
“parameter.” Options can be chosen by filling in values to the right of each equals sign.
The meaning of each parameter, and its possible values, are given below.

**programpath**  Pathname of directory where program and federal and state tax law
parameter data sets are stored. Do not put slash at end. (Example: C:A\files\taxcalc).

**inputpath** Pathname of directory where data on individual taxpayers are
stored. Do not put slash at end.

**outputpath** Pathname of directory where output data sets containing calculated
tax rates, tax liabilities, details of tax calculation, and log file are
sent. Do not put slash at end.

**inputset** Name of input data set with individual taxpayer information. Do
not include any file extension.
outputset  Name of output data set containing calculated tax rates, tax liabilities, and details of tax calculation. Do not include any file extension.

fedparam  Name of data set containing parameters of federal law. Do not include file extension. For baseline federal tax parameters use IncTaxFed.

stateparam  Name of data set containing parameters of state law. Do not include file extension. For baseline state tax parameters use IncTaxState.

loadparam  Specify whether to load the federal and state tax law parameter data sets.

0 -- No, do not load the text tax law parameter data sets. You may want to choose this option if you have already run the IncTaxCalc macro at least once during this SAS session and do not want to change the parameters of federal or state laws. In that case, the program will just read the temporary SAS data sets for federal and state tax law parameters that are already in the working directory, which will slightly reduce processing time.

1 = Yes, do load the text tax law parameter data sets. Always choose this the first time you are running IncTaxCalc during this SAS session, or if you want to change the tax law parameters.

mtrvar  The marginal tax rate is calculated with respect to the variable specified in mtrvar. Any income or deduction variable in the input data set can be used.

incrementkind  Type of marginal tax rate increment. The marginal tax rate is calculated by adding an increment to the income component or deduction chosen in mtrvar above. The increment can be either a fixed dollar amount (incrementkind=dollar), or a percentage of income (incrementkind=incpct). If the latter is chosen, the increment applied will be the maximum of (incpct/100)*income or $0.10, to deal with situations where income is non-positive.

incrementquantity  Size of increment used to calculate marginal tax rate. If incrementkind=dollar, then put the dollar amount here. If incrementkind=incpct, then put the percentage here (e.g., if the increment is 10% of income, then write 10). Note that calculator does not allow the addition of the increment to change itemization status. This helps avoid certain situations that would otherwise
produce enormous marginal tax rates. Because itemization status is held constant before and after adding the increment, marginal tax rate estimates calculated using large increments should be interpreted with caution. If \texttt{incrementquantity} = 0 the calculator will not perform marginal rate calculations. If you do not need marginal tax rates, the \texttt{incrementquantity} = 0 option will save you some time because it will reduce the number of iterations that the calculator performs.

\textbf{detail}  
Indicator for whether to produce an output file containing only the basic tax results, or an output file containing the details of the tax calculations.  
0 = Produce basic output data set.  
1 = Produce detailed output data set.  
2 = Produce detailed output data set, plus create a separate file containing the values of all variables at the end of each iteration of federal or state tax calculation. Note that the code implementing this is normally commented out of the program, so that choosing \texttt{detail} = 2 will just produce the same results as \texttt{detail} = 1 unless the user goes into the program and removes the relevant comment lines (which all uniquely include the term "save all variables from all iterations"). This is useful for debugging purposes, but be cautious as this creates a tremendous amount of output. It is best to use this option for test purposes only, with a very small input data set. This produces 27 separate files, named allvars01 through allvars27, with larger numbers representing later iterations. Some of the files will be empty, depending on how many iterations the calculator actually executed (for example, allvars19 through allvars27 will be empty if the program did not re-calculate marginal tax rates a second time after subtracting an increment from a variable). The relevant code is normally commented out to avoid creating 27 unnecessary empty files. Some useful reference variables in this output data set include: \texttt{iteration} (which equals 1 before an increment is added to a variable to calculate marginal tax rates, 2 after adding the increment, and 3 if marginal tax rates are being re-calculated after subtracting an increment); \texttt{deductcycle} (which ranges from 0 to 6, increases by one each time the federal tax calculator is executed, and resets to zero when \texttt{iteration} increases); and \texttt{lastcalc}, which indicates which portion of the calculator, state, federal, or none, was most recently executed.

\textbf{inputformat}  
Format of input data set.  
0 = Tab delimited text  
1 = Permanent SAS data set  
2 = Temporary SAS data set in working directory. If this option is chosen, the program will assume that the data set specified in
**inputset** above is a temporary SAS data set in the working directory, and will ignore **inputpath**. Choosing this option can speed processing a bit if your **inputset** is already in working memory.

**outputformat** Format of output data set.
- 0 = Comma delimited text file
- 1 = Permanent SAS data set.
- 2 = Temporary SAS data set. If this option is chosen, a temporary SAS data set is written to the working directory, and **outputpath** above is ignored.

**reverseMTR** Optional alternative marginal tax rate calculation to eliminate notches. When set to 0, marginal tax rate will be calculated by adding an increment to the variable specified in **mtrvar**. If **reverseMTR** is set to 1, then marginal tax rates will be computed first by adding an increment to the initial value, and then, if the absolute value of the marginal rate is greater than the value of **checkMTR** below, it will be calculated again by subtracting the increment from the initial value. Results will be reported for the case where the overall marginal tax rate is smallest in absolute value. When **reverseMTR** = 1, the calculator will also perform the alternative marginal rate calculation if **mtrfns** > **checkMTR**, in which case results are reported for the case where the maximum of the absolute values of **mtr** and **mtrfns** is minimized. (The **mtr** is the overall marginal tax rate, and the **mtrfns** is the federal marginal tax rate computed setting state income taxes to zero).

**checkMTR** Absolute value of marginal tax rate, expressed as a decimal, above which the **reverseMTR** calculation described above will be performed.

**statecodetype** Type of state code in input data set.
- 0 = Two-letter postal abbreviation.
- 1 = IRS Statistics of Income 2-digit numeric code.

**yearstart** Earliest year of federal or state tax parameter data needed. Setting this to a later year can speed processing time.

**cbinclude** Include circuit breaker property tax credits in income tax calculation? Note that a completely accurate circuit-breaker calculation would require information on property tax for non-itemizers, rent, and in a few cases home value.
- 0 = Ignore all circuit breaker property tax credits
1 = Only include circuit breakers that are implemented through the income tax.
2 = Include circuit breakers that are implemented through the income tax, plus any rent circuit breakers that are not on the income tax form.
3 = Include all circuit breakers including those that have nothing to do with the income tax.

local

Include local income taxes? Warning: currently, the tax calculator only allows for a very rough approximation of local income taxes, and only for 1977 and later years. See documentation for the variables localrate and localtype.
0 = Do not calculate local income tax bill.
1 = Calculate local income tax bill for all states with local income taxes.
2 = Calculate local income tax bill only for states that have significant local income taxes that apply throughout the state (Indiana, Maryland, and Pennsylvania). Note that local tax calculations for these states are considerably more accurate than for other states.

Note that it is also possible to store the whole program as a compiled macro and then to call it from within another SAS program using the SAS Autocall facility. To do this, take the following steps:

1) Create a directory to store SAS macros (e.g., C:\SASmacros).
2) Copy IncTaxCalc.sas into that directory
3) In the SAS program where you want to invoke the tax calculator, write the following lines of code at the top of the program:

```
filename macs "c:\SASmacros" ;
options mautosource ;
options sasautos=macs ;
```

4) Write a line of code in your program that invokes the IncTaxCalc macro, i.e.,

```
%IncTaxCalc() ;
```

Where all of the parameters noted above are included in the parentheses.

**SAS Log File**

The calculator program can be modified to send the SAS log file to a file called IncTaxCalc.log, in the directory specified in the outputpath option described above. This avoids problems that occur when the log file exceeds the maximum length for the SAS
log window. This can be accomplished by un-commenting the following lines that are present near the top of IncTaxCalc.sas:

```
PROC PRINTTO LOG=" &outputpath.\IncTaxCalc.log " NEW;
RUN;
```

### III. SOURCES OF INFORMATION

For the federal income tax, our sources of information included the tax forms, instructions, and glossary of terms included annually in the IRS Statistics of Income *Individual Income Tax Returns* publication, forms and instructions provided to us by the IRS for each year since 1913, and forms and instructions accessed through the IRS website <http://www.irs.gov> for years since 1992.

For state income taxes, we used a variety of sources. For recent years, we relied heavily on state income tax forms and instructions posted on the web (see, for example, http://www.taxadmin.org/fta/link/forms.html for links to forms and instructions from all states). For earlier years, our primary sources of information were the state tax laws themselves. A snapshot of all of a state’s laws applying at a given point in time is provided in each state’s “annotated statutes,” and the laws passed by the legislature in each year are contained in the state’s “session laws.” “Cumulative supplements” are also published periodically; these include the up-to-date text of any sections of the law that have been amended since the last edition of the annotated statutes was published. The Lexis-Nexis legal research database contains a searchable collection of current annotated statutes, and state session laws going back to 1989. For earlier years, we made use of the excellent collections of historical state laws at the Georgetown University Law School library and the Cornell University Law School library. We were able to find annotated statutes and cumulative supplements for numerous years spanning the 20th century for each and every state. Historical notes in the annotated statutes indicate dates of amendment and reference information for the amendments for each section of the law, and in some cases describe the amendments. The amendments themselves (contained in the session laws) were retrieved in any cases where there were gaps in information between available statutes, when they could not be definitively resolved using other sources at our disposal.

We used a wide variety of other sources to help reconstruct the histories of state tax laws. At the Library of Congress, we found tax planning guides that included forms and instructions for all states for 1970, 1971, 1974, and various years between 1975 and 1978 (differing by state). A variety of secondary sources were also used. Particularly valuable for the early years was Prentice Hall’s *Tax Diary and Manual*, which contained very detailed synopses of each state's tax law, and was available at the Library of Congress for almost all years between 1922 and 1954. Through interlibrary loan we were able to find copies of the extremely helpful *All States Tax Handbook* for most years between 1976 and the present (this was published in different years by Prentice Hall, Maxwell Macmillan, and Research Institute of America). Advisory Commission on Intergovernmental Relations publications, such as *Significant Features of Fiscal Federalism*, provided information on state income taxes for most years between 1961 and 1994, at varying levels of detail depending on the year. Commerce Clearing House’s
State Tax Handbook, which includes information on brackets, rates, and exemptions, was available for most years between 1964 and 1993. The Book of the States, published bi-annually by the Council of State Governments, provided summaries of major changes in state tax laws enacted by state legislatures for each year between 1942 and 1993. U.S. Bureau of the Census’ 1922 Digest of State Laws Relating to Taxation and Revenue includes fairly comprehensive descriptions of each state’s tax law for that year. The Tax Foundation’s Facts and Figures on Government Finance provided limited information (usually top and bottom rates and exemptions) roughly every other year from 1942 to the present. The National Industrial Conference Board’s State Income Taxes (1930) described the laws as of 1929 and also included histories noting major changes in each state’s income tax between its inception and that date. Blakey and Johnson (1942) provided a comprehensive explanation of state income tax laws as of 1942, and Greene (1958) provided tax rates and a few other items of information (e.g., capital gains exclusions) for 1958. The Tax Foundation’s Retail Sales and Individual Income Taxes in State Tax Structures (1962) included useful information on state treatment of capital gains. Bogart and Gentry (1995) provide some information on state treatment of long-term capital gains between 1979 and 1990. A number other useful resources are listed in the References.

We kept extensive notes on each state, including sources of information for each aspect of state tax law coded into the calculator, as well as explanations of a few isolated areas where we had to make inferences or assumptions due to lack of information. Further information is available upon request.

Finally, decisions about how to structure the program and how to deal with various complications caused by the tax law (for example, “notches” that produce large marginal tax rates) benefited from information about NBER’s Taxsim model provided in Feenberg and Coutts (1993) and in the notes accompanying the Internet version of that program (http://www.nber.org/~taxsim/).

Almost all of the sources of information that we used to construct our calculator have now been electronically scanned, and are stored as carefully indexed (but not internally searchable) PDF image files.
IV. CAPABILITIES, LIMITATIONS, AND TECHNICAL DETAILS OF
INCTAXCALC, AND COMPARISON WITH NBER’S INTERNET TAXBIM:

This section summarizes some of the capabilities, limitations, and technical details of IncTaxCalc. It also offers a comparison to the features offered by version 9.0 of NBER’s Internet Taxsim, for the benefit of those who are familiar with that program. Any comparisons below refer exclusively to the Internet version of Taxsim, since the full internal NBER version is not publicly available and we do not have full information about its capabilities.

- **Years**

- **Portability**
  IncTaxCalc is portable. As a result, it can be used with government data sources that, for confidentiality reasons, cannot be directly accessed by anyone but a limited group of government employees. Submitting such restricted data to the NBER for use with either the Internet or internal versions of Taxsim would violate confidentiality regulations. By contrast, IncTaxCalc can be used with such data, because government employees who are authorized to work with the data can download the program directly to their computers.

- **Policy simulations**
  IncTaxCalc has been designed in such a way that it will be fairly easy to adapt it to simulate the effects of proposed tax reforms. For example, the effects of changing various parameters of federal or state tax law can be modeled by changing the values of those parameters in a spreadsheet and then running the calculator using this modified parameter data.

- **Itemized deductions**
  IncTaxCalc allows users to input data on each type of itemized deduction separately, and accurately models state and federal treatment of each type of deduction. Internet Taxsim collapses itemized deductions into three broad categories (property taxes, deductions such as mortgage interest that are not preferences for the AMT, and other itemized deductions).

- **Capital gains**
  IncTaxCalc incorporates an approximation of the various federal and state provisions affecting the taxation of long-term capital gains. The input data set for IncTaxCalc
allows users to specify the value of any long-term capital gains that are subject to preferential treatment, and to separately specify the value of any other capital gains or losses that are not subject to preferential treatment. The calculator then takes into account the effects of any exclusions, special tax rates, and alternative maximum taxes applying to long-term gains, albeit in a somewhat simplified fashion. For example, when long-term gains of different holding periods are taxed at different rates, IncTaxCalc assumes the “long-term” gains qualify for the longest holding period. Interactions between these and other features such as maximum and minimum taxes are accounted for as well. Internet Taxsim now offers roughly similar treatment of capital gains.

- **Minimum and maximum taxes**
  IncTaxCalc models the federal minimum tax, alternative minimum tax, and maximum tax on earned income, as well as state minimum and maximum tax provisions. IncTaxCalc allows the user to input taxpayer data on each type of itemized deduction, long-term capital gains, and summary values of other minimum tax or alternative minimum tax adjustments or preferences that not derivable from other variables already in the input data set. All of these features are then taken into account appropriately in calculating minimum and maximum taxes. Internet Taxsim also includes approximations of the federal minimum tax, alternative minimum tax, and maximum tax on earned income, and appears to include state minimum taxes. The IncTaxCalc approximations should be more accurate in this case due to a richer array of input variables.

- **Income averaging**
  IncTaxCalc includes a rough approximation to federal income-averaging laws that applied from 1964-1986, and allows users to input the variable for average lagged taxable income that is necessary to compute tax under income averaging (information on this may be available, for example, in panel data). We have not incorporated any state income averaging provisions, which in any event were quite rare (California is one example).

- **"Circuit-breaker" property tax and rent credits**
  IncTaxCalc now includes state “circuit-breaker” credits for property taxes and rent payments, as does NBER Internet Taxsim. Some of these credits are incorporated into state income tax forms, while others are administered separately from the income tax. Internet Taxsim only includes circuit breaker credits administered through the state income tax form. In IncTaxCalc, users can choose which kinds of circuit breaker credits to include in the tax calculations and which kinds to leave out.

- **Treatment of other credits**
  At the federal level, IncTaxCalc computes the EITC, child credit, credit for child care expenses, and credit for the elderly endogenously, but takes the value of other federal credits as given. At the state level, any general credits, child care credits, credits for the elderly or retirement income, low-income credits (except for circuit-breakers), and state EITCs are computed endogenously. Any other state credits are currently
ignored. It is not entirely clear which credits are computed endogenously by Internet Taxsim, but the list appears to include EITC, child credits, credits for child care expenses, and possibly credits related to retirement income and pensions or targeted to low-income people; other credits are apparently also ignored by Internet Taxsim.

- **Treatment of social security benefits and unemployment compensation**
  IncTaxCalc accurately models both federal and state treatment of social security benefits, and it appears that Internet Taxsim does the same. For unemployment compensation, IncTaxCalc accurately models federal treatment, but assumes that state treatment is the same as federal. We know that this assumption is incorrect in many cases, have collected the data necessary to get it right, and intend to incorporate it in a future version. It's not clear but it appears that Internet Taxsim may accurately incorporate differences between federal and state treatment of unemployment insurance.

- **Differences between federal and state treatment of interest income**
  The federal income tax exempts interest on state and local government bonds, and taxes interest on federal government bonds. Some, but not all, state income taxes differ from this federal approach. In a number of cases, the states exempt federal bond interest, and tax state and local government bond interest (often exempting interest from their own state’s bonds). Neither IncTaxCalc nor Taxsim incorporate differences between federal and state taxes in which sorts of interest are taxed. IncTaxCalc does include variables for both “interest” and “federally tax-exempt interest” in the input data set; the former is assumed to be taxable interest at both the federal and state levels, while the latter is only used for computing the income measures used for the phase-in of social security benefit taxation and the phase-out of the earned income credit.

- **Adjustments to income**
  In IncTaxCalc, federal adjustments to income and “above the line” deductions, such as IRA contributions and student loan deductions, are not modeled in much detail. IncTaxCalc accurately models employee business expenses, moving expenses, the two-earner deduction, and the adjustment for one-half of social security taxes on self-employment income. But it takes other adjustments, such as IRA and Keogh contributions, as given (these are supplied by the user in the taxpayer input data set in the variables othadj1 and othadj2). Eligibility, phase-outs, etc. are not endogenously calculated for these other adjustments. Internet Taxsim does not have an input variable for adjustments, but may compute some adjustments (such as the two-earner deduction) endogenously from other information in the input data set.

- **Business income**
  Federal personal income tax treatment of income from partnerships, S-corporations, and sole proprietorships is assumed to apply at the state level as well. Our review of historical state tax laws suggests that in some cases state personal income taxes treated some of these forms of income differently than the federal income tax did, but we have not yet attempted to incorporate these differences into the calculator.
Other approximations.
Some particularly complex features of the tax code have been approximated with simpler representations. One example in IncTaxCalc is that full details on how to calculate the amount of capital gains subject to varying kinds of special treatment are not modeled. Rather, users are asked to input a single variable representing a summary value of long-term gains subject to special treatment, and the calculator assumes that the treatment applying to gains with the longest holding period applies. There is then one other variable for capital gains not subject to special treatment, or losses. Similarly, features such as alternative minimum taxes, minimum taxes, maximum taxes, and income averaging provisions are as accurate as possible given the 74 variables we have specified in the input data set, but there are still a number of approximations arising from the fact that complete accuracy would require information on a lot more than 74 items.

Joint versus separate filing and division of income and deductions between spouses
In the federal income tax before 1948, and in many states to this day, the bracket and rate structure is the same regardless of marital status. In those cases, it is usually advantageous for married couples to file separate returns in order to reduce the marriage penalty. The division of income, deductions, exemptions, and credits between spouses can affect tax liability in these cases.

To determine whether a married couple files jointly or separately, IncTaxCalc adheres to the following rules:

- Married couples are assumed to file jointly in the following cases: (1) at the federal level in all years from 1948 on; (2) in all community property states in all years; (3) in any state that had different tax brackets for people of different marital statuses; (4) in any state where taxpayers were required to choose the same filing status as federal in any year from 1948 on; (5) in any state where filing separately was explicitly disallowed; and (6) in any state that had a single tax rate (except in the case where mardedtype = 11 – see below). In all of these cases, filing jointly would generally result in a tax liability that was less than or equal to the liability from filing separately. For example, in the case of community property states, throughout history, their income taxes effectively imposed tax brackets on married couples that were twice as large as those for singles, and all income was treated as being earned 50% by each spouse, so that filing separately and filing jointly were exactly equivalent at the state level. In 1948 and later years, there have occasionally been some rare exceptions to the rule that joint filing is always advantageous for married couples – for example, it could be advantageous to file separately when medical expenses are very large. The calculator ignores those rare exceptions.

- In the few rare cases where joint filing was not allowed under state law, the calculator always computes tax liability based on separate filing.
In all other cases, the calculator computes tax liability for married couples under both joint and separate filing, and then chooses the one that produces the lowest tax liability for the couple. In these cases, filing separately is almost always advantageous. But joint filing could be advantageous, for example, if one spouse had large losses which could be used to offset the income of the other spouse. Also, in general, joint and separate filing produce the same result when combined taxable income falls completely into the first tax bracket.

When spouses file separately, income, exemptions, deductions, and credits are allocated to each spouse based on the following rules:

- The user specifies how each item of income is allocated between spouses in the input data set.

- Whenever the state or federal tax law leaves discretion about how to allocate deductions and exemptions between spouses filing separately, the calculator divides them so as make the taxable incomes of each spouse as close to equal to each other as possible, which is generally consistent with tax minimization. This is because states’ graduated marginal tax rate schedules were generally strictly non-decreasing in income. It is true that in a number of cases, phase-outs of various provisions could cause “bubbles” where the marginal tax rate in one income range was lower than the marginal rates imposed at higher incomes. Generally, however, these phase-outs were based on the combined (adjusted) gross incomes of both spouses, so that changing the allocation of deductions or exemptions between spouses could not help avoid the “bubbles.” Therefore, it is generally true that making taxable incomes on each spouse’s return as close as possible to each other would yield tax minimization.

- The allocation between spouses of exemptions, standard deductions, and credits follows the rules specified in the relevant state or federal law. In cases where there is some discretion (for instance, in some cases an exemption for married couples could be divided between the spouses in any way they choose), the deductions are allocated in order to make the taxable incomes of the two spouses as close to equal as possible. In many cases, it was required that dependent exemptions be claimed by the parent providing more than 50% of material support; this is assumed to be the parent with the higher adjusted gross income. It was a general rule that if one spouse chose to take the standard deduction, the other spouse had to do so as well, and that if one spouse took an itemized deduction, the other spouse had to itemize as well, and the calculator follows this rule.

- For itemized deductions, in almost all cases, when spouses filed separately, federal and state law either required each spouse to report his or her “own” itemized deductions (most of which were easily fungible), or the tax form explicitly stated that the spouses could divide the deductions between themselves in any manner they chose. The major exception was that deductions for income taxes generally had to be divided in proportion to how much tax each spouse actually paid, or, if this could not be determined, had to be divided in proportion to each spouse’s share of AGI. In a
few states, spouses were required to divide all itemized deductions between the spouses in proportion to their shares of AGI.

The calculator allocates itemized deductions between spouses in the following manner. First, any deductible income taxes are either allocated to the spouse who paid them, or divided in proportion to each spouse’s AGI when the relevant income tax being deducted was based on a joint return. Second, if the state required itemized deductions to be divided in proportion to each spouse’s AGI, the calculator does so. Third, if the state did not impose such a limitation, then all itemized deductions other than income taxes are divided between the spouses in order to make the taxable incomes of the two spouses as close to equal to each other as possible. Because spouses often had more discretion about how to divide itemized deductions between themselves than they did with regards to the standard deduction, it was sometimes the case that itemization could be optimal even when total itemized deductions were less than the standard deduction. As a result, calculations for couples filing separately choose itemization status based on tax minimization rather than on a comparison between the size of itemized and standard deductions.

In the case of federal income taxes deductible in states where separate filing was advantageous prior to 1948, if a married couple filed a joint return, their joint tax liability is divided up for purposes of deductibility against the state tax in proportion to what each spouse’s federal tax liability would have been if they had filed separately. This helps avoid notches that might otherwise occur when married taxpayers switch from separate to joint status on their federal returns. Similarly, if a married couple files separately at the federal level before 1948, and lives in a state where either joint or separate filing could be advantageous depending on the circumstances, and joint state tax liability is divided up between spouses for purposes of deduction against federal tax in proportion to what the state tax liability of each spouse would have been had they filed separately. In the case of a tax where it is always advantageous for married couples to file jointly, that tax is divided up among spouses for purposes of deductibility against tax at the other level of government in proportion to the AGI of each spouse.

- Adjustments (“above the line deductions”) are allocated between spouses in the following manner. Employment-related business expense and moving expense deductions are allocated in proportion to each spouse’s share of labor income (the allocation is held constant when computing marginal tax rates). The adjustment for one-half of social security taxes on self-employment income is allocated between spouses based on the amount of such tax calculated to apply to each spouse. The two-earner couple deduction, when allowed at the state level, was generally only allowed to couples that filed jointly. The allocation of other adjustments between spouses is specified by the user in the input data set (othadj1 and othadj2).

- In the federal income tax prior to 1948, it was generally advantageous for spouses to file separately when both spouses had income. For residents of non-community-property states, each spouse was required to report his or her “own” income and itemized deductions. In the eight “community property” states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington), any labor income,
any capital income arising from assets acquired during the marriage, and any itemized
deductions were considered to belong equally to each spouse. As a result, married
couples living in community property states generally faced smaller federal income
tax liabilities than similar couples in other states. In the federal income tax
calculations prior to 1948, the calculator allocates the combined income and itemized
deductions of a couple in a community property state 50% to each spouse, regardless
of how the income is allocated in the input data set. From 1948 on, it would generally
be advantageous for residents of all states to file jointly at the federal level.

To summarize, IncTaxCalc allows users to allocate each component of income between
spouses in any manner. In cases where separate filing may be optimal for married
couples, it then allocates deductions and exemptions between spouses based on tax
minimization, subject to any constraints imposed by state or federal law, and then
chooses joint or separate filing status in order to minimize the couple’s combined tax
bills. This does not pose any particular problems with marginal rate notches. In
IncTaxCalc, marginal tax rates are calculated by adding an increment to any variable in
the input data set representing a specific component of income or deductions. Since the
input data set contains separate variables for each type of income earned by each spouse,
marginal tax rates on income will be calculated with respect to a change in a particular
item of income for a particular spouse. This marginal tax rate with respect to an income
item will only be affected by changes in the allocation of deductions between spouses in
the small number of cases where it is advantageous for spouses to file separately, and
where either the state requires that deductions be allocated in proportion to each spouse’s
share of AGI, or where the spouses’ taxable incomes would otherwise be equal to each
other (or where the difference between them was smaller than the increment used to
calculate the marginal rate). But in those cases this does in fact accurately reflect the
effective marginal tax rate on a particular spouse’s income. In the case of marginal tax
rates with respect to deductions, the input data set only includes the aggregate amount of
the deductible expense for the couple as a whole. The marginal tax rate here will be
computed based on the assumption that any addition to deductible expenses will be
allocated between spouses in accordance with tax minimization, subject to the constraints
imposed by the tax law. In most cases, this means that when separate filing is
advantageous, the marginal tax rate that is returned will represent the marginal tax rate of
the higher-earning spouse. When it is possible for spouses filing separately to equalize
their taxable incomes, then the marginal rate will be the un-weighted mean of the two
spouses’ marginal rates, which is generally the same as each spouse’s individual marginal
rate in that case.

Notches and Other Sources of Strange Marginal Tax Rates

“Notches” are situations where a small change in income or deduction causes a very large
change in tax liability. For example, a number of states operate tax credits or exemptions
that are available to anyone with income below a certain level, and zero above that
income level. Notches are problematic because they result in very large marginal tax
rates that act as influential outliers in a regression analysis.
IncTaxCalc calculates marginal rates by adding a dollar increment to an item of income or deduction, and then dividing the change in tax liability by the increment. Users can choose the size and sign of the increment. Choosing a very small increment (say, $0.10) will help limit the number of notches. A smaller increment reduces the probability that adding the increment will cause income to cross a threshold that produces the notch. All thresholds in the program are defined as integers, the calculator automatically rounds the initial dollar values of all income and deduction variables in the input data set to the nearest integer, and the program is written so that crossing a threshold requires moving to a new integer value. As a result, adding an increment that is less than $1 to some component of income or deduction is very unlikely to cause a notch threshold to be crossed.

As an additional measure to avoid notches, users can select an optional alternative marginal tax rate calculation. If this option is chosen, and the initial marginal tax rate is greater than some user-selected value, then the marginal tax rate will be computed a second time by subtracting an increment from the initial value. For those cases, the reported marginal rate will be the one where the maximum of the absolute value of overall marginal tax rate (mtr) and the absolute value of the federal marginal tax rate computed setting state income tax to zero (mtrfns) is smallest. See the discussion of reverseMTR in part II above.

Many notches are caused by federal or state credits or deductions that are a step function of income. In cases where the step function involves many relatively small steps, IncTaxCalc approximates the step function with a smooth linear function. For example, the calculator applies a smooth linear phase-down of the credit rate in the federal credit for child care expenses. While this reduces the accuracy of the tax liability calculation slightly, it has the advantage that it greatly reduces the likelihood that reported marginal tax rates will be distorted by notches, while at the same time incorporating the effects of the phase-out into the reported marginal rate in a reasonable fashion. In cases where the phase-out step function involves a small number of very large discreet jumps, so that it could not be well-approximated by a linear function, the calculator incorporates the step function directly. In those cases, the notch will not affect the marginal tax rate unless adding an increment to income or deductions causes one to cross a threshold in the step function. Such a notch can then be avoided by using the reverseMTR feature described in part II above. Internet Taxsim takes a roughly similar approach to this issue.

Interactions between the federal alternative minimum tax and other features of the tax code can also cause some strange marginal tax rates in some rare cases. One issue is that when federal credits are equal to or greater than federal tax liability before credits, the AMT can cause the marginal tax rate on income to be negative. This is because from 1987 on, AMT liability equaled the tentative alternative minimum tax minus tax liability before credits. Increasing income will increase tax liability before credits, and this in turn will reduce AMT liability as long as the marginal AMT rate is less than the marginal ordinary tax rate. When credits are larger than federal tax liability before credits, then the AMT is the only source of tax liability, so higher income can thus reduce tax liability. This is a legitimate feature of the tax code, so the program does not undo this.

Interactions between the AMT and itemized deductions are another important source of complication in some relatively rare situations. If a taxpayer is subject to the AMT, then it is no longer true that choosing the larger of itemized deductions or the
standard deduction will minimize tax liability. When taxpayers are subject to AMT, the calculator chooses itemization status based on tax liability minimization, which helps avoid some large but illegitimate notches that would otherwise occur. Things are even more complicated than that, however, because in some situations, it is optimal to itemize, but increasing itemized deductions beyond a certain point would begin to increase tax liability instead of decreasing it. This can occur, for example, in the situation described above where the taxpayer is subject to AMT and credits are greater than or equal to federal tax liability before credits. Since in that situation, increasing federal tax liability before credits can reduce overall tax liability, it can become optimal to reduce rather than increase itemized deductions. A similar situation can occur in a state tax that operates a minimum tax tied to the federal minimum tax. If federal tax liability is zero and itemized deductions are very large relative to AGI, then it is possible for an increase in itemized deductions to increase state tax liability without reducing federal tax liability. So once again, tax liability is not a strictly decreasing function of itemized deductions. When calculating marginal tax rates, the calculator currently deals with these situations as follows. If adding an increment to deductions would cause combined federal-state tax liability to increase, the taxpayer is assumed to voluntarily forgo the incremental increase in deduction. An alternative approach that would generally produce the same marginal tax rate, but would arguably produce a more precise estimate of tax liability, would be to solve for the optimal value of itemized deductions, and then always restrict itemized deductions to be less than that amount. The calculator currently does not attempt to solve this particular, extremely complicated, optimization problem that only applies to an extremely small number of taxpayers. It is not even clear whether this alternative approach would be better, since it is evident from tax return data that taxpayers who are in this situation often report itemized deductions that are larger than optimal.

**Further details on selection of itemization status**

There are some situations where simply choosing the larger of itemized deductions or the standard deduction will not minimize combined federal and state tax liability. Being on the federal alternative minimum tax is one such situation. This can also be a problem when state itemization status is constrained in some way by federal itemization status (information on these constraints is contained in the `itemiz` variable described in part XIII below), or when there is a state AMT that is a percentage of the federal AMT (see `mintaxtype = 5` below). To take one example, there are some states where state itemization status must be identical to federal itemization status, and where the state itemized deduction is equal to the federal itemized deduction less state income taxes. In that situation, there will be some taxpayers for whom federal itemized deductions exceed the federal standard deduction, but for whom state itemized deductions are smaller than the state standard deduction. Thus, choosing to itemize at the federal level can force the taxpayer to take a sub-optimal itemization status at the state level. The cost of constraining state itemization might make it optimal to choose a federal itemization status that does not minimize federal taxes alone.

These complications are addressed in the tax calculator by choosing the combination of federal and state itemization statuses that minimizes combined federal-state tax liability,
taking into account any constraints federal itemization imposes on state itemization. First, federal tax liability is computed twice, once for each federal itemization status, and the itemization status that minimizes combined federal and state tax liability is chosen. Next, if the taxpayer lives in a state where state itemization is constrained in some way by federal itemization status, or lives in a state where the state AMT is a percentage of federal AMT, state tax liability is also computed twice, once for each federal itemization status. (In other states, choosing the itemization status that minimizes state tax liability is all that is necessary to minimize combined federal-state liability, so the program does that.) The state tax liabilities computed under each of the federal itemization statuses are then fed back into the next iteration of the federal tax calculator in order to help determine the federal itemization status that minimizes combined federal-state liability. The program goes through four iterations of the federal and state calculators. The four iterations are then repeated after adding an increment to a variable to compute marginal tax rates, but in this set of iterations, itemization status is constrained to be the same as it was in the corresponding iteration from before the marginal tax rate increment was added.

V. TESTING

The IncTaxCalc tax calculator has undergone several forms of checking and testing so far.

1) Federal and state tax law parameters in the IncTaxState.csv and IncTaxFed.csv files were initially entered and documented by research assistants, and then comprehensively checked and edited by another set of research assistants. All of the data was then checked against the original sources, over several months of full time work, by the author. In recent years, each state’s parameters have been entered by a research assistant, checked and tested by the author, and then checked again by new research assistants the following year.

2) As second approach was to test the calculator on sample data constructed from the Statistics of Income individual income tax return cross-sectional file from a variety of years. This procedure often involved taking data from a year when an SOI file was available, adjusting the data for inflation, and then using it to test the calculator for a different year. Tests were run in this manner for all years covered by the calculator. The log files and estimates were then checked carefully for any errors or anomalies. Odd marginal or average tax rates often serve as a particularly good indicator that something is wrong. Any instances of such anomalies were investigated, and any errors leading to these anomalies were fixed.

3) A third form of testing involved comparing federal tax liability estimates with actual values from individual income tax return data. For example, I used the March 2007 version of the tax calculator to compute taxes for all returns in the 1979-90 University of Michigan public use income tax return panel (excluding married filing separately and dependent returns). The correlation between computed and actual "tax generated" (fdtxliab_bc in my calculator, or FtaxNORM in 1987) was 0.99972. The
correlation between computed and actual final federal tax liability was 0.99797. A perfect match would be impossible because the public use data blurs or omits some variables to protect confidentiality. Brad Heim at the Treasury department has also done extensive testing of the March 2007 version of the tax calculator using Treasury panel data on individual income tax return data for years between 1979 and 2005. He generally finds correlations between computed and actual federal tax liability in excess of 0.99.

4) A fourth form of testing is to compare estimates with those from the NBER Internet Taxsim model. I tested the January 2007 version of IncTaxCalc against version 8.0 of Internet Taxsim for the years 1979 through 2004 in the following manner. A test data set was derived from the 1985 IRS public use cross sectional data of individual income tax returns. A random sub-sample of about 10% of the returns was taken for each year 1979-2004, taxpayers were randomly assigned to states, and all values of dollar denominated variables were adjusted for inflation between 1985 and the appropriate year. Variables for IncTaxCalc that have no analogues in Internet Taxsim (including miscdedlim, charcg, fdcred, otaxpref, oamtadj, and avglaginc) were set to zero. Other IncTaxCalc variables were combined together where necessary to create the 22 variables in the Internet Taxsim input file. Marginal tax rates were computed with respect to an increment to the primary earner's wage and salary income.

When this test was conducted, the following correlations were found between tax liabilities and marginal tax rates calculated by IncTaxCalc and Taxsim.

- Federal tax liability (taxf): 0.99420
- State tax liability (taxs): 0.97649
- Federal marginal tax rate (mtrf): 0.96426
- State marginal tax rate (mtrf): 0.94574

Because of the different methodologies, assumptions, and approximations used by the two calculators (described above), we should not expect perfect correlations. These correlations suggest that they still produce reasonably similar results, though.
VI. INPUT DATA SET WITH USER-SUPPLIED TAXPAYER INFORMATION

The input data set supplied by the user contains information specific to individual taxpayers. Each row or record represents a taxpayer, and each column or variable represents a taxpayer characteristic such as year, income, age, etc. There are 72 required variables, specified below. If you do not have any information on some of the variables in your data, zero is always an acceptable value (missing values are not acceptable for any variable). Some items that generally receive similar treatment by the law (for example, many itemized deductions) can be combined together in a single variable with minimal loss of accuracy. In the case of a text file, the variables must be in order from left to right, while in a SAS data set they just need to be associated with the appropriate variable names. The only variables that may take negative values are `businc1`, `businc2`, `farminc1`, `farminc2`, `othcg1`, `othcg2`, `rentinc1`, `rentinc2`, `partscorp1`, `partscorp2`, `othinc1`, and `othinc2`. In those cases negative values should be limited to the maximum deductible amount (taking into account things like passive loss restrictions, limitations on capital loss deductions, etc.), as these limitations on losses are not computed endogenously by the program. In the variable list below, bold indicates the variable name, and italics indicate possible values for the variable.

**ID, YEAR, STATE**

- **id** Numeric case identification number.
- **year** Four-digit calendar year when income was actually earned by taxpayer.
- **fedyear** Four-digit calendar year for applicable federal law. Note that starting in 1981, adding 0.1 to `fedyear` will cause the calculator to use the federal tax law that would have applied in that year if the most recent major federal tax reform had not been enacted. So for example, if `fedyear = 1987.1`, the calculator uses the federal tax law that would have applied in 1987 if the Tax Reform Act of 1986 had not been enacted. Federal tax reforms enacted in 1981, 1982 (changes to minimum tax and AMT), 1983 (social security), 1986, 1990, 1993, 1997, 2001, and 2003 are counted as major federal tax reforms. In general, this is only done for the first year after the tax reform is enacted. Check the federal tax parameter spreadsheet (IncTaxFed.xls) for details on when this is available.
- **stateyear** Four-digit calendar year for applicable state law.

`fedyear` and `stateyear` are specified separately from `year` because the user may want to calculate, for example, future or past tax rates for a given taxpayer, and might want to use different years for federal and state (for example, because current law becomes fully phased-in in different years at the federal and state levels). Tax law for a particular calendar year represents the tax law applying to income received in that year. Because state tax law has only been entered through 2007 so far, if `stateyear` is set
to be larger than 2007, the calculator will not calculate a state income tax liability.

**state**  
Code for state of residence (postal or SOI).  
This can be the two-letter postal abbreviation for state of residence, lower case. In that case, abbreviations for all 50 states and dc are all valid entries, and the code for unknown state is zz. Alternatively, **statecode** can be the IRS Statistics of Income two-digit code number for each state, with zero serving as the missing value. The user must specify which type of state code is being used via the **statecodetype** parameter in the IncTaxCalc macro (see section II above).

**DEMOGRAPHIC INFORMATION**

**filertype**  
Marital / filing status.  
s -- single  
m -- married (calculator determines separate or joint filing depending on which is advantageous).  
h -- head of household

**deps**  
Number of dependent exemptions (not including taxpayer or spouse).

**kids1**  
Number of dependents eligible for federal child care credit or deduction.  
Age limitations:  
1954-1963: <12  
1964-1971: <13  
1972-1988: <15  
1989-present: <13

**kids2**  
Number of dependents eligible for federal earned income credit.  
Age limitations:  
1975-84: <19 or full-time student  
1985-90: no age limit but must be dependent child  
1991-present: <19 or full-time student < 24  
Note: supplemental credit for child <1 which applied from 1991-93 is not currently incorporated in the calculator.

**kids3**  
Number of dependents eligible for federal child credit.  
Age limitation, 1998-present: <17.

**agenum**  
Number of age exemptions / deductions.  
0 -- None  
1 -- Either primary taxpayer or spouse is aged 65 or over, but not both.  
2 -- Both primary taxpayer and spouse are >= 65
age
Age of primary taxpayer (0 if missing).
Used to compute eligibility for certain state tax preferences for the elderly,
where eligibility age may differ from 65. If age is not available, agenum
will be used to determine eligibility.

agesp
Age of spouse (0 if missing). See age.

blind
Are taxpayer or spouse blind? Enter 0 for no, 1 if one of taxpayer or
spouse is blind, 2 if both taxpayer and spouse are blind. Note that this is
only used to calculate federal exemptions (1948-1987) and the federal
standard deduction (1987 to present). We have not collected data on state
tax treatment regarding blindness.

INCOME AND ITS COMPONENTS

income
Broad measure of income.
The calculator uses this variable for only two purposes: (1) it serves as a
denominator for calculating an average tax rate, and (2) it is used to
calculate eligibility for certain state low-income credits where eligibility
depends on a broader definition of income than AGI (e.g., the measure of
income may include welfare benefits, etc.). Other than (2), this variable
plays no role in the calculation of tax liabilities or rates; the measure of
income used to calculate tax liability is built up from its individual
components below.

wagsal1
Wage and salary income, primary earner

wagsal2
Wage and salary income, spouse

businc1
Sole proprietorship (Schedule C) net income or loss, primary earner

businc2
Sole proprietorship (Schedule C) net income or loss, spouse

farminc1
Farm net income or loss (Schedule F), primary earner

farminc2
Farm net income or loss (Schedule F), spouse

ltcg1
Long-term capital gain, primary earner.
Include here the value of long-term capital gains that may be subject to
preferential treatment (exclusions, lower rates, etc.). Include the full
amount of gain, not just the part included in AGI. When tax treatment for
gains depends on holding period, the calculator assumes that the treatment
accorded to gains with the longest holding period specified in the law
applies to these gains. Include only positive values here.
ltcg2  Long-term capital gain, spouse.

othcg1  Other capital gain or deductible loss, primary earner. Include here any capital gains not subject to preferential treatment, or deductible losses. Only include the deductible portion of any loss.

othcg2  Other capital gain or deductible loss, spouse.

div1  Total dividend income, primary earner. This is total gross dividend income received by primary earner. Starting in 2003, there is a distinction between “qualified” dividend income (which may be subject to lower tax rates in the federal income tax) and “non-qualified” dividends (which are taxed as ordinary income). The $\text{div1}$ variable should include the sum of qualified and non-qualified dividends received by the primary earner. Note that if you choose to compute marginal tax rates with respect to $\text{div1}$, the calculator only adds an increment to $\text{div1}$ and not to $\text{qdiv1}$, so the computed marginal tax rate will be the marginal tax rate on non-qualified dividends received by the primary earner. To compute the marginal tax rate on qualified dividends received by the primary earner, you need to compute the marginal tax rate with respect to $\text{qdiv1}$.

div2  Total dividend income, spouse. This is total gross dividend income received by the spouse. Starting in 2003, there is a distinction between “qualified” dividend income (which may be subject to lower tax rates in the federal income tax) and “non-qualified” dividends (which are taxed as ordinary income). The $\text{div2}$ variable should include the sum of qualified and non-qualified dividends received by the spouse. Note that if you choose to compute marginal tax rates with respect to $\text{div2}$, the calculator only adds an increment to $\text{div2}$ and not to $\text{qdiv2}$, so the computed marginal tax rate will be the marginal tax rate on non-qualified dividends received by the primary earner. To compute the marginal tax rate on qualified dividends received by the primary earner, you need to compute the marginal tax rate with respect to $\text{qdiv2}$.

qdiv1  Qualified dividend income, primary earner. Before 2003, this variable is ignored and can be set to zero. In 2003 and later years, this is the portion of dividends, received by primary earner, that are subject to low tax rates. Note that if you choose to compute marginal tax rates with respect to $\text{qdiv1}$, the calculator adds an increment to both $\text{qdiv1}$ and $\text{div1}$, so it assumes that this is an equal increase in qualified dividends and total dividends, not an increase in qualified dividends holding total dividends constant (the latter would implicitly mean that non-qualified dividends declined by the same amount that qualified dividends increased).

qdiv2  Qualified dividend income, spouse. Before 2003, this variable is ignored and can be set to zero. In 2003 and later years, this is the portion of dividends, received by spouse, that are subject to low tax rates. Note that if
you choose to compute marginal tax rates with respect to \( q\text{div}2 \), the calculator adds an increment to both \( q\text{div}2 \) and \( \text{div}2 \), so it assumes that this is an equal increase in qualified dividends and total dividends, not an increase in qualified dividends holding total dividends constant (the latter would implicitly mean that non-qualified dividends declined by the same amount that qualified dividends increased).

\[
\begin{align*}
\text{int1} & \quad \text{Interest income, primary earner.} \\
\text{int2} & \quad \text{Interest income, spouse.} \\
\text{teint1} & \quad \text{Federally tax-exempt interest income (on state and local bonds), primary earner. The calculator only uses this in computations of EITC and taxability of social security benefits. It is only available in tax return data starting in 1987.} \\
\text{teint2} & \quad \text{Federally tax-exempt interest income, spouse.} \\
\text{pension1} & \quad \text{Federally taxable pension income, primary earner.} \\
\text{pension2} & \quad \text{Federally taxable pension income, spouse.} \\
\text{rentinc1} & \quad \text{Net rental income or loss, primary earner (may be negative).} \\
\text{rentinc2} & \quad \text{Net rental income or loss, spouse.} \\
\text{ui1} & \quad \text{Unemployment compensation, primary earner. Include gross amount; calculator determines the portion that is includable in AGI under federal law.} \\
\text{ui2} & \quad \text{Unemployment compensation, spouse.} \\
\text{ssben1} & \quad \text{Gross social security benefits, primary earner. Note: even before social security benefits became taxable at the federal level in 1984, social security benefits can still play a role in state tax calculations in a small number of cases. A few states had retirement income exclusions or credits that depended in part on the value of social security benefits, and a tiny number of states taxed social security benefits even before 1984.} \\
\text{ssben2} & \quad \text{Gross social security benefits, spouse.} \\
\text{partscorp1} & \quad \text{Partnership and S-corporation income, primary earner. Note: currently, this variable is used mainly in order to calculate tax liability in New Hampshire and Tennessee, where the tax was limited to interest and dividends (where dividends include distributions of profits}
\end{align*}
\]
from S-corporations and partnerships). The calculator does not yet capture any other differences between federal and state treatment of partnership and/or S-corporation income.

partscorp2  Partnership and S-corporation income, spouse.

othinc1  Other income or loss, primary earner.
Include here any other income or loss in total (gross) income for federal tax purposes. Do not include state income tax refunds, since state income taxes are computed endogenously.

othinc2  Other income or loss, spouse.

ADJUSTMENTS AND DEDUCTIONS
Note that the limitation of itemized deductions for people with AGI above certain thresholds (applicable at the federal level and in most states since 1991) is computed endogenously by the calculator. So in the variables below, report the gross value of itemized deductions before the limitation is applied. Also, in years when there is a zero bracket amount instead of a standard deduction (1977-86 at the federal level), report the full value of itemized deductions, not just the amount above the zero bracket amount.

othadj1  Other federal adjustments to income, primary earner.
This should include adjustments to income that are subtracted from gross income to get AGI on the federal return, except for the following: the two-earner couple deduction applying in 1982-86; moving expenses; unreimbursed employee business expenses; and one-half of social security taxes on self-employment income. The specific adjustments just mentioned are calculated endogenously based on other information available in the input data set. What’s left in this variable are things like IRA contributions and the student loan interest deduction. The items in othadj1 and othadj2 are taken as given, not computed endogenously. States for which the variable othadj saf is equal to 1 (see below) are assumed to have the same values for othadj1 and othadj2 as on the federal return, which is usually but not always accurate.

othadj2  Other federal adjustments to income, spouse.

charity  Charitable donations.

charcg  Unrealized capital gains on donations of appreciated property.
This is included because the AMT at one time taxed these gains (from 1987-90 for tangible property, and from 1987-92 for intangible property), and because it may be useful for calculating marginal tax rates in studies of charitable giving. It is not generally available in any data set, but tax data does usually include information on the total value of non-cash
contributions, which may be used to construct an imputed value. If the marginal tax rate is calculated with respect to $\text{charcg}$, it is done so holding overall charity constant (so it essentially just returns the AMT marginal rate, or zero if AMT is not applicable).

**intpaid**

Interest paid, other than investment interest.
Only include interest that is deductible at the federal level – for instance, do not include consumer interest when it is not deductible, and include only the deductible portion in the years when its deductibility is being phased-out.

**invint**

Investment interest paid.
This is separated from other interest for purposes of calculating federal limitation on itemized deductions since 1991.

**stinctax**

State income taxes paid (ignored if state is known)
If state is known, the calculator ignores this variable and computes state income taxes endogenously. In that case, $\text{stinctax}$ can be set to zero or any other number, and it won’t affect anything (it cannot be set to missing, though – missing values are not allowed for any variable in the input data set). If state is set to the “unknown” value ($\text{zz}$ or 0), then the calculator will include $\text{stinctax}$ in federal itemized deductions, but will treat them as given, so that state income tax can affect federal tax liability, but not marginal tax rate. It is included because some data sets (e.g., public-use tax data) report state income tax deductions, but omit state of residence for some or all records.

**proptax**

State and local property taxes paid.

**salestax**

State and local sales taxes paid.

**taxnodetail**

Total deductible state and local taxes, when detail by tax is unavailable. *Set this variable equal to zero if information on the particular taxes listed above is available.* This variable is used in situations where the data set only provides information on the total state and local taxes paid deduction, with no detail by type of tax. In those cases, the calculator will construct an estimated deduction for non-income taxes called $\text{tax\_nonincome}$, which will be set equal to $\text{taxnodetail}$, minus endogenously computed state income taxes. If $\text{taxnodetail}$ is nonzero, the calculator will perform some extra iterations. Three iterations are run to determine the value of $\text{tax\_nonincome}$, then then $\text{tax\_nonincome}$ is held constant for three more iterations as the calculator computes the effects of cross-deductibility of state and federal taxes, etc. When the calculator is re-run to compute marginal rates, the value of $\text{tax\_nonincome}$ is held constant at its value in the corresponding iteration of the first run. Caution: if $\text{taxnodetail}>0$, $\text{mtrfns}$, $\text{mtrsi}$, $\text{atrsi}$, $\text{taxfns}$, and $\text{taxsi}$ (described below) will not be
computed correctly. All other output variables will be fine, however. Also note that if taxnodetail > 0, make sure to set proptax, salestax and stinctax to zero, otherwise there will be double-counting in the computation of deductions.

**medexp**  
Medical and dental expenses. Include the full amount of such expenses. The calculator endogenously applies the percentage of AGI floor in the federal personal income tax. States that allow medical expense deductions are assumed to follow federal provisions, which is almost always the case now but was not always so several decades ago.

**casualty**  
Casualty and theft losses. Include the full amount of losses here. The calculator applies any percentage of AGI floors endogenously.

**movex**  
Deductible moving expenses. Calculator treats this as either an itemized deduction or as an adjustment, depending on the federal law for that year.

**busex**  
Unreimbursed employee business expenses. Calculator treats this as either an itemized deduction or as an adjustment, depending on the federal law for that year. Include full amount; calculator will incorporate 2% of AGI floor for 1987 and later.

**miscdedlim**  
Miscellaneous itemized deductions subject to 2% of AGI floor (instituted beginning 1987). Include full amount (other than unreimbursed employee business expenses). Calculator endogenously applies the 2% of AGI floor when applicable.

**omiscded**  
Other miscellaneous itemized deductions.

**CREDITS**

**childcare**  
Expenses for child care. This is used to compute the federal credit for child care expenses (starting in 1976), or the itemized deduction for the same (1954-1975), as well as relevant state provisions.

**fdcred**  
Federal credits other than EITC, child credit, child care credit, and elderly credit. EITC, child credit, child care credit and credit for elderly (i.e., retirement income credit) are computed endogenously by the tax calculator; other federal credits are included in this fdcred variable and are taken as given. Note that the calculator does not accurately capture the interaction between the foreign tax credit and the alternative minimum tax.
This is unavoidable, because a correct specification of the interaction would require more information than is generally available even in income tax return data. For some applications, removing the value of the foreign tax credit from \texttt{fdcred} may be appropriate. If the goal of calculating tax liability is to compute the effect of income taxes on the individual’s disposable income, then ignoring the foreign tax credit yields results that are closer to the conceptually preferred combined domestic and foreign tax liability anyway.

**INFORMATION FOR MINIMUM AND MAXIMUM TAXES**

\textbf{otaxpref} \hspace{1em} Other tax preferences in base of federal minimum tax or AMT. Include here the value of any tax preference items that are added back into the base of minimum tax (1970-82) or the alternative minimum tax (1983-present), aside from capital gains exclusions, dividends exclusions, itemized deductions, standard deductions, and personal exemptions, which are computed endogenously based on other information already provided above.

\textbf{oamtadj} \hspace{1em} Other AMT adjustments. Include here the value of any AMT "adjustments" that are added back into the base of the AMT (1987-present), aside from itemized deductions, standard deductions, personal exemptions, and capital gains on charitable donations of appreciated property, and anything that is included in \textbf{otaxpref}, all of which are computed endogenously based on other information already provided above. These adjustments are separated out from \textbf{otaxpref} because tax return data contains information on both, and they are each treated differently by some state minimum taxes (e.g., NY). This variable is ignored prior to 1987. One exception to the above: if \textit{fedyear} = 1981, then if \textit{oamtadj} is non-zero, the calculator will assume that \textbf{oamtadj} contains information about the amount of \textit{ltcg} that was realized after June 9, 1981, and is therefore subject to the maximum tax rate of 20%. If \textit{oamtadj} is greater than zero in 1981, the calculator assumes that \textbf{oamtadj} are gains that were realized after June 9, 1981 and thus are subject to the alternative 20% capital gains rate calculation. If \textit{oamtadj} = -1 in 1981, the calculator assumes all of \textit{ltcg} was realized before June 9, 1981. If \textit{oamtadj} = 0 in 1981, then the calculator will assume that all of \textit{ltcg} was realized after June 9, 1981. In all cases, the \textit{ltcg} variables should include all capital gains, regardless of when in the year they were realized. In all cases, the calculator assumes that any marginal addition to \textit{ltcg} in 1981 occurs after June 9, 1981.

\textbf{avglaginc} \hspace{1em} Average lagged taxable income for income averaging computations. This variable is not relevant before 1964 nor after 1986 – enter zero for those years (if you enter some other number for those years, it will be
ignored anyway). From 1984 to 1986, this variable should be the average of taxable income for the 3 preceding years. From 1964 to 1983, use the average from the 4 preceding years. If zero is entered for this variable, income averaging is ignored in the tax computations.

**psincome**  
Personal service income, used to compute the federal maximum tax on personal service income (1971-1981, also known as the maximum tax on earned income). If set to -1, this variable will be ignored and an estimate will be constructed from other variables in the input data set. This variable is not relevant for years outside of the 1971-1981 range, and can safely be set to zero in those years.

**psded**  
Deductions allowable against personal service income, used to compute the federal maximum tax on personal service income (1971-1981, also known as the maximum tax on earned income). This included items such as business expenses and moving expenses allocable to personal service income, contributions to IRA and Keogh plans, and some net operating losses. This variable is generally available in the SOI input files in the relevant years. If set to -1, this variable will be ignored and an estimate will be constructed from other variables available in the input data set (namely business expenses and moving expenses). For years outside of the 1971-1981 range, this variable is not relevant and is ignored by the calculator, so it can safely be set to zero in those years.

**INFORMATION FOR CALCULATING CIRCUIT BREAKER CREDITS**  
The following two variables are used to calculate state "circuit breaker" credits for property taxes and rent. Home value is only rarely used to compute these credits, but rent payments are quite frequently a factor. If set to zero, the calculator will treat them as if they are really zero in the calculations. Note that the circuit breaker credit calculations can be suppressed by setting the `cbinclude` macro parameter to zero).

**rentpay**  
Annual rent payment (minus any government rent subsidies).

**homeval**  
Value of home.

**VARIABLES NOT USED BY THE CALCULATOR, BUT WHICH ARE SOMETIMES USEFUL TO HAVE IN THE OUTPUT DATA SET**  
Finally, there are four variables that store information that is often useful to have in the output data set, but which play no role in the tax calculations performed in the SAS code. These were added because the Tax Policy Center finds it useful to have them in the input and output data sets. If you don’t need them, you can set them to zero or missing, and it will not have any negative consequences.

**depind**  
Indicator for whether this record represents a dependent filer for federal income tax purposes. The calculator currently does not compute taxes accurately for such returns.
taxfiler  Indicator for whether this record represents an individual who filed a federal individual income tax return.

incomealt  Alternative measure of income. This can be whatever measure of income the user prefers.

wgt  Weight. This can be used to store a weighting variable (e.g., the inverse of the sampling probability).

VII. OUTPUT DATA SET

The basic output data set contains the calculated tax liabilities and average and marginal tax rates for each taxpayer. Users can choose whether to produce a space-delimited text file or a temporary or permanent SAS dataset by setting the “outputformat” parameter in the IncTaxCalc macro appropriately (see above). The basic output file contains the variables listed below, in order. In the variable descriptions below, “incremental” means the difference between the combined federal and state income tax liability or rate, and what the federal tax liability or rate would be if there were no state income tax. “Bracket rate” means the marginal tax rate on taxable income in the taxpayer’s tax bracket under the normal tax calculation. Average tax rates are calculated as tax liability divided by the income variable supplied by the user in the input data set (if income is zero or negative, average tax rates are set to zero). All marginal rates (including social security marginal rate) are calculated with respect to a change in the component of income or deductions specified by the user. In the case of income, the marginal rate represents the increase in tax liability caused by adding a user-specified increment to that component of income, divided by the increment. In the case of a deduction, it represents the decrease in tax liability caused by adding a user-specified increment to that deduction, where both the decrease and the increment are expressed as positive numbers (in other words, the marginal rate is still reported as positive, even though it represents a reduction in tax liability). In the case of a charitable contribution of appreciated property, the marginal tax rate is just based on any increase in alternative minimum tax liability. Social security tax liability and rates include both employer and employee portions (or the full amount of the social security tax on self-employment income where applicable), and include both the OASDI and HI portions of the tax.

TAXPAYER IDENTIFYING INFORMATION

id  Numeric case id

statename  State of residence, lower case two-letter postal abbreviation

soi  Statistics of income state code

year  Year income was earned
stateyear  Year of applicable state tax law (see next section for explanation)
fedyear  Year of applicable federal tax law (see next section for explanation)

TAX LIABILITIES

tax  Combined federal and state income tax liability
taxf  Federal income tax liability
taxs  State income tax liability

taxsi  Incremental state income tax liability. That is, combined federal and state income tax liability (tax), minus what federal tax liability would be if there were no state income tax (taxfns, defined below). Warning: taxsi is not computed correctly if taxnodetail>0 (see discussion of mtrfns below).

sstax  Federal social security tax liability. This includes both OASDI and HI payroll taxes, and it includes both the employee and employer portions of the tax, as well as any self-employment OASDHI taxes. The self-employment portion of the tax can be recovered from the detailed output data set variables FsstxliabSE1 and FsstxliabSE1. The employee or employee portion can be recovered by subtracting self-employment liability from sstax, and then dividing by 2 (except in 2011, when the calculation is more complicated).

MARGINAL TAX RATES

mtr  Combined federal and state marginal income tax rate. That is, increase in combined federal and state income tax liability caused by adding an increment to the variable specified in mtrvar, divided by the size of the increment.

mtrf  Federal marginal income tax rate. That is, increase in federal income tax liability caused by adding an increment to the variable specified in mtrvar, divided by the increment.

mtrfns  Federal marginal income tax rate (mtrf) that would apply if there were no state income tax. [Warning: if the input data set on taxpayer characteristics does not break out state tax liability into its component parts (income tax, property tax, and sales tax), but rather combines them all into the taxnodetail variable, then mtrfns is not computed correctly. In that case, mtrfns is computed holding state tax liability constant at the value specified in taxnodetail, but the presence of state income tax can
affect \textit{mtrfns} by moving the taxpayer across federal tax brackets, to the extent state income tax is included in \textit{taxnodetail}.

\textbf{mtrfb} Federal marginal income tax bracket rate. That is, the statutory marginal tax rate applying to the taxpayer’s ordinary federal taxable income, from the federal tax tables, not including the effects of any phase-outs, credits, alternative taxes, minimum or maximum taxes, special capital gains tax computations, victory tax, defense tax, deductibility of federal income tax from state taxable income, etc. For 1913-1945 and 1969-1970, \textit{mtrfb} includes both the effects of normal tax and surtax.

\textbf{mtrfbsp} Federal marginal income tax bracket rate on spouse (equals \textit{mtrfb} if no spouse, or if spouses file jointly)

\textbf{mtrs} State marginal income tax rate. That is, increase in state income tax liability caused by adding an increment to the variable specified in \textit{mtrvar}, divided by the increment.

\textbf{mtrsb} State marginal income tax bracket rate. That is, the statutory marginal tax rate applying to the taxpayer’s ordinary state taxable income, from the state tax tables, not including the effects of any phase-outs, credits, alternative taxes, minimum or maximum taxes, special capital gains tax computations, deductibility of state tax from the federal taxable income, etc.

\textbf{mtrsbp} State marginal income tax bracket rate on spouse (equals \textit{mtrsb} if no spouse)

\textbf{mtrsi} Incremental state marginal tax rate. That is, the combined federal and state marginal tax rate (\textit{mtr}), less what the federal marginal tax rate would be if there were no state income tax (\textit{mtrfns}). Caution: because of complicated interactions between federal and state taxes, \textit{mtrsi} can sometimes be quite large for completely legitimate reasons. For example, if the marginal tax rate is being calculated with respect to a component of itemized deductions such as charitable giving, and the presence of a state income tax causes the taxpayer to switch from non-itemizing to itemizing, \textit{mtrsi} could equal the combined federal and state marginal tax rates. Large negative values for \textit{mtrsi} can occur whenever adding the federal deduction for state income taxes moves the taxpayer across federal tax brackets, or when it moves the taxpayer from federally taxable to federally nontaxable status. For example, in many years there was an alternative capital gains tax computation in the federal income tax, where tax liability equaled income tax on taxable income excluding capital gains, plus a low tax rate times the amount of capital gains. In that case, a large federal deduction for state income taxes would frequently push the taxpayer from
a high marginal federal tax rate to a low marginal federal tax rate on income other than capital gains. Large negative values of mtrsi are also common when the value of “other federal credits” (fdcred) is large. When fdcred is large, a small change in taxable income, such as that caused by the addition of a deduction for state income tax, can rapidly shift the taxpayer from having a high marginal tax rate to having a marginal tax rate of zero (which occurs at the threshold where tax liability before the credit drops below the value of the credit). [Warning: mtrsi is not computed correctly if taxnodetail>0; see discussion of mtrfns above.]

ssmtr  Federal marginal social security tax rate. Includes both employer and employee portions of the tax, self-employment payroll taxes, as well as any payroll tax for Medicare.

AVERAGE TAX RATES

atr  Combined federal state average tax rate. Computed as combined federal and state income tax liability (tax), divided by income. This is set to zero if income is zero or negative.

atrf  Federal average tax rate. Computed as federal income tax liability (taxf) divided by income. This is set to zero if income is zero or negative.

atrs  State average tax rate. Computed as state income tax liability (taxs) divided by income. This is set to zero if income is zero or negative.

atrsi  Incremental state average tax rate. Computed as combined federal and state average tax rate (atr) minus what the federal average tax rate would be if there were no state income tax. [Warning: atrsi is not computed correctly if taxnodetail>0; see discussion of mtrfns above].
**ssatr** Federal social security average tax rate. Includes both employer and employee portions of the tax, self-employment payroll taxes, as well as any payroll taxes for Medicare.

**OPTIONAL DETAIL VARIABLES**
Alternatively, the user can choose to produce a detailed output data set containing the following variables, which provide details on how taxes were calculated (this is specified at the end of the program). There will be two versions of each of these variables reported—one version has a “_1” suffix, indicating it is the value for the first iteration (before adding an increment to calculate marginal tax rates). The second version has a “_2” suffix indicating it is the value for the second iteration (after adding the increment). In addition to these, the detailed output data set also includes the values of the input variables, and the values of the variables from the basic output data set listed above.

**A note on separate filing:** for some variables, the detailed output provides information on the value of the variable for each spouse if the couple were to file separately. The values of these variables are set to zero for unmarried taxpayers or in states or federal years when separate filing is generally disadvantageous (so that the calculator always assumes joint filing). In cases where filing separately minimizes tax burden, the value of a variable for the return as a whole will be equal to the sum of the values for each spouse. In cases where filing jointly minimizes tax burden, that will not necessarily be the case.

**How to add a variable to the detailed output data set.** In some cases you may want to add another variable that is computed by IncTaxCalc.sas to the detailed output data set. In order to do that, add the variable and a description of it in an appropriate place in the list of variables immediately below, and then in IncTaxCalc.sas, you will need to add the _1 and _2 versions of the variable (see two paragraphs above) in the following locations:

1. In “%macro detail1”, you will need to define a version of the variable with a _1 at the end of the variable name;
2. In “%macro detail2” you will need to define a version of the variable with a _2 at the end of the variable name;
3. In “%macro detail3” you will need to define a version of the variable with a _2 at the end of the variable name; in “%macro DetailNoMTR” you will need to define a version of the variable with a _2 at the end of the variable name that is set equal to the missing value code (.). In “%macro Keeper1” you will need to include both the _1 and _2 versions of the variable in the “keep” statement; in “%macro TaxDetail” you will need to include both the _1 and _2 versions of the variable in the “put” statement.

**increment** Dollar value of increment used to calculate marginal tax rates

**iteration** This equals 2 if marginal tax rates were calculated by adding an increment, and equals 3 if the program calculated them once based on adding an increment and once based on subtracting an increment, and reported the results for the version with the smaller marginal rate in absolute value.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>taxf</td>
<td>Total federal income tax liability</td>
</tr>
<tr>
<td>taxfns</td>
<td>Total federal income tax liability if there were no state income tax. [Warning: not computed correctly if taxnodetail &gt; 0; see discussion of mtrfns above.]</td>
</tr>
<tr>
<td>taxes</td>
<td>Total state income tax liability</td>
</tr>
<tr>
<td>taxsFDED</td>
<td>Value of state tax income tax liability used to compute federal itemized deductions. This may differ slightly from taxes because in some cases it was calculated one iteration earlier, but in that case the difference should be small. Note that it may also differ from taxes because taxsFDED represents the state tax liability that would apply if the taxpayer were to itemize on the federal return, which may have implications for state tax liability, whereas taxes is computed using the optimal state itemization status given any constraints that may be imposed by federal itemization status.</td>
</tr>
<tr>
<td>Fagi</td>
<td>Federal AGI</td>
</tr>
<tr>
<td>Fssagi</td>
<td>Social security benefits included in federal AGI</td>
</tr>
<tr>
<td>Fti</td>
<td>Federal taxable income</td>
</tr>
<tr>
<td>Fti1</td>
<td>Federal taxable income of primary taxpayer couple were to file separately. Always set to zero if not married, and in all years from 1948 on.</td>
</tr>
<tr>
<td>Fti2</td>
<td>Federal taxable income of spouse if couple were to file separately. Always set to zero if not married, and in all years from 1948 on.</td>
</tr>
<tr>
<td>Fsepfiler</td>
<td>Indicator for married filing separately status for federal return (always zero if not married and from 1948 on).</td>
</tr>
<tr>
<td>Fexempt</td>
<td>Value of federal personal exemptions</td>
</tr>
<tr>
<td>Fstded</td>
<td>Value of federal standard deduction</td>
</tr>
<tr>
<td>Fitemded</td>
<td>Value of federal itemized deductions before limitation</td>
</tr>
<tr>
<td>Fitemizer</td>
<td>Indicator for federal itemization status (1=itemizer, 0=not itemizer)</td>
</tr>
<tr>
<td>Fitemlost</td>
<td>Federal itemized deductions lost to limitation</td>
</tr>
<tr>
<td>Symbol</td>
<td>Description</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Fidmaxlim</td>
<td>Indicator for maximum itemized deduction limitation. That is, Fidmaxlim equals 1 if Fitemlost is equal to 80% of unprotected itemized deductions (the 80% is gradually reduced over the phase-out period).</td>
</tr>
<tr>
<td>FtaxNORM</td>
<td>Federal tax liability, “normal” calculation (before other provisions listed below, which are applied sequentially). This is generally the initial tax liability computation arrived at by applying the tax rates and brackets to taxable income.</td>
</tr>
<tr>
<td>FtaxMAXEI</td>
<td>Federal income tax liability after applying maximum tax on earned income</td>
</tr>
<tr>
<td>FtaxALTCG</td>
<td>Federal income tax liability after applying any alternative capital gains computation.</td>
</tr>
<tr>
<td>FtaxINCAVG</td>
<td>Federal income tax liability after applying income averaging.</td>
</tr>
<tr>
<td>FntrMEI</td>
<td>Federal marginal tax rate after applying maximum tax on earned income.</td>
</tr>
<tr>
<td>Fdtxliab_bc</td>
<td>Federal income tax liability after above provisions, but before credits and minimum taxes.</td>
</tr>
<tr>
<td>FtaxMIN</td>
<td>Federal minimum tax liability.</td>
</tr>
<tr>
<td>Famt</td>
<td>Federal alternative minimum tax liability.</td>
</tr>
<tr>
<td>Famtpref</td>
<td>Federal AMT preferences.</td>
</tr>
<tr>
<td>Famti</td>
<td>Federal alternative minimum taxable income (calculated before AMT exemptions).</td>
</tr>
<tr>
<td>Famtextempt</td>
<td>Allowable federal AMT exemption.</td>
</tr>
<tr>
<td>Famtiae</td>
<td>Famti less allowable AMT exemption.</td>
</tr>
<tr>
<td>FamtiaeEXCG</td>
<td>Famtiae minus capital gains and/or dividends subject to special computation.</td>
</tr>
<tr>
<td>Ftamt</td>
<td>Tentative federal AMT (AMT before subtracting income tax liability).</td>
</tr>
<tr>
<td>Famt</td>
<td>Increase in total tax liability caused by federal AMT (i.e., Ftamt minus federal tax liability computed before the AMT).</td>
</tr>
</tbody>
</table>
Fkcarecred  Gross federal credit for child care expenses. This is the full amount reported on Form 2441 before applying any limitations that apply to the amount carried over to Form 1040. Some of this may not be usable due to non-refundability or limitations.

Feic  Federal earned income credit.

Fkidcred  Usable federal child credit, non-refundable portion.

Fkidcredref  Usable federal child credit, refundable portion.

Feldcred  Federal credit for elderly

Fsstxliab  Federal social security and Medicare payroll tax liability (including self-employment tax, and including both employer and employee portions). Same as ssstax in the basic output data set.

FsstxliabSE1  Federal social security and medicare self-employment tax, primary earner.

FsstxliabSE2  Federal social security and medicare self-employment tax, spouse.

agi  State adjusted gross income.

agi1  State adjusted gross income, primary taxpayer if couple were to file separately.

agi2  State adjusted gross income, spouse if couple were to file separately.

ssagi  Social security benefits included in state adjusted gross income.

Sti  State taxable income.

Sti1  State taxable income, primary taxpayer, if couple were to file separately.

Sti2  State taxable income, spouse, if couple were to file separately.

Ssepfiler  Indicator for married filing separately status for state return.

exempt  Value of state personal exemptions.

exempt1  Value of state personal exemptions for primary taxpayer if couple were to file separately.
exempt2 Value of state personal exemptions for spouse if couple were to file separately.

stded Value of state standard deduction (combined value for spouses if filing separately).

itemded Value of state itemized deductions. (Note that in a few cases, in states that do not have itemized deductions, this variable will include other kinds of deductions, for example the social security tax deduction in Massachusetts, an extra exemption amount that could be taken in lieu of a credit in Ohio, or property tax deductions in New Jersey and Indiana).

itemded1 Value of state itemized deductions for primary taxpayer if couple were to file separately.

itemded2 Value of state itemized deductions for spouse if couple were to file separately.

itemizer_s Indicator for state itemization status.

retexamt State retirement income exclusion.

lowexamt State low-income exemption.

miscex State miscellaneous exemption.

StaxNORM State income tax liability, "normal" calculation, before other provisions below. This is generally the initial tax liability determined by applying standard rates and brackets to taxable income.

sptxliab State "special" tax liability, 1st special tax.

sptxliab2 State "special" tax liability, 2nd special tax.

StaxALTCG State tax liability after alternative capital gains computation.
**StaxASP**  State tax liability after special tax and alternative capital gains tax computations.

**StaxAMIN**  State tax liability after minimum tax. Note that minimum tax may be incorporated at different points in the tax calculation in different states, depending on the value of mintaxapp. If mintaxapp=4 or 5, the minimum tax is not reflected in StaxAMIN, but rather first appears in StaxAX.

**StaxAMIN1**  StaxAMIN for primary taxpayer if couple were to file separately.

**StaxAMIN2**  StaxAMIN for spouse if couple were to file separately.

**StaxMIN**  State minimum tax liability (amount added to tax liability).

**gencred**  Value of general state tax credits.

**gencred1**  Value of gencred for primary taxpayer if couple were to file separately.

**gencred2**  Value of gencred for spouse if couple were to file separately.

**recred**  Value of state retirement credit.

**recredref**  Value of refundable state retirement credit.

**lowcred**  Value of state low-income credit.

**lowcredref**  Value of refundable state low-income credit.

**marcred**  Credit for joint filers to reduce marriage penalty.

**kcarecred**  Value of state child care credit. This is the gross value of the sum of all applicable state child care credits, before applying any limits intended to make part or all of the credit(s) non-refundable (e.g., limiting the credit to be no more than state tax liability). Refundability rules for state child care credits are applied in the calculator after the computation of kcarecred, in the computation of the variable StaxAGC (State income tax after credits other than EITC).

**kcarecred1**  Value of kcarecred for primary taxpayer if couple were to file separately.

**kcarecred2**  Value of kcarecred for spouse if couple were to file separately.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>StaxAGC</td>
<td>State tax liability after all credits except EITC and circuit breakers, but before any &quot;extra&quot; taxes.</td>
</tr>
<tr>
<td>StaxAGC1</td>
<td>StaxAGC for primary taxpayer if couple were to file separately.</td>
</tr>
<tr>
<td>StaxAGC2</td>
<td>StaxAGC for spouse if couple were to file separately.</td>
</tr>
<tr>
<td>xtaxs</td>
<td>&quot;Extra&quot; state tax liability.</td>
</tr>
<tr>
<td>xcredit</td>
<td>&quot;Extra&quot; state tax credit.</td>
</tr>
<tr>
<td>xcredit1</td>
<td>Value of xcredit for primary taxpayer if couple were to file separately.</td>
</tr>
<tr>
<td>xcredit2</td>
<td>Value of xcredit for spouse if couple were to file separately.</td>
</tr>
<tr>
<td>StaxAX</td>
<td>State tax liability after extra taxes and credits except EITC and circuit breakers.</td>
</tr>
<tr>
<td>StaxAX1</td>
<td>StaxAX for primary taxpayer if couple were to file separately.</td>
</tr>
<tr>
<td>StaxAX2</td>
<td>StaxAX for spouse if couple were to file separately.</td>
</tr>
<tr>
<td>eicstateref</td>
<td>Refundable portion of state earned income credit.</td>
</tr>
<tr>
<td>eicstatenoref</td>
<td>Non-refundable portion of state earned income credit.</td>
</tr>
<tr>
<td>propcred</td>
<td>State circuit breaker credit for property taxes or rent.</td>
</tr>
<tr>
<td>localtax</td>
<td>Local income tax liability.</td>
</tr>
<tr>
<td>Ftaxtype</td>
<td>Type of federal tax (see description of federal parameters below).</td>
</tr>
<tr>
<td>taxtype</td>
<td>Type of state tax (see description of state parameters below).</td>
</tr>
<tr>
<td>Fchlimbind</td>
<td>Is charitable deduction larger than the maximum percentage of AGI allowed at the federal level?</td>
</tr>
<tr>
<td></td>
<td>0 = No</td>
</tr>
<tr>
<td></td>
<td>1 = Yes</td>
</tr>
</tbody>
</table>
chlimbind Is charitable deduction larger than the maximum percentage of AGI allowed at the state level?
0 = No
1 = Yes, and no carryovers allowed
2 = Yes, and carryovers allowed

VIII. DATA SET WITH STATE TAX LAW PARAMETERS (IncTaxState.csv)

The following is the variable list for IncTaxState.csv. These variables contain the information about how the state personal income tax laws work. Note that each possible state / year / filing status combination from 1900 through 2014 is a separate record. No records are included for state-year combinations where a state personal income tax did not apply.

The coding allows for up to four tax or credit systems to be operated in parallel, which was sometimes necessary for particularly sadistic states. The first set of variables describes the ordinary tax system. Next, up to two "special taxes" (indicated by variables beginning with "sp") may be specified. The "special tax" feature can accommodate fairly simple additional taxes, for example when capital gains are taxed at a different rate than other income. Special taxes can have at most one tax rate and a single exemption. Finally, the "extra tax" provision at the end (indicated by variables beginning with "x") allows for a more complicated additional tax or credit which may have multiple tax brackets, different exclusions, deductions, and exemptions than the ordinary tax, etc. This was useful for coding in the features of optional maximum taxes, certain complicated credits, surtaxes on particular types of income, etc. State tax liability generally equals the sum of the ordinary tax, special taxes, and extra taxes, where credits enter negatively (appropriate adjustments to this are made for maximum and minimum taxes, etc.). In addition to these, there are also separate sets of variables for features such as retirement income exclusions and credits, low income exemptions and credits, and minimum taxes.

Also note that in cases where we coded a state tax as being a percentage of federal income or a function of federal taxable income (see taxtype and base below) almost all other state variables are set to zero, even though they may apply in the federal tax. In those cases, the necessary information is derived from the federal variables, and most state variables are ignored.

Bold indicates variable name. Italics indicate possible values for the variable.

STATE, YEAR AND FILING STATUS

statename State of residence, lower-case two-letter postal abbreviation.

stateyear Tax year to which state law applies.
**filertype**  Filing status to which this information pertains.

- s -- Single
- m -- Married
- h -- Head of household

**soi**  IRS Statistics of Income division state code (two-digit)

**statekey**  An index variable equal to: stateyear * 1000 + soi * 10 + (1 if head of household, 2 if married, 3 if single). This is used as a SAS “index” for the data set, to facilitate the use of the “table lookup” approach to merging data, using the “key=” feature of the “set” statement.

### TYPE OF TAX AND DEFINITION OF TAX BASE

**taxtype**  Type of income tax. Note that if taxtype is fedtab or some variation of pctfed, then all other state variables are ignored, and thus can be set to zero. The exception is that for the pctfed type taxes, if any of the variables in section labeled “general credits” below are non-zero, they will not be ignored by the calculator. In addition, pctdelder will not be ignored if taxtype = pctfed4. If taxtype is none or cbonly then all other state variables are ignored and can be set to zero (or none in the case of character variables). See also xtaxtype = fedtab2.

- none -- State does not have a personal income tax nor a circuit breaker, or no data is available.

- pctinc -- Tax liability is a function some measure of income.

- pctfed -- Tax liability is a percentage of federal tax liability after credits.

- pctfed2 -- Same as pctfed, except that base is federal tax liability recalculated to disallow deduction for state income taxes.

- pctfed3 – Tax liability is a percentage of federal tax liability after credits, but does not allow refundable credits.

- pctfed4 – Tax liability is a percentage of federal tax liability before credits (but including minimum tax and alternative minimum tax liability).

- cbonly -- State does not have a personal income tax, but does have a circuit-breaker property tax credit.

- fedtab -- Louisiana, 1975-1979. During this period, the Louisiana legislature produced tables that indicated the Louisiana state tax liability
that corresponded to each federal tax liability for each filing status and each number of exemptions. The law did not explain the underlying logic that was used to construct the tables. In order to deal with this, for each filing status and number of exemptions, we used data from the tables to estimate a regression where Louisiana tax as a percentage of federal tax was the dependent variable, and the explanatory variables were an intercept and a 4-knot spline in log federal tax liability, where the knots in the spline were chosen by graphing the relationship and selecting the values of the knots at obvious inflection points. The R-squareds for each regression were in excess of 0.99. This enabled us to closely approximate the tables with twelve parameters for each filing-status / exemption combination. In the state tax parameter data set, we recorded the parameters needed to approximate the tax in the variables: \( b_6-b_{26}, r_{6-r_{26}}, x_{b1-x_{b14}}, x_{r1-x_{r14}}, \) and the \( cb \) and \( xcb \) variables. All other variables are ignored. The code below indicates how each variable is used; \textbf{exemptions} is the number of exemptions (including age exemptions); \textbf{taxs} is state tax liability, and \textbf{taxf\_S} is federal tax liability. [The data used to construct these variables are in the spreadsheets LouisianaTaxTables1975-1976.xls and LouisianaTaxTables1977-1982.xls]

\textbf{Taxtype} =\textit{fedtab}: Single with 1 exemption, or head of household or married with 2 exemptions:

\[
\text{if taxf\_S} \leq b_6 \text{ then taxs}=0; \\
\text{else taxs} = \min(\text{taxf\_S}, b_{11})*(\max(0, r_6 + r_7 *\log(\min(\text{taxf\_S}, b_{11}))) + r_8 *\max(0, \log(\min(\text{taxf\_S}, b_{11}))-\log( b_7 )) + r_9 *\max(0, \log(\min(\text{taxf\_S}, b_{11}))-\log( b_8 )) + r_{10} *\max(0, \log(\min(\text{taxf\_S}, b_{11}))-\log( b_9 )) + r_{11} *\max(0, \log(\min( b_{11}, \text{taxf\_S}))-\log( b_{10 }))) /100) + (r_{26} / 100) *\max(0,\text{taxf\_S} - b_{11});
\]

\textbf{Taxtype} =\textit{fedtab}: Single with 2 or more exemptions, or head of household or married with 3 exemptions.

\[
\text{if taxf\_S} \leq b_{12} \text{ then taxs}=0; \\
\text{else taxs} = \min(\text{taxf\_S}, b_{17})*(\max(0, r_{12} + r_{13} *\log(\min(\text{taxf\_S}, b_{17}))) + r_{14} *\max(0, \log(\min(\text{taxf\_S}, b_{17}))-\log( b_{13 } )) + r_{15} *\max(0, \log(\min(\text{taxf\_S}, b_{17}))-\log( b_{14 } )) + r_{16} *\max(0, \log(\min(\text{taxf\_S}, b_{17}))-\log( b_{15 } )) + r_{17} *\max(0, \log(\min( b_{17}, \text{taxf\_S}))-\log( b_{16 } ))) /100) + (r_{26} / 100) *\max(0,\text{taxf\_S} - b_{17});
\]

\textbf{Taxtype} =\textit{fedtab}: Head of household or married with 4 exemptions.

\[
\text{if taxf\_S} \leq b_{18} \text{ then taxs}=0; \\
\text{else taxs} = \min(\text{taxf\_S}, b_{23})*(\max(0, r_{18} + r_{19} *\log(\min(\text{taxf\_S}, b_{23})))
\]

46
+ r20 *max(0, log(min(taxf_S, b23))-log( b19 ))
+ r21 *max(0, log(min(taxf_S, b23))-log( b20 ))
+ r22 *max(0, log(min(taxf_S, b23))-log( b21 ))
+ r23 *max(0, log(min( b23 , taxf_S))-log( b22 ))/100)
+ ( r26 / 100)*max(0,taxf_S -  b23 ) ;

Taxtype = fedtab: Head of household or married with 5 exemptions.
if taxf_S <= xb1 then taxs=0 ;
else taxs = min(taxf_S, xb6)*(max(0, xr1
+ xr2 *log(min(taxf_S, xb6))
+ xr3*max(0, log(min(taxf_S, xb6))-log( xb2 ))
+ xr4*max(0, log(min(taxf_S, xb6))-log( xb3 ))
+ xr5*max(0, log(min(taxf_S, xb6))-log( xb4 ))
+ xr6*max(0, log(min( xb6 , taxf_S))-log( xb5 )))/100)
+ ( r26 / 100)*max(0,taxf_S -  xb6 ) ;

Taxtype = fedtab: Head of household or married with 6 exemptions.
if taxf_S <= xb7 then taxs=0 ;
else taxs = min(taxf_S, xb12)*(max(0, xr7
+ xr8 *log(min(taxf_S, xb12))
+ xr9*max(0, log(min(taxf_S, xb12))-log( xb8 ))
+ xr10*max(0, log(min(taxf_S, xb12))-log( xb9 ))
+ xr11*max(0, log(min(taxf_S, xb12))-log( xb10 ))
+ xr12*max(0, log(min( xb12 , taxf_S))-log( xb11 )))/100)
+ ( r26 / 100)*max(0,taxf_S -  xb12 ) ;

Taxtype = fedtab: Head of household or married with 7 or more exemptions.
if taxf_S <= cbthresh1 then taxs=0 ;
else taxs = min(taxf_S, cbpct1)*(max(0, xcbthresh)
+ xcbthresh2*log(min(taxf_S, cbpct1))
+ xcbthresh3*max(0, log(min(taxf_S, cbpct1))-log( cbthresh2 ))
+ xcbthresh4*max(0, log(min(taxf_S, cbpct1))-log( cbthresh3 ))
+ xcbthresh5*max(0, log(min(taxf_S, cbpct1))-log( cbthresh4 ))
+ xcbpct1 *max(0, log(min( cbpct1 , taxf_S))-log( cbthresh5 )))/100)
+ ( r26 / 100)*max(0,taxf_S -  cbpct1 ) ;

base
Starting point for calculating tax base. Possible values:

none – State does not have a personal income tax

gi -- Tax base calculation starts with a measure of gross income, from which various exclusions, adjustments, deductions, and exemptions are then subtracted.
**fti** -- Tax calculation starts with federal taxable income, except that state income tax is assumed not to be deductible from itself unless **sitedd** = 1 (see below). If **base** = **fti** then all state variables having to do with exclusions, adjustments, and deductions except for **sitedd** and **itemiz** are ignored and can be set to zero. Some states for which we coded **base** = **fti** allowed credits, extra exemptions, or provisions coded in the sets of variables listed under **retextype**, **lowtype**, and **miscextype** below, so these variables are not ignored by the program. Any exemptions that are coded in will represent the extra amount on top of the federal exemptions. Note that there were a large number of states that started the tax calculation process with federal taxable income, but that we coded as starting with gross income and then coded in the appropriate deductions, exemptions, etc. to achieve the same result. Currently the only states coded as **base** = **fti** are Alaska (1964-1979), North Dakota (1991-2000), and Vermont (2001). Also note that the program code for **base** = **fti** is not set up to deal with states where it can be advantageous for married couples to file separately, so those sorts of state should not be coded as **base** = **fti**.

**fdtxliab** – Tax calculation starts with federal tax liability (see **taxtype** for further information on exactly how).

**cg** -- Tax base starts with capital gains only.

**div** -- Tax base starts with dividends only.

**di** -- Tax base starts with dividends and interest only. Note that in New Hampshire and Tennessee, this also includes partnership and S-corporation income.

**dcp** -- Tax base starts with dividends and capital gains only.

**dcsi** -- Tax base starts with dividends, capital gains, and interest only.

**othadjr** Are the adjustments subtracted from gross income to get to adjusted gross income, and treatment of unemployment insurance benefits, generally similar to those in the federal income tax? This is set equal to 1 for all states that define their own taxable income by starting with federal adjusted gross income or federal taxable income, and is also set equal to 1 for any state that generally has similar adjustments to the federal income tax even if not every detail of the treatment of adjustments or unemployment insurance is identical to federal treatment – this is just meant to be a rough approximation. States with **othadjr** = 0 are assumed to disallow all adjustments not specified elsewhere in the state income tax parameter variables, and are assumed not to tax unemployment insurance benefits.
TREATMENT OF MARRIED COUPLES
See section above on “Joint versus separate filing and division of income and deductions between spouses” for details on how the choice between joint and separate filing for married couples is addressed by the calculator. Filing separately is usually advantageous when `multbrk=0, sepdis=0, and bracknum>1`. Note that in many states where `multbrk=0`, spouses are effectively allowed to file separately on the same return (sometimes called a “combined return”), in which case they gain the key advantage of filing separately, which is having each spouse run his or her own taxable income through the tax bracket and rate structure separately to compute tax liability, before adding up their tax liabilities on the combined return. In those states, whenever we refer to “married filing separately” we are referring to filing separately on the same return (“combined return”), even though there might both a “combined return” option and a “married filing separately” option with different rules. In the event that the rules differ depending on whether the spouses file separately on the same return or separately on different returns, we use the rules for spouses filing separately on the same return (combined return).

`multbrk` Are there multiple sets of brackets for different marital / filing statuses?
0 – no. (There is one set of brackets for all. Note that Arkansas should be coded as `multbrk=0` during the years when `xtaxtype = lowtab1, lowtab2, or lowtab3`, despite the fact that the low tax tables have multiple sets of brackets for differing filing statuses, because it is still nonetheless often advantageous for spouses to file separately due to the fact that the tax calculation for people with incomes too high to use the low-income tables involves a single set of brackets for all filing statuses.)
1 – yes. (There are different brackets for different filing statuses. Among other states, this includes all community property states, which have always effectively had tax brackets twice as large for married couples as they do for singles. It also includes any state where the brackets for married filing separately are different than those for married filing jointly such that filing separately is generally disadvantageous, as in WV 1987-present for example).

`comprop` Community property state?
This does not affect the state calculations (the effects of community property state status are already incorporated into the bracket structure). But it does affect federal tax calculations before 1948.

0 – no
1 – yes

`sepdis` Indicator for a state that has graduated rates and one set of brackets for all
filers \( \text{multbrk} = 0 \) and there is more than one tax rate), but which either
disallows separate filing, or makes married filing separately
disadvantageous, usually by requiring state filing status to be the same as
federal. If \( \text{multbrk} = 1 \) or if there is just one tax rate, then \( \text{sepdis} \)
is ignored by the SAS code and should be set to zero, regardless of whether
or not the state disallows separate filing or requires state filing status to be
same as federal. If \( \text{multbrk} = 0 \) and there is more than one tax rate, then
\( \text{sepdis} \) should be set equal to one whenever the state disallows separate filing
and whenever the state requires filing to be the same as federal
(even if separate filing is allowed by the state), because it is usually
highly disadvantageous to choose married filing separate status in the
federal income tax (except in cases where \( \text{sepdis} \) must be set to 2 – see
below).

For North Dakota 2001-2008, there were two alternative taxes, one
with multiple brackets for different filing statuses and one without.
Separate filing was disallowed for the second tax even though it would be
advantageous, so we set \( \text{sepdis} = 1 \).

Note that the Missouri income tax instructions say that state filing
status must be the same as federal. But Missouri couples who file a joint
return for the federal income tax are allowed to submit a “combined”
return for state income tax. The “combined” return has two columns, one
for each spouse’s income, and tax is computed separately for each spouse
and then added together, which is mathematically equivalent to what
would happen if they filed separately. So in Missouri, \( \text{sepdis} = 0 \).

The variable \( \text{sepdis} \) is ignored by the tax calculator if \( \text{filertype} \)
does not equal “m” (i.e., \( \text{sepdis} \) is ignored for unmarried taxpayers).
Despite this, we’ve been following the convention of setting \( \text{sepdis} \) to the
same value for all filing statuses, using the value that applies for married
taxpayers.

\( 0 \) – Separate filing is generally disadvantageous; or separate filing is
advantageous, allowed, and filing status is not required to be same as
federal. This is the correct code under any of the following conditions: \( \text{t} \)
the state has different brackets for different filing statuses (\( \text{multbrk} = 1 \));
the state has a flat marginal rate structure (that is, there is only one tax
rate); or the state has the same graduated bracket structure for all filing
statuses (\( \text{multbrk} = 0 \)) and there is neither a provision to disallow filing
separately nor a provision requiring filing status to be same as federal.

\( 1 \) – State has one set of graduated brackets for all filing statuses (\( \text{multbrk} = 0 \) and more than one tax rate), but disallows filing separately or makes it
disadvantageous (e.g. by requiring filing status to be same as federal).
(But see possible exception below in \( \text{sepdis} = 2 \).

\( 2 \) – One set of brackets for all filing statuses, separate filing is disallowed
or disadvantageous, but separate calculations of AGI or tax liability for
each spouse are still necessary in order to compute a special credit for
married couples. So far (through 2013), this only applies if marredtype =
5 or marredtype = 7. (Ohio 1973-present, Virginia 2000-present). In
those cases, separate filing was disadvantageous because state filing status
generally had to be the same as federal, but we still need to go through
separate calculations of AGI or tax liability for each spouse in order to
compute the credit specified in marredtype. Those separate computations
will only happen if sepdis = 0 or sepdis = 2, and we don’t want sepdis = 0
in this case because state filing status has to be the same as federal.

marredtype  Type of special deduction or credit for married couples. Note: the
calculator program ignores this variable, and any other variables
mentioned below that are called upon by the marredtype code (e.g.,
mardedlim), if filertype does not equal “m.”

0  -- None

1  -- Allows equivalent of federal two-earner deduction (applies 1982-1986
only, and only if filing jointly)

2  -- Lower-earning spouse's AGI is exempt up to a maximum amount
contained in mardedlim. Applies in MD in recent years, where same
filing status as federal is required.

3  -- Credit that is a % of lower-earning spouse's earned income.
Percentage is contained in mardedpct, and dollar limit for credit is
contained in mardedlim. Applies in SC, WI; in both cases married
couples file jointly.

4  -- Minnesota 2002-. If couple's taxable income is above threshold for the
2nd bracket of the ordinary tax (b2), tax is computed on earned income
(wages and salaries, self employment income, pensions, and taxable social
security) of lower-earning spouse using brackets for single person, and
then to that is added tax computed using single brackets applied to
couple's taxable income less earned income of lower-earning spouse.
Mardedlim contains minimum earned income of lower-earning spouse
necessary to qualify, and mardedpct contains minimum combined taxable
income needed to qualify. Rates and brackets for singles are contained in
the first few “extra” tax brackets and rates (xbracknum, xb1-xb4, and
xr1-xr4). Note that starting in 2013 xb11-xb14 and xr11-xr14 are used
for a Minnesota child care credit, but the value of xbracknum causes those
parameters to be ignored when calculating the provision described in
mardedtype=4.

5  -- Virginia 2000- present. Credit against tax liability. The basic idea is to
provide a credit equal to the difference between state tax liability on the
couple’s combined taxable income, and what tax liability would be if taxes were computed separately on the taxable income of each spouse (with some modifications to the definition of taxable income), and with the credit capped at the value \texttt{margedlim}. Let \( S_{t1} = \min(\text{larger of two spouse’s AGI less retexamt1 less adult and age exemptions for that spouse, } S_{t2}) \), where \( S_{t} \) is combined state taxable income of the couple, and \( \text{retexamt1} \) is the retirement income exclusion. Let \( S_{t2} = \min(\text{smaller of two spouses’ AGI-retexamt1-(adult and age exemptions for that spouse), } S_{t2}) \). Credit = \( \min[\text{margedlim}, \max(0, \text{StaxNORM} - \text{tax}(S_{t1})+\text{tax}(S_{t2}))] \), where \( \text{tax}(.) \) is tax liability as a function of . calculated using the standard tax brackets and rates, and \( \text{StaxNORM} \) is the state tax liability on the combined taxable incomes of the couple. Joint taxable income of couple must be greater than \texttt{mardedpct} to be eligible for credit. When \texttt{mardedtype} = 5, \texttt{sepdis} must be coded as 2. This is necessary because the calculator needs to compute taxable incomes and tax liabilities separately for each spouse in order to compute the credit, which will only happen if \texttt{sepdis} = 0 or \texttt{sepdis} = 2, and \texttt{sepdis} = 0 is not correct because Virginia filing status had to be the same as on the federal return, which would generally make filing separately disadvantageous.

6 – Minnesota 1999-2001. The credit is provided in a table. Key parameters of this table are stored in \texttt{xb1-xb10} (see below), which are not otherwise being used for those years in Minnesota. Earned income is wages and salaries and self-employment income. The parameters stored in \texttt{xb1-xb10} are:

\begin{itemize}
  \item \texttt{xb1}: minimum earned income of lower-earning spouse to qualify
  \item \texttt{xb2}: minimum combined taxable income for 1\textsuperscript{st} credit schedule
  \item \texttt{xb3}: combined taxable income where 2\textsuperscript{nd} credit schedule begins to apply
  \item \texttt{xb4}: 1\textsuperscript{st} credit schedule, earned income needed to get maximum credit
  \item \texttt{xb5}: 1\textsuperscript{st} credit schedule, minimum credit
  \item \texttt{xb6}: 1\textsuperscript{st} credit schedule, maximum credit
  \item \texttt{xb7}: 2\textsuperscript{nd} credit schedule, minimum earned income to get credit
  \item \texttt{xb8}: 2\textsuperscript{nd} credit schedule, earned income needed to get maximum credit
  \item \texttt{xb9}: 2\textsuperscript{nd} credit schedule, minimum credit
  \item \texttt{xb10}: 2\textsuperscript{nd} credit schedule, maximum credit
\end{itemize}

7 – (Ohio, 1973-present). Credit is a percentage of state tax liability, where the percentage depends on the size of the couple’s state taxable income. The maximum allowable credit is contained in \texttt{xagiercmax} (if \texttt{xagiercmax}=0, there is no limitation on the credit). A couple is only eligible for the credit if each spouse has federal AGI (less interest, dividends, royalties, rents, federally taxable social security, and capital gains) greater than \texttt{margedlim}. The income categories and percentages are coded into \texttt{xbracknum}, \texttt{xb1-xb14}, and \texttt{xr1-xr14}. So for example, if taxable income is greater than \texttt{xb1} but less than \texttt{xb2}, the credit is \texttt{xr1} percent of state income tax liability, and so forth. When \texttt{mardedtype} = 7,
sepdis must be coded as 2. This is necessary because computing the credit requires computing the AGI of each spouse separately, which will only happen if \( \text{sepdis} = 0 \) or \( \text{sepdis} = 2 \), and \( \text{sepdis} = 0 \) is not correct because Ohio filing status had to be the same as on the federal return, which would generally make filing separately disadvantageous.

9 – (Iowa, 1979–present). It is generally advantageous for married couples to file separately in Iowa, but unlike most states, if spouses file separately each spouse gets a standard deduction that is less than half of the standard deduction for a joint return. Each spouse filing separately gets a standard deduction equal to that for a single filer, which is coded into mardedlim.

10 – (North Dakota, 2007 – present). This is a non-refundable credit for two-earner married couples filing jointly (called the “marriage credit”), roughly similar to the Minnesota credit, but must be coded differently because the “x” variables were already used for an alternative maximum tax that existed 2001 through 2008. The basic idea is to split up the taxable income of the spouses and calculate tax on each separately using the tax brackets for single taxpayers, and then provide a credit equal to the difference between that and ordinary joint tax liability, up to a limit. In order to calculate this, for married taxpayers we store the tax brackets for single taxpayers in the range \( b_{11} - b_{26} \) (so for example, \( b_{11} \) for married couples should be the same as \( b_{1} \) for single taxpayers, etc.). The tax rates are the same for singles and married filing jointly, so we don’t need to do anything special with those, and \( \text{bracknum} \) should still be the number of brackets for married filing jointly (although note that if the number of brackets for single filers is different, there will have to be a change to the SAS code). Earned income of each spouse is defined as wage and salary income plus self-employment income plus taxable social security benefits and pension income. Take the earned income of the lower-earning spouse, subtract mardedpct (this is the standard deduction for a single filer plus one personal exemption), and run the result through the brackets and rates for a single filer. Then take the remainder of the couple’s combined taxable income (after subtracting off lower-earning spouse’s earned income less mardedpct) and run that through the brackets and rates for a single filer. Add the two tax liabilities together. The credit is the smaller of the amount by which ordinary joint tax liability exceeds the sum of the two tax liabilities computed using brackets and rates for single filers, and mardedlim, but not less than zero. Note that the “marriage credit worksheet” for ND also lists two income thresholds below which the credit should not be calculated, but these are not stored in the data set because the other information above is sufficient to calculate the credit accurately (it will just be calculated as zero if the relevant income measure is below the threshold).
For the exclusion for dividends and interest for the elderly that is coded into the `retext` variables (`retextype = 13`), the exclusion given to spouses that choose to file separately is equal to that given to singles, and is different than half of the amount given to joint filers. The exclusion given to each spouse that chooses to file separately (that is, the amount given to single filers) is stored in `mardedlim` for `filertype = “m”` only. If filing separately, each spouse must be `retexage` or above to claim the exclusion. For separate filers, the exclusion is phased out if AGI is larger than `mardedlim`.

- **mardedlim**  Unless otherwise specified, dollar limit on two-earner couple deduction or credit.
- **mardedpct**  Unless otherwise specified, percentage used in computing two-earner couple deduction.

**EXCLUSIONS**
Note that we only count exclusions applying generally to all long-term capital gains or all dividends or all otherwise taxable interest. For example, a narrowly targeted capital gains exclusion that only applies to small business property will be ignored. If non-zero values are included for both the percentage exclusion and the dollar exclusion amount for a particular type of income, the calculator applies the sum of the exclusions (so for example, if `cgexpct = 60` and `cgexamt = 2500`, then the exclusion will be the smaller of `ltcg` or `60%*ltcg + $2,500`. In cases where there are both percentage and dollar exclusions that work differently than this, they must be coded in using other variables – see for example the documentation for `sptx`, `sptx2`, and `xtaxtype`.

- **cgexpct**  Percentage of long-term capital gains excluded from AGI.
  Note: if `cgexpct = 100`, then it is assumed to apply to both `ltcg` and `othcg`. This was generally the case; when `cgexpct = 100`, it generally meant either that capital gains and losses of all types had no tax consequences, or that capital gains of all types were taxed under an alternative regime specified in `sptx`, `sptx2`, or `xtaxtype`. If `cgexpct` is any other number than 100, the calculator assumes that it applies only to `ltcg`.

  In Hawaii in 1987, there was a 55% exclusion for capital gains until 3/31/87; calculator applies this to all gains that year.

  In Arizona starting in 2013, there was an exclusion for a portion of capital gains on assets purchased in 2012 and later years. In the data used with our tax calculator, we generally don’t know the date of purchase for assets producing realized capital gains, so we are currently ignoring this provision.
In Arkansas, for tax year 2015, 50% of capital gains realized during January were excluded, and then 45% of capital gains realized during the rest of the year were excluded. We coded cgexpct as 45 for 2015 in Arkansas.

cgexamt  Dollar amount of long-term capital gains excluded from AGI.

divexpct  Percentage of dividends excluded from AGI.

divexamt  Dollar amount of dividends excluded from AGI.

(intexpct  Percentage of interest income excluded from AGI.

intexamt  Dollar amount of interest income excluded from AGI.
(Note that in Oklahoma 1987–2013 there was an exemption for “interest received from a bank, credit union or savings and loan association located in Oklahoma” of $100 or $200 depending on filing status; we assume that at least that much of the taxpayer’s interest income qualified).

diexamt  Dollar amount of dividends plus interest excluded from AGI.

PERSONAL EXEMPTIONS

expercap  Dollar value of per capita personal exemption.
In other words, there is one of these for each family member. For North Carolina in 1995 – 2013, see miscextype = 14, which affects the meaning of expercap in that case. For Louisiana, see exlim = 2. Note that South Carolina allows an extra exemption for each child under age 6, but we currently ignore this because data used with the tax calculator usually does not include age of children. In Ohio starting in 2014, the value of the personal exemption is different depending on AGI. We code the personal exemption applying to people with the highest levels of AGI in expercap, and code the additions to the personal exemption for people in the lower AGI categories using lowtype = 31.

exreturn  Dollar value of any “per return” exemption.
Usually, either there was a per capita exemption, as above, or there was an exemption amount for the return as a whole that depended on filing status (coded here in exreturn), plus separate exemptions for dependents. One approach or the other was used. For Louisiana, see exlim = 2.

ex_dep  Dollar value of exemption for each dependent.
Note that “dependent” does not include spouse. Also note that \texttt{ex\_dep} should be zero if there is a “per capita” exemption, unless there is an additional exemption amount added on top of what the dependent already receives from the per capita exemption; otherwise, there will be double-counting. (For Alabama since 2007, see documentation for \texttt{lowtype} = 24 for information on how to code \texttt{ex\_dep}).

\textbf{ex\_age} \quad \text{Dollar value of age exemption.}  
This is an extra exemption for each taxpayer and/or spouse aged 65 or over, and is added to any other applicable exemptions described above.

\textbf{pctex} \quad \text{Percentage exemption.} 
This is an exemption that is a percentage of AGI.

\textbf{exlim} \quad \text{Indicator for limitations on exemptions.} In most cases, this involves a phase-out of exemptions for returns with income above some threshold. Note that in some cases where the value of personal exemptions is different for people of different income levels, we use other sets of variables besides \texttt{exlim} to handle things – for instance, in Ohio since 2014 we use a combination of \texttt{expercap} and the \texttt{low} variables.

\texttt{0} – No limitation

\texttt{1} -- State follows federal personal exemption phase-out which applied 1991 through 2009 and then again in 2013 and later years. Use this only if the limitation on state personal exemptions is exactly the same as the federal limitation on personal exemptions for the same year.

\texttt{2} – State only allows exemptions to be deducted against the lowest tax brackets (e.g., Louisiana 1982-present). For example, suppose the standard tax brackets are 2% on taxable income between $0 and $12,500, 4% on taxable income between $12,500 and $25,000, and 6% on taxable income above $25,000, and there is a $4,500 exemption. Consider someone with $50,000 of income before exemptions. In most states, you would subtract the $4,500 exemption from $50,000, leaving $45,500 of taxable income. The person would then owe tax of $2\%\times12500 + 4\%\times(25000-12500) + 6\%\times(45500-25000) = $1,980. Thus, if the exemption worked the way it does in most states, that exemption would reduce the tax bill by $4,500*6\%$ for this particular taxpayer, that is, it is deducted against the highest tax rate the taxpayer faces. But in Louisiana, the exemption is deducted against the lowest tax bracket, not the highest tax bracket. So in Louisiana, the tax on that taxpayer is $2\%\times(12500-4500) + 4\%\times(25000-12500) + 6\%\times(50000-25000) = $2,160. The exemption reduces tax liability by $4,500*2\%$ instead of $4,500*6\%$. In order to deal with this in the tax calculator, we create an initial zero-tax-rate tax bracket by setting \texttt{r1} equal to zero, and setting \texttt{b2} equal to the size of the initial zero-tax-rate-
bracket for a taxpayer with no dependents and no one aged 65 or above. The value of \( b2 \) will equal the exemption for the taxpayer (and spouse if married), or the exemption for taxpayer (and spouse if married) plus the standard deduction, or the credit for taxpayer (and spouse if married) divided by the tax rate in the first tax bracket, depending on the year. Only the dependent and age exemptions are coded into the exemption variables (\( \text{ex\_dep} \) and \( \text{ex\_age} \)). Setting \( \text{exlim} = 2 \) will cause the dependent and age exemptions to be added to the top of the zero-rate bracket. All other exemption variables (\( \text{exreturn} \) and \( \text{expercap} \)) should be set to zero, since they are already taken into account in the initial zero-rate tax bracket.

3 – When state AGI exceeds a threshold equal to two times \( \text{exreturn} \), exemptions are phased out at a rate of $1 for every $1 of AGI above the threshold. (Connecticut, 1992 – present).

4 – Personal exemption is phased-down as federal AGI increases, using a step function. Information about the phase-out is contained in the variables \( \text{xb8-xb13} \) and \( \text{xr8-xr13} \). The following table indicates the exemption allowed per person for each range of AGI:

<table>
<thead>
<tr>
<th>If AGI is</th>
<th>Exemption is</th>
</tr>
</thead>
<tbody>
<tr>
<td>(&lt; \text{xb8})</td>
<td>\text{expercap}</td>
</tr>
<tr>
<td>between ( \text{xb8} ) and ( \text{xb9})</td>
<td>( \text{xr8} )</td>
</tr>
<tr>
<td>between ( \text{xb9} ) and ( \text{xb10})</td>
<td>( \text{xr9} )</td>
</tr>
<tr>
<td>between ( \text{xb10} ) and ( \text{xb11})</td>
<td>( \text{xr10} )</td>
</tr>
<tr>
<td>between ( \text{xb11} ) and ( \text{xb12})</td>
<td>( \text{xr11} )</td>
</tr>
<tr>
<td>between ( \text{xb12} ) and ( \text{xb13})</td>
<td>( \text{xr12} )</td>
</tr>
<tr>
<td>above ( \text{xb13})</td>
<td>( \text{xr13} )</td>
</tr>
</tbody>
</table>

Note that with \( \text{exlim} = 4 \), there is also an extra exemption for the elderly (\( \text{ex\_age} \)) that is not phased out with income. (Maryland 2008 - 2011). See also documentation for \( \text{xtaxtype} = \text{cbex} \).

5 – Limitation on personal exemptions similar to the one that applied at the federal level 1991 through 2009 and 2013 – , except that it either applies in a year when the federal personal exemption limitation did not apply (Rhode Island, 2010), or has different AGI thresholds than the federal limitation (Minnesota 2011 - ), or both (Hawaii 2009 - , DC 2015 - ). This is implemented by coding \( \text{sptx2} \) as \( \text{exlim} \), coding the AGI threshold at which the phaseout begins in \( \text{sptxex2} \), and coding the percentage of the value of personal exemptions lost for every dollar of AGI above \( \text{sptxex2} \) in \( \text{sptxrate2} \). State AGI is used in the formula. The phase-out works like the regular federal personal exemption phase-out that applied in the federal income tax 1991 through 2005 and 2013 – (see \( \text{Fexlim} = 2 \)), not the partially phased-out version that applied in the federal income tax 2006 through 2009 (\( \text{Fexlim} = 3, 4 \)). The one exception is Hawaii in 2009, where the amount of personal exemption lost is multiplied by \( 1/3 \text{rd} \), as in \( \text{Fexlim} \).
= 4. That Hawaii 2009 exception is hard-coded in the SAS code for exlim=5. See also documentation for sptx2 = exlim.

6 – Personal exemption is phased-down as state AGI increases applying in Rhode Island 2011 – present. In Rhode Island during this period, both personal exemptions and the standard deduction were phased out in a similar manner, and we use sptx2 = sdexlimri, sptxex2, and sptxrate2 to code the parameters of both. For personal exemptions, the total value of personal exemptions is phased out between the AGI levels sptxex2 and sptxex2+sptxrate2. In the instructions, the phase-out is done with a step-function, but we approximate it with a smooth phaseout rather than steps because of the small range of phaseout.

7 – Personal exemption is phased-down as federal AGI increases, using a step function. Information about the phase-out is contained in the variables xb8-xb12 and xr8-xr12. The following table indicates the exemption allowed per person for each range of AGI:

<table>
<thead>
<tr>
<th>If AGI is</th>
<th>Exemption is</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; xb8</td>
<td>expercap</td>
</tr>
<tr>
<td>between xb8 and xb9</td>
<td>xr8</td>
</tr>
<tr>
<td>between xb9 and xb10</td>
<td>xr9</td>
</tr>
<tr>
<td>between xb10 and xb11</td>
<td>xr10</td>
</tr>
<tr>
<td>between xb11 and xb12</td>
<td>xr11</td>
</tr>
<tr>
<td>above xb12</td>
<td>xr12</td>
</tr>
</tbody>
</table>

Note that with exlim = 7, there is also an extra exemption for the elderly (ex_age) that is not phased out with income. (Maryland 2012 - ). See also documentation for xtaxtype = cbex.

exprorat Prorated exemption.
If this variable = 1, it means that the value of any exemptions calculated based on the exemption variables listed above must then be multiplied by the ratio of income taxable by this state to federal AGI, to determine the amount of exemption that may actually be used. This sometimes applied in states that only taxed a limited portion of income, such as dividends and interest.
0 -- Not applicable
1 -- Applicable
STANDARD DEDUCTION

For filertype = “m” (married couples), the values of the standard deduction variables are those allowed on joint returns. See stdalloc for how this is divided among spouses if they file separately (see also marded = 9 for a special case).

minstded Value of minimum standard deduction.
In some cases, the standard deduction was a percentage of AGI, subject to minimum and maximum dollar limits. If the standard deduction is not a percentage of income, but rather is just some fixed dollar amount, then minstded is irrelevant and will generally be set to zero. It is very rare for states to have a non-zero value of minstded now; it was more commonly used from 1964 through 1976 when the federal income tax had a standard deduction that worked like this.

maxstded Value of maximum standard deduction.
If standard deduction is always just a single number for a given filing status, it is contained in maxstded, and minstded is set to zero.

minstded_d Dollar addition to minimum standard deduction for each dependent.

maxstded_d Dollar addition to maximum standard deduction for each dependent.

minstded_a Dollar addition to minimum standard deduction for each person aged 65 or over.

maxstded_a Dollar addition to maximum standard deduction for each person aged 65 or over.

pctstded Percentage of AGI that is standard deduction.

0 -- Percentage standard deduction and minimum standard deductions are not applicable.

Any other number -- Standard deduction is this percentage of AGI, but standard deduction cannot be lower than minstded nor higher than maxstded.

zba Dollar value of zero bracket amount.
This is a standard deduction that is incorporated into the bracket structure (there is an initial bracket with a zero percent tax rate). In the federal income tax from 1979 through 1986, the federal income tax replaced the standard deduction with a “zero bracket amount.” So for example, if the zero bracket for a particular filing status was $5,000, then the first tax bracket would be for the portion of income between $0 and $5,000, and a
zero percent tax rate would be applied to that income. Then, if the taxpayer had itemized deductions in excess of the zero bracket amount, then only the amount in excess of the zero bracket amount could be deducted. So for example, if someone had $12,000 in itemized deductions and the zero bracket amount was $5,000, the person could claim $12,000 - $5,000 = $7,000 in itemized deductions (since they already effectively got $5,000 of that deduction through the zero bracket amount). A number of states followed the federal income tax during 1979-1986 and used a zero bracket amount instead of a standard deduction, and in rare cases (such as Louisiana), a state may still use a zero bracket amount in its income tax after 1986. In that case, the initial zero-rate bracket is coded into the bracket structure (in \( b_1 \) and \( r_1 \) below). When \( zba > 0 \), it means that only itemized deductions in excess of \( zba \) may be deducted.

**Phase-out of Standard Deduction**

There are three instances where standard deductions are gradually phased out with income: Alabama (since 2007), Nebraska (1993-2005), and Wisconsin (since 1986). Information on how the phase-out works is contained in the variables \( dpthresh1, dpthresh2, dp rate1, \) and \( dp rate2 \), together with the other standard deduction variables listed above. If \( dpthresh2 = 0 \) (Alabama, Nebraska, married and single in Wisconsin), then for every dollar of AGI above \( dpthresh1 \), \( dp rate1 \) cents of standard deduction are lost until the value of the standard deduction drops to \( minsted \) (which is zero in Nebraska and Wisconsin, but non-zero in Alabama). In Nebraska, the relevant form reports the increase in tax liability for each dollar of AGI above the threshold, so it is necessary to convert this to the equivalent If \( dpthresh2 > 0 \) (head of household in Wisconsin), then for every dollar of AGI between \( dpthresh1 \) and \( dpthresh2 \), \( dp rate1 \) cents of standard deduction is lost, and then for every dollar of AGI above \( dpthresh2 \), \( dp rate2 \) cents of standard deduction is lost until the standard deduction is reduced to zero. Note that all of the parameters of the standard deduction phase-out in Wisconsin can be found for the most recent year only in a place on the Wisconsin department of revenue web site set up for software developers <http://www.revenue.wi.gov/taxpro/develop.html>, and can be derived from the law in other years.

\( dpthresh1 \) **AGI threshold where phase-out of standard deduction starts.**

\( dpthresh2 \) **2nd AGI threshold used in calculation of standard deduction phase-out. Only applies in Wisconsin, since 1986; set this equal to zero for Alabama. In Wisconsin, phase-outs are pretty simple for single and married people, but complicated for a head of household. In 2000, for example, a single person loses 12 cents of standard deduction for every dollar of income above $10,380, until the standard deduction is reduced to zero. But a head of household loses 22.515 cents of standard deduction for every dollar of income above $10,380, up to the income level where the head of household standard deduction is just equal to the single standard deduction. That income level equals $30,350 in 2000 (that's \( dpthresh2 \)).**
Then, for every dollar of income above $30,350 (\(dpthresh2\)), the head of household loses 12 cents of standard deduction, until the standard deduction is reduced to zero. In Wisconsin, \(dpthresh2\) is not reported in the tax instructions or the law (but it is available for the most recent year through the web site mentioned above). The value of \(dpthresh2\) in Wisconsin can be calculated for any year by setting the formulas that determine the standard deductions for singles and heads of household equal to each other, substituting in known values, and then solving for \(dpthresh2\). \(Y\) is income, a \_S indicates value for singles, and an \_H indicates values for heads of household.

\[
\begin{align*}
\text{maxstded}_S - (dprate1_S/100) * (Y - dpthresh1) &= \\
\text{maxstded}_H - (dprate1_H/100) * (Y - dpthresh1)
\end{align*}
\]

Solve for \(Y\) to get:

\[
Y = dpthresh2 = \begin{cases} \\
m\text{axstded}_H - \text{maxstded}_S + & \\
[(dprate1_H - dprate1_S)/100]*dpthresh1 \\
/ [(dprate1_H - dprate1_S)/100]
\end{cases}
\]

\(dprate1\) Phase-out rate for standard deduction (percent).
For each dollar of AGI above \(dpthresh1\), standard deduction is reduced by \(dprate1\) cents. For Alabama, calculate this as:

\[
[(\text{maxstded} - \text{minstded})/(\text{AGI range over which phase-down occurs})*100
\]

\(dprate2\) 2\(^{nd}\) phase-out rate for standard deduction (percent).
For each dollar of AGI above \(dpthresh2\), standard deduction is reduced by \(dprate2\) cents.

GENERAL CREDITS
Note: all of the credits in this section are non-refundable. Any refundable credits will be coded in subsequent sections on retirement income exclusions or credits, low-income exemptions or credits, miscellaneous exemptions or credits, or earned income credits.

\(crpercap\) Dollar value of per capita credit.
In other words, one of these for each family member.
In Oregon 2007-2012, the per capita credit is partially phased out with income. To deal with this, we coded the part that was not phased out in \(crpercap\), and we coded the portion of the credit that could be phased out in the \text{low} variables – see \text{lowtype} = 4. Starting in 2013, the design of Oregon’s credit changed, so that it is coded entirely using the \text{low}
variables (again with \texttt{lowtype} = 4), and \texttt{crpercap} is set to zero. The per capita credit introduced in Utah in 2008 is coded using the method described in \texttt{xtaxtype = utahcred}, not in \texttt{crpercap}.

\textbf{crreturn}\ Dolar value of “per return” credit.  
Same idea as \texttt{exreturn} above, but a credit.  
[Note: in Idaho through 2007, there is both a per capita “grocery” credit and a filing fee, known in recent years as the “permanent building fund” tax. For Idaho, \texttt{crreturn} represents the value of the grocery credit for taxpayer and spouse minus the filing fee; grocery credits for dependents are coded separately. Starting in 2008 this is moved to \texttt{lowtype}=26 and \texttt{miscextype}= ]

\textbf{cred\_dep}\ Dollar amount of credit per dependent.  
Same idea as \texttt{ex\_dep} above, but a credit.

\textbf{cred\_age}\ Dollar value of age credit.  
This is an additional credit for each taxpayer and/or spouse aged 65 or over. Note that in Ohio since 1973, the credit is basically a per-return credit for the elderly. We handle Ohio by coding half of the credit amount in \texttt{cred\_age} for married couples, and it is hard-coded into SAS that in Ohio, a married couple gets twice the credit amount reported in \texttt{cred\_age} as long as at least one spouse is aged 65 or above. In Ohio starting in 2015 in Ohio, \texttt{cred\_age} is phased-out for people with Ohio taxable income above \texttt{sptxex} (see \texttt{sptx = agephaseoh}).

\textbf{crphthresh}\ AGI threshold where phase-out of any of the credits coded into \texttt{crpercap, crreturn, cred\_dep, and cred\_age} starts. If credits are not phased out, this is set to zero. If credits are phased-out above certain income levels, the exact nature of the phase-out, and which credits it applies to, is determined by the value of \texttt{crphrate} below.

\textbf{crphrate}\ Phase-out rate for credits.  
If credits are not phased out, then both \texttt{crphthresh} and \texttt{crphrate} are set to zero.  
If \texttt{crphrate} is greater than zero, then for each dollar of AGI above \texttt{crphthresh}, the sum total value of the credits coded into \texttt{crpercap, crreturn, cred\_dep, and cred\_age} is reduced by \texttt{crphrate} cents times the number of credits. “Number of credits” is the sum of the following: number of people eligible for the per capita credit (if \texttt{crpercap}>0); 1 if \texttt{crreturn} > 0; number of dependents if \texttt{cred\_dep} > 0, and number of elderly people if \texttt{cred\_age} > 0. This type of phase-out applied in California, 1991 – present, and Nebraska 1993-2005.

If \texttt{crphthresh} is greater than zero, but \texttt{crphrate} is zero, then taxpayers lose the full value of the credits coded into \texttt{crpercap} if taxable income is greater than \texttt{crphthresh}, but do not lose \texttt{crreturn, cred\_dep, or}
**ITEMIZED DEDUCTIONS**

**itemiz**

Are itemized deductions allowed, and if so, are they constrained in any way by federal itemization status?

0 -- State does not have itemized deductions, generally (or tax is a percentage of federal tax liability so that this variable is ignored and state itemization status is effectively the same as federal, or state has a credit in lieu of itemized deductions as in Wisconsin).

1 -- State has itemized deductions and itemization decision is completely independent of federal decision.

2 -- State has itemized deductions and state itemization status must be the same as federal.

3 -- If itemizing on the federal return, taxpayer may choose to itemize or to take the standard deduction on the state return. If taking the standard deduction on the federal return, the taxpayer must do the same on the state return. (Note that in Louisiana in recent years, the taxpayer gets a deduction equal to the Louisiana standard deduction, which differs from the federal standard deduction, plus a percentage of the amount by which federal itemized deductions exceed the Louisiana standard deduction. To get this right, **itemiz** must be coded as 3 – the difference between Louisiana and federal standard deductions can create situations where the taxpayer itemizes on the federal return but the itemized deductions are not providing any benefit on the Louisiana return. Also note that in Colorado, the tax calculation starts with federal taxable income, and then there is a “state addback” which adds to federal taxable income the smaller of the federal deduction for state income taxes, and the amount by which federal itemized deductions exceed the federal standard deduction, whichever is smaller. See for example instructions for line 2 in the 2013 CO income tax instructions. This has the same effect as **itemiz**=3, since the loss of the deduction for state income taxes is the only reason someone from Colorado might choose to take the standard deduction on the state return when itemizing on the federal return, so we code Colorado as **itemiz**=3 when this provision is in effect.)

**cred_age** (if applicable). This applies in Ohio 2013 - . Starting in 2015, **cred_age** is phased out for people with taxable income above **sptxex** (see **sptx** = **agephaseoh**).
4 -- State itemization status must be the same as federal. State itemized deductions are calculated by subtracting state income taxes (and sales taxes in 2004 and later years) from federal itemized deductions, but this subtraction cannot reduce state itemized deductions below the state standard deduction. (MN 1987 – present, NC 1989 – present, SC 1985 – present, VT 2009 - present).

5 -- If taking the standard deduction on the federal return, taxpayer may choose to take the standard deduction or to itemize on the state return. If itemizing on the federal return, the taxpayer must itemize on the state return as well.

**charded**

Deduction for charity. Note that this only applies to very general charitable deductions. Deductions or credits that are limited to, say, contributions to educational institutions, are not included. (Note: see **sptx = charcred** for a non-itemizer credit for charitable giving applying in NC).

0 -- No deduction for charity

1 -- Charitable contributions are deductible for itemizers. Applies to all taxpayers only if there is no standard deduction (e.g., MA 2001).

2 -- Itemized deduction for charity, and non-itemizer deduction that is the same as federal.

3 = Itemized deduction for charity, and non-itemizer deduction that is the same as the 1984 federal non-itemizer deduction.

4 = Itemized deduction for charity, and a deduction for people who did not itemize on their federal returns equal to 50% of charitable contributions in excess of $500 (MN, 1999-present).

5 = Itemized deduction for charity. In addition, if taking the standard deduction on the federal and state returns, taxpayer can take a non-itemizer deduction for charitable contributions that exceed $500. (CO, 2001, 2005 - present. Note that in CO, whether the non-itemizer deduction is allowed each year depends on the state fiscal situation; a regulation is promulgated each year stating whether the deduction will be allowed in that year or not.).

**chlim**

Maximum charitable deduction as a percentage of AGI.

The calculator imposes this limit when it is binding. Note that in a few cases a state defined the limit as a percentage of some measure of income close to but not quite the same as AGI, but we have not coded information on these minor differences into the data. The calculator only incorporates the overall limit on charitable contributions as a percentage of AGI, and not the lower limits that apply to particular types of donation such as non-cash. So in recent years, any state that follows federal law with regards to charity should be coded as **chlim = 50**. The calculator's detailed output files provide information on whether the limit was binding in the variable **chlimbind**, which is set equal to zero if the charity limit is not binding at the state level, 1 if the charity limit is binding at the state level and
carryover of donations in excess of the limit are not allowed, and 2 if the charity limit is binding at the state level and carryovers are allowed. We currently assume that if \texttt{chlim} < 50, \texttt{itemiz} < 2, and the state is not California, then carryovers of excess deductions are not allowed. We know this to be accurate from 1979 on, but have not yet checked carefully for earlier years.

Note that New York imposed new limits on itemized deductions and charitable deductions starting in 2009, but this should not affect the coding of \texttt{chlim}. It is handled in \texttt{itemlim} instead (see \texttt{itemlim} = 3 and \texttt{itemlim} = 4).

\textbf{sitded} Are state and local income taxes allowed as itemized deductions?

0 – No. However, local income taxes may be deductible – if so, this will be reflected in the value of \texttt{localtype}. For example, in Kentucky, \texttt{sitded} = 0, but the \texttt{localtype} code of 4 makes local income taxes deductible from the state income tax. In addition, if a state disallows itemized deductions for the state’s own income tax, but allows itemized deductions for other states’ income taxes, we still code \texttt{sitded} as zero, because the calculator currently assumes that all state income tax reported in itemized deductions are from the state of residence.

1 – Yes

\textit{Any number larger than 1} – State and local income taxes are allowed as itemized deductions, but the deductible amount is limited to be no larger than the value of \texttt{sitded}. (For example, Vermont 2009-2014).

Note that when the federal income tax allows an itemized deduction for the larger of state income taxes or state sales taxes (starting in 2004), the program assumes that states with \texttt{sitded}=1 also allow the larger of the two taxes to be deducted, and assumes that states with \texttt{sitded}=0 do not allow either tax to be deducted. The first assumption is generally accurate. The second assumption is sometimes inaccurate -- some states allow a deduction for sales taxes if sales taxes are deducted at the federal level. Taxpayers who are not on the AMT and who live in a state with an income tax would generally want to take the state income tax deduction rather than the state sales tax deduction, as the former is almost always larger and federal marginal tax rates are generally higher than state marginal tax rates. In those cases, ignoring this issue usually makes no difference. However, some taxpayers who are on the federal AMT might find it advantageous to claim the state sales tax deduction on the federal return (despite the fact that it will be disallowed by the AMT), so that they can claim it on the state return. We currently ignore this complication, because getting this completely right would require doubling the number.
of iterations used to calculate federal and state taxes. Federal and state tax liabilities would have to be calculated first with the income tax deduction and then with the sales tax deduction, and the choice between the two would depend on which led to the lower combined federal-state tax liability. Failing to do this probably comes at a small cost in terms of accuracy, but has large advantages in terms of the speed and simplicity of the program.

Starting in 2011, Hawaii disallowed the itemized deduction for the larger of state and local income taxes or state and local sales taxes for people with AGI above certain thresholds. In that case, code $sited = 1$, as the elimination of state and local income and sales tax deductions for high-income people is handled by $itemlim = 22$ and $xtaxtype = itemlim22$.

<table>
<thead>
<tr>
<th>intded</th>
<th>Are interest payments deductible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-- No</td>
</tr>
<tr>
<td>1</td>
<td>-- Yes</td>
</tr>
</tbody>
</table>

Note: definition of deductible interest is assumed to be the same as federal, which is almost always accurate.

<table>
<thead>
<tr>
<th>propded</th>
<th>Is a property tax deduction allowed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-- No. Note that there are some cases (Indiana 1993 - present, Massachusetts 1990 - present, and New Jersey 1985-1990 and 1996 – present), where propded is coded zero, but where there is a special deduction for property taxes or rent allowed under certain circumstances which is coded into the variables with names starting with cb and/or xcb. See cbtype = 10, 15, 38, 39, and 40 through 42 details on how those work.</td>
</tr>
<tr>
<td>1</td>
<td>-- Yes, but not if standard deduction is taken</td>
</tr>
<tr>
<td>2</td>
<td>-- Yes, and if standard deduction is taken, there is a non-itemizer deduction for property taxes that is the same as the federal provision (applicable 2008 – 2009; see Fnipropmax).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>saleded</th>
<th>Is a deduction for retail sales taxes allowed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>-- No</td>
</tr>
<tr>
<td>1</td>
<td>-- Yes</td>
</tr>
</tbody>
</table>

(Note: in situations where the state only allows a deduction for the larger of state sales taxes and state income taxes, or situations where the state allows a deduction for sales taxes only if a deduction for sales taxes is taken in lieu of a deduction for income taxes on the federal return, set saleded to zero. See discussion of sitded above for how this is addressed in the calculator).

<table>
<thead>
<tr>
<th>medded</th>
<th>Is a medical expense deduction allowed?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>If yes, details (e.g., limited to expenses beyond a certain percentage of AGI) are assumed to be the same as federal. In fact, historically states occasionally used different rules for medical expense deductions (e.g., a</td>
</tr>
</tbody>
</table>
different percentage of AGI), but we have not yet incorporated this level of detail into the calculator.

\(0\) -- No
\(1\) -- Yes

**dedfed**  
Is the federal income tax deductible in the ordinary personal income tax?  

\(0\) -- No  
In rare cases, it may be deductible in an optional maximum tax coded into the extra tax section below (e.g., Minnesota, Kansas, and Arizona for a small number of years during the 1980s or early 1990s)  
\(1\) -- Yes

**limfdtype**  
Type of limitation on deductibility of federal income tax:  
Let \(f_{dtxliab}\) = federal income tax liability.

\(0\) -- There is no limitation on deductibility, or federal income tax is not deductible.

\(1\) -- Basic limitation:  
If \(\ limfdpct = 0\), then deduction = \(\min(f_{dtxliab}, limfdamt)\), where \(f_{dtxliab}\) is federal tax liability after credits.  
If \(\ limfdamt = 0\), then deduction = \(\frac{\ limfdpct}{100}\)\(\times\)\(f_{dtxliab}\).  
If both \(limfdamt\) and \(limfdpct\) are greater than zero, then deduction = \(\min([\frac{limfdpct}{100}\times f_{dtxliab}], limfdamt]\)

\(2\) -- Deduction =  
if \(f_{dtxliab}\)\(\leq\)\(limfdamt\), deduction = \(\min(f_{dtxliab}, limfdamt)\). Otherwise deduction = \(\min(\limfdamt2, limfdamt + (limfdpct/100)\times f_{dtxliab})\)\(\times\)\(limfdamt\).  

\(3\) -- Deduction is limited to federal taxes attributable to income taxable under this state tax (for example, Massachusetts at one time only allowed deductions for federal income tax on labor and business income).

\(4\) -- Deduction is limited to 3% of “net income” (Wisconsin, 1941-61). Net income is AGI less itemized deductions other than federal income tax and charitable contributions.

\(5\) -- Arizona 1987-1989. If \(limfdamt2 > 0\) then deduction is:  
\(\min(\limfdamt2, \max((limfdpct/100)\times f_{dtxliab}, limfdamt))\). If \(limfdamt2 = 0\) then deduction = \(\max((limfdpct/100)\times f_{dtxliab}, limfdamt)\).

**limfdamt**  
Dollar value of limit on deductibility of federal income tax. For married
couples, this is the amount for a joint return; married filing separately is assumed to have a limit of half this amount.

$0$ -- Not applicable.

Amount $> 0$ – Dollar limit

**limfdamt2** Dollar value of second limit on deductibility of federal income tax. For married couples, this is the amount for a joint return; married filing separately is assumed to have a limit of half this amount.

$0$ = Not applicable.

Amount $> 0$ – Dollar limit.

**limfdpct** Percentage limit on deductibility of federal income tax.

$0$ = Percentage limit not applicable.

Amount $> 0$ -- Percentage

**asfed** Can taxpayers take the deduction for federal income taxes in addition to the standard deduction? (Note that this applies to both the normal tax and the "extra" tax, so that $\text{asfed}$ may be 1 even if $\text{dedfed}=0$).

$0$ -- No

$1$ -- Yes

**sstxded** Is the federal Social Security payroll tax deductible?

$0$ – No

$1$ – Yes. (Employee portion of Social Security and Medicare taxes and self-employment tax are deductible)

Amount $> 1$ – Same as 1, but there is a dollar limit to the deduction. The amount recorded in $\text{sstxded}$ is the limit per taxpayer and/or spouse (in other words, each spouse can deduct his or her own social security tax up to the limit). Note that in Missouri, the instructions list a dollar limit for social security payroll tax, but that is simply the maximum amount it is possible to pay, so Missouri can be coded $\text{sstxded} = 1$.

**itemlim** Limitation on itemized deductions (if any).

$0$ -- No limitation on itemized deductions.

$1$ -- Limitation on itemized deductions is the same as the one that applies in the federal income tax in that year (The federal itemized deduction limitation applied from 1991 through 2009 or from 2013 on, and is coded into $\text{Fidphthresh}$ and $\text{Fidphrate}$), except for possibly having a different AGI threshold at which the limitation begins relative to the federal law (in which case the state’s AGI threshold will be coded in $\text{idphthresh}$; if $\text{idphthresh} = 0$ and $\text{itemlim} = 1$, then the Federal AGI threshold applicable that year will be used). If state income tax is not deductible from itself, then only that portion of state income taxes that are actually
deductible at the federal level (after any limitation) are subtracted from federal itemized deductions to determine state itemized deductions. Also choose this if the federal limitation applies at the state level, and the state income tax is deductible from itself ($\textit{sited} = 1$). Typically the way this is done is to start with the value of federal itemized deductions after limitation, and to subtract from that the value of state and local income tax deductions multiplied by the ratio of (federal itemized deductions after limitation – protected federal itemized deductions not subject to federal limitation)/gross value of unprotected federal itemized deductions subject to federal limitation before applying the limitation). That is how we implement it in the SAS code. Note that if a state implements an itemized deduction limitation like this in a year when the federal limitation did not apply (2010-2012), then a different code for $\textit{itemlim}$ must be used.

2 -- Limitation on itemized deductions similar to the one that applied in the federal income tax in that year (i.e., the federal itemized deduction limitation that applied from 1991 through 2009 and from 2013 on and is coded into $\textit{Fidphthresh}$ and $\textit{Fidphrate}$), but with unusual treatment of federal itemized deduction for state income taxes. Use this code if state income tax is not deductible from itself, but the full amount of state income taxes are subtracted from federal itemized deductions to determine state itemized deductions. (Missouri 1991-1992, Minnesota 1991-2009). Note that if a state implements an itemized deduction limitation like this in a year when the federal limitation did not apply (2010-2012), then a different code for $\textit{itemlim}$ must be used.

3 – Itemized deduction limitation applying in New York in 2009. Itemized deductions are limited based on state AGI.

If AGI is less than $xb10$, the taxpayer can deduct 100 percent of itemized deductions.

If AGI is greater than $xb10$ but not more than $xb11$, then the taxpayer loses the following percentage of itemized deductions:

$$\text{xr10} \times \left[ \min \left( \max (0, \text{AGI} - xb10), 50000 \right) / 50000 \right]$$

If AGI is more than $xb11$ but not more than $xb12$, then the taxpayer loses the following percentage of itemized deductions:

$$\text{xr10} + \text{xr10} \times \left[ \min \left( \max (0, \text{AGI} - xb11), 50000 \right) / 50000 \right]$$

If AGI is more than $xb12$ but not more than $xb13$, then the taxpayer loses $\text{xr11}$ percent of itemized deductions.

If AGI is more than $xb13$, then the only itemized deduction allowed is $\text{xr11}$ percent of charitable contributions.

4 – Itemized deduction limitation applying in New York in 2010 and later years. Itemized deductions are limited based on state AGI.
If AGI is less than $\text{xb10}$, the taxpayer can deduct 100 percent of itemized deductions.

If AGI is greater than $\text{xb10}$ but not more than $\text{xb11}$, then the taxpayer loses the following percentage of itemized deductions:

$$\text{xr10} \times \frac{\min(\max(0, \text{AGI} - \text{xb10}),50000)}{50000}.$$  

If AGI is more than $\text{xb11}$ but not more than $\text{xb12}$, then the taxpayer loses the following percentage of itemized deductions:

$$\text{xr10} + \text{xr10} \times \frac{\min(\max(0, \text{AGI} - \text{xb11}),50000)}{50000}.$$  

If AGI is more than $\text{xb12}$ but not more than $\text{xb13}$, then the taxpayer loses $\text{xr11}$ percent of itemized deductions.

If AGI is more than $\text{xb13}$ but not more than $\text{xb14}$, then the only itemized deduction allowed is $\text{xr11}$ percent of charitable contributions.

If AGI is more than $\text{xb14}$, then the only itemized deduction is $\text{xr12}$ percent of charitable contributions.


Thresholds are different than federal, and are recorded in $\text{idphthresh}$. For taxpayers with federal AGI below $\text{idphthresh}$, there is no limitation imposed on itemized deductions. For taxpayers with federal AGI above the thresholds in $\text{idphthresh}$, state itemized deductions are equal to allowable federal itemized deductions (after federal limitation), minus the full amount of state and local income tax deduction. So this is similar to $\text{itemlim} = 2$, except that taxpayers with federal AGI below $\text{idphthresh}$ are exempt from the itemized deduction limitation.


Thresholds are different than federal, and are recorded in $\text{idphthresh}$. For taxpayers with federal AGI below $\text{idphthresh}$, there is no limitation imposed on itemized deductions. For taxpayers with federal AGI above the thresholds in $\text{idphthresh}$, the state limitation on itemized deductions works like the federal limitation, except that the AGI thresholds are different (recorded in $\text{idphthresh}$), and the amount of unprotected itemized deductions that are lost is the smaller of 80% of unprotected itemized deductions and 6% of the amount by which federal AGI exceeds the state-specific AGI thresholds (as opposed to the 3% that applied most years at the federal level).

[7] – Itemized deduction limitation applying in North Carolina in 2014. The only allowable itemized deductions are mortgage interest (which we approximate with $\text{intpaid}$), real estate property taxes (which we approximate with $\text{proptax}$), and charitable contributions. Note that no deduction for investment interest is allowed. In addition, the sum of the itemized deductions for mortgage interest and real estate property taxes is capped at $\text{idphthresh}$ dollars. Deductions for charitable contributions are not subject to a cap. Set $\text{intded} = 1$ (despite the fact that investment
interest is not deductible; the SAS code for itemlim = 7 will take care of this), and set propded and charded = 1.

8 – North Carolina, 2015 -. This works the same as itemlim=7, except that the same deduction for medical and dental expenses that is allowed in the federal income tax is also allowed in the state income tax. The medical and dental expense deduction is not subject to the cap recorded in idphthresh.

11 – Itemized deduction limitation applying in DC starting in 2011. Itemized deductions aside from medical dental expenses, deduction for investment interest, and casualty and theft loss deductions, are reduced by 5 percent of the amount by which state AGI exceeds the threshold in idphthresh. Note that the threshold for married couples filing separately is half of idphthresh; the SAS code automatically implements this, so enter the full amount of the threshold (e.g., 200000 in 2011) in idphthresh for filertype = m. In 2013, when the federal limitation on itemized deductions is reintroduced, the DC itemized deduction limitation calculation apparently starts with federal itemized deductions after applying the federal limitation on them, and after subtracting out the full value of state and local income and/or sales taxes reported on the federal Schedule A (with no adjustment for the fact that the federal limitation on itemized deductions took some of these away). The SAS code deals with this appropriately. Note that SAS code for itemlim = 11 assumes state income tax is not deductible from itself, since this was the case in DC when we coded this.

20—Itemized deduction limitation that is similar to the one that applied in the federal income tax 1991 through 20059 and 2013 -, when Fidphrate equaled 3, except that it applies in a year when the federal itemized deduction limitation is not in effect. Code the AGI threshold at which the itemized deduction phase-out begins in idphthresh. Treatment of itemized deduction for state and local income taxes is similar to that in itemlim = 1. Applied in Rhode Island 2010, Minnesota 2011-2012.

21 – Itemized deduction limitation applying in Hawaii in 2006 and 2007. Same as itemlim = 1, except that the limitation is calculated as if Fidphrate = 1 (when at the federal level Fidphrate equaled 2). Also note that Hawaii used a different AGI threshold than the federal one.

22 – Itemized deduction limitation applying in Hawaii from 2011 to the present (including both 2011-2012 when there was no federal itemized deduction limitation, and from 2013 on, when the federal limitation was restored, but the Hawaii kept using a limitation following itemlim=22). This works the same as the federal itemized deduction limitation worked before the phase-out started (i.e., the federal itemized deduction limitation
as it applied 1991-2005, when \texttt{Fidphrate} = 3), except that the AGI threshold at which the provision begins to apply must be coded into \texttt{idphthresh}. In addition, there is a cap placed on total allowable itemized deductions for taxpayers with AGI above a certain threshold. Allowable itemized deductions are the smaller of the applicable cap amount and the amount of itemized deductions calculated after applying the provisions associated with \texttt{itemlim} = 22. This itemized deduction cap is coded into the \texttt{xtaxtype} variables: set \texttt{xtaxtype} = \texttt{itemlim22}; set \texttt{xb1} = the level of federal AGI above which the cap applies; and set \texttt{xb2} = the amount of the cap. Moreover, the itemized deduction for the larger of state and local income taxes or sales taxes is disallowed for all taxpayers with federal AGI above the threshold recorded in \texttt{xb1} (see for example Worksheet A-2 in the 2011 Hawaii income tax instructions). If the itemized deduction for the larger of state and local income taxes or sales taxes is allowed for taxpayers with federal AGI below \texttt{xb1}, then set \texttt{sited} = 1.

23 – Similar to \texttt{itemlim} = 2, except that the AGI threshold at which the limitation begins to apply can be different than the one that applies at the federal level, and it can apply in a year when there is no federal limitation on itemized deductions (such as 2010-2012). The applicable AGI threshold must be coded into \texttt{idphthresh}. This code applies a limitation similar to what would happen at the federal level 1991-2009, or from 2013 on, if \texttt{Fidphrate} = 3 and \texttt{Fidphthresh} were set to \texttt{idphthresh}. Applies in Minnesota in 2011 and later years. Starting in 2014, there is a provision to ensure that this limitation does not reduce the value of the itemized deduction below the value of the standard deduction (there was already a provision to make sure the subtraction of state and local income or sales tax did not reduce the itemized deduction below the standard deduction).

24 – Reduces certain itemized deductions by a percentage (Kansas, 2013 - 2015). The calculation uses \texttt{xr1} to determine the percent reduction. For Kansas, the state itemized deduction = charity + \left[1 - \left(\frac{\texttt{xr1}}{100}\right)\right]\times\left[\text{federal itemized deduction after limitation} - \left(\text{portion of state income tax that is effectively deductible at federal level; see itemlim=1}\right) - \text{charity}\right]. Starting in 2014, gambling losses are also completely disallowed as a state itemized deduction, but we do not account for this because there is no variable for gambling losses in our input data set. When this is in effect, \texttt{xtaxtype} should be set to \texttt{itemlim24}.

25 -- Itemized deduction limitation in effect in Kansas starting in 2015. Itemizers lose \texttt{xr1} percent of \texttt{propded} and \texttt{intded} from their itemized deductions. When this is in effect, \texttt{xtaxtype} should be set to \texttt{itemlim25}.

26 -- Itemized deduction limitation applying in Vermont starting in 2015. Itemized deductions equal federal itemized deductions after limitation, minus the portion of state and local income taxes deducted on the federal return after limitation (as in \texttt{itemlim}=1 when \texttt{sited} = 0), minus the
amount by which federal itemized deductions aside from medical and
dental expenses, charity (deductible amount after federal limitation), and
state and local income taxes exceeds 2.5 times the federal standard
deduction.

50 -- Same as 1, except that in addition, allowable itemized deductions are
reduced to (itemlim/100)*(federal itemized deductions after federal

57.5 -- Same as 1, except that in addition, allowable itemized deductions are
reduced to (itemlim/100)*(federal itemized deductions after federal

65 -- Same as 1, except that in addition, allowable itemized deductions are
reduced to (itemlim/100)*(federal itemized deductions after federal

icredrate Percentage rate for itemized deduction credit.
This applies where itemized deductions are not actually a deduction, but
rather a credit equal to a flat percentage rate times the amount by which
certain itemized deductions exceed the state standard deduction. This
applies only in Wisconsin starting in 1986. Which itemized deductions
are allowable for purposes of the credit are determined by the indicator
variables for each type of itemized deduction above.

idphthresh This is usually the AGI threshold where itemized deduction limitation
starts, for states that operate an itemized deduction limitation that works
the same way as the federal one, but with different thresholds (e.g.,
Hawaii, California). This should be set to zero if the AGI thresholds at
which the state itemized deduction limitation starts are the same as the
federal thresholds. In some cases, idphthresh has a different meaning
which is defined in the documentation for itemlim.

RETIREMENT INCOME EXCLUSIONS AND CREDITS
Meaning of variables retex, retph1, and retph2 can depend on the value of retextype
(see retextype for details). If phase-outs or phase-ins involve discreet jumps or notches,
these are smoothed (phase-out is assumed to proceed at a constant rate between
thresholds). Measure of income used to determine phase-outs is usually adjusted gross
income or some close variant. Unless otherwise specified, the calculator assumes state
AGI is used to determine phase-outs. Unless otherwise specified, phase-outs for separate
filers are based on combined AGI in the case of a married couple. Unless otherwise
specified, the amount reported for retex for a married couple is the maximum amount
available to the couple as a whole if both are eligible (if only one is eligible, for example
due to age, then the default behavior is for the calculator to give them half of retex,
unless otherwise specified below). In some cases, states provide different tax treatment for different types of pensions. For instance, in several states, maximum pension exclusion amounts are different for government employee pensions relative to private pensions, and in one case (Alabama), exclusions are different for defined benefit versus defined contribution pensions. Because the data sets used with the tax calculator generally do not indicate the type of pension, we have not attempted to incorporate this level of detail into the calculator. In cases where tax treatment differs depending on type of pension, we use the treatment accorded to private defined benefit pensions.

**retextype**  
Type of retirement income exclusion or credit:

0 -- 100% of pension income excluded.

1 -- No special exclusion for pensions or any other retirement income. Note: this is the default. In cases where the state tax base only includes certain components of income like dividends or capital gains, (e.g., base = cg), set retextype = 1. Special exclusions should only be coded into retextype if the initial base of the tax is defined so as to include pensions or other retirement income in the first place.

2 -- Exclusion of pension income up to a dollar limit.

3 -- Exclusion applies to pensions, interest, dividends, rental income, and taxable social security benefits.

4 -- Maximum exclusion applies to pensions and social security combined.

5 -- Social security is subtracted from exclusion to obtain maximum pension exclusion.

6 -- Exclusion applies to all AGI.

7 -- Exclusion applies to all AGI, but social security is subtracted from maximum exclusion amount.

8 -- Pension credit that is phased in with size of pension; retex contains maximum credit amount, retph1 has level of pension at which credit is fully phased-in, and retph2 has level of pension income at which credit starts to phase in. Applies in Ohio 1983 - present. In addition, if sptx = agephaseoh, then taxpayers with state taxable income greater than sptxex are ineligible for the credit (this phase-out applies in Ohio starting in 2015).

9 -- Exclusion applies to pensions, dividends, capital gains, interest, and rental income. (DE 1999 - ).
10 -- Refundable credit.

11 -- Limited pension exclusion. Exclude a percentage of pension income, up to a dollar limit. Dollar limit of gross pension income to which the percentage can be applied is contained in \texttt{retex}, and percentage is contained in \texttt{retp}\texttt{h1}. (e.g., Kentucky).

12 -- Non-refundable credit.

13 -- Exclusion for dividends and interest equal to \texttt{retex}, phased out based on total income (phase-out thresholds are in \texttt{retp}\texttt{h1} and \texttt{retp}\texttt{h2} as usual). Married couples filing a joint return receive this exclusion as long as at least one spouse is aged \texttt{retextage} or above. If a married couple files separately, the exclusion available to each spouse is not half of \texttt{retex}, but rather is the amount for single filers, which is stored in \texttt{ma}\texttt{rkedlim}.

14 -- Limited pension exclusion that works the same as \texttt{retetyp}\texttt{e} = 2, except with some special features applicable in Arkansas 1985-present. In this case, if the pension exclusion is taken, the taxpayer cannot make use of the general age credit (\texttt{cred_age}), the working taxpayer tax credit (see \texttt{low}\texttt{ty}\texttt{pe} = 18), or the low-income tax tables (see \texttt{x}\texttt{t}\texttt{ax}\texttt{type} = \texttt{low}\texttt{tab}\texttt{1}, \texttt{low}\texttt{tab}\texttt{2}, and \texttt{low}\texttt{tab}\texttt{3}). This applies in Arkansas, 1985-present. In the SAS code, it is implemented in the extra tax section where \texttt{x}\texttt{t}\texttt{ax}\texttt{type} = \texttt{low}\texttt{tab}\texttt{1}, \texttt{low}\texttt{tab}\texttt{2}, and \texttt{low}\texttt{tab}\texttt{3} are coded. The SAS code automatically figures out which set of tax provisions -- the pension exclusion, or the combination of the general age credit, working taxpayer tax credit, and low-income tables -- is more advantageous to the taxpayer, and only applies the most advantageous set of provisions.

15 -- Retirees are given the choice of claiming one of two possible credits. The first option is a percentage of the federal credit for the elderly and disabled. The share of the federal credit used in the state credit is \texttt{pctfdeldcr}. The second option is a state retirement income credit. To qualify for the retirement income credit, social security benefits must fall below a social security benefit threshold (stored in \texttt{retext}) and household income plus social security benefits must fall below a household income threshold (stored in \texttt{retp}\texttt{h2}). The credit is worth 9\% of the lesser of (i) pension income or (ii) ((\texttt{retext} - social security benefits) – (household income – \texttt{retp}\texttt{h1}). In the calculation above, federal pension income is excluded from pension income, but this is ignored by the calculator because data sets used with the calculator usually do not provide such information. The Oregon tax instructions call \texttt{retp}\texttt{h1} the “household income base.” The calculator automatically picks the most advantageous of the options available. (Oregon 1991 – present).
16 -- Tax credit that is a percentage of tax liability for elderly, decreasing from 100% of tax liability to 0% of tax liability over phase-out range. With this type of credit, \textit{retph1} and \textit{retph2} refer to phase-out thresholds defined in terms of tax liability, not income. Note that \textit{retex} represents income limit for eligibility. (Vermont 1971-1991; note that this is in the part of the SAS code for \textit{taxtype} = “pctfed”).

17 – Utah 1988-2007. Exclusion applying to all AGI. Exclusion equals \( \max(0, \textit{retex} \cdot .5 \cdot \max(0, \textit{agi} - \textit{retph1}) \) . Set \textit{retph2} equal to zero in the tax parameter data set – it will be calculated by the program using the rule described above. Starting in 1994, the measure of income used to compute the phase-out is \textit{agi} plus tax-exempt interest.

18 – Virginia 2004-present. There is an exclusion equal to \textit{retex} for those with age \( \geq \textit{retexage} \). The exclusion is phased-out with income for those born on Jan. 1, 1939 or later, and is not phased-out with income for those born before Jan. 1, 1939. The exclusion is phased-out at a rate of $1 for every $1 of AGI above \textit{retph1}. Leave \textit{retph2} = 0, the program calculates the appropriate value for that based on the rules above. For married couple filing separately where both qualify, the exclusion is calculated as for a joint filer, and then divided by two and given equally to each spouse. Those taking the low income credit are not eligible for any age deduction (those who are eligible for the low income credit would always be better off selecting that). Measure of AGI used to compute phase-out subtracts off any taxable social security benefits. If married filing separately, phase-out is based on joint AGI. Each spouse born before 1939 gets half of \textit{retex} deduction; spouse born in 1939 gets half of \textit{retex} subject to phase-out.

19 – Same as 2, except \textit{retph2} represents the AGI threshold at which the phase-out of the pension exclusion ends only in the case where the pension is larger than \textit{retex}. If the pension is smaller than \textit{retex}, then the end of the phase-out range is actually \textit{retph1} + pension. In addition, in Missouri, the pension exclusions for each spouse are added together, and then allocated to each spouse in proportion to their AGI. (Missouri 1999 - present).

20 – Montana, 1991-present. Same as 2, except that if married filing separately, the phase-out is computed using the AGI of each spouse separately (rather than using the spouse’s combined AGI). Effectively, for a married couple, the combined income level at which the exclusion begins to phase out can be up to twice as large if filing separately than if filing jointly. In addition, the phase-out income range is half as wide for married filing separately as for married filing jointly. For married couples, the amount recorded for \textit{retph1} applies to both joint and separate, and the amount recorded as \textit{retph2} is the amount for joint filers. Note that
because of a very narrow phase-out range, this feature can be a source of very high state marginal income tax rates, but these high rates are a legitimate feature of the law.

21 – Utah, 2008 – present. Non-refundable credit for the elderly that is phased-out with income. Maximum possible credit before phase-out is retex. Must be aged retexage or above to receive credit; if married and only one spouse is aged retexage or above, then maximum credit is half of retex. Income used to compute phase-out is AGI plus non-taxable interest (teint). Credit is reduced by retph2 percent of the amount by which income exceeds retph1, until it reaches zero. As of 2008, there was only one tax rate in Utah, so the calculator assumes married couples file jointly; the SAS code for this provision will have to change if married filing separately becomes advantageous in Utah.

22- West Virginia, 1980-present. Exemption for the elderly equal to the smaller of retex and total income (not AGI). For married filing jointly, each spouse is eligible for an exemption of the smaller of retex and that spouse’s own total income. The exemptions for the two spouses are then added together and subtracted from their joint income. So unlike most other states, the amount entered in retex is the amount for each spouse separately, not for two spouses combined. There are adjustments to the allowable exemption for specific sources of income (e.g., it is reduced by the amount of government bond interest included in federal AGI but excluded from state AGI), though most data sets do not contain sufficiently detailed information to make these calculations, so the calculator ignores them. See West Virginia Schedule M for additional details. There is no phase out for higher incomes.

23 – Exclusion of pension income up to a dollar limit recorded in retex, which only applies to those born before 1946. In the case of a joint return, this is determined by the date of birth of the older spouse. People born in 1946 and later years benefit from the provision described in sptx = agededmi instead. This applies in Michigan starting in 2012.

24 – Retirement income exclusion applying in Georgia 1989 – present. Retirement income is defined as: up to $4,000 of earned income, plus income from pensions, dividends, capital gains, interest, rent and royalty income, partnership and S-corporation income, and othinc. A married couple gets an exclusion of up to retex if both spouses are aged retexage or older, or ½ of retex if only one is retexage or older. Note that starting in 2012, the exclusion amount is increased for people aged 65 and above -- this is handled using miscextype = 22. In that case, the maximum exclusion if unmarried is retex + miscexam, and for married couples the maximum exclusion is retex*(number of spouses aged retexage or older divided by two) + miscexam * (number of spouses aged 65 or above).
The extra exclusion available due to \textit{miscexamt} calculated in the \textit{retex} part of the SAS code and is recorded in \textit{retexamt} in the detailed output dataset.

\textbf{retex} Usually, maximum retirement income exclusion or credit. For married couples, this is the amount if both spouses qualify; half of this amount applies if only one spouse qualifies.

\textbf{retph1} Usually, AGI threshold at which phase-out of retirement income exclusion or credit begins. (May be used for other things if so specified in \textit{retextype} above).

\textbf{retph2} Usually, AGI threshold at which phase-out of retirement income exclusion or credit ends. (May be used for other things if so specified in \textit{retextype} above).

\textbf{retexage} Minimum age to qualify for retirement income exclusion or credit (in years).

\textbf{pctfdeldcr} Percentage of federal credit for elderly and disabled (previously known as retirement income credit) allowed by state.

\textbf{ssbentx} Tax treatment of social security benefits

\begin{itemize}
  \item \textit{0} -- Social security benefits are 100\% excluded.
  \item \textit{1} -- Treatment same as current federal law. (Note that Montana is currently coded this way. In Montana, the portion of social security benefits subject to taxes is the same as federal except that the formula is slightly different for married couples who are filing separately, which is generally advantageous in Montana. I may need to create a new coding scheme for this.)
  \item \textit{2} -- Social security benefits are fully taxable.
  \item \textit{3} -- Social security benefits are taxed based on pre-1994 federal law (i.e., up to 50\% rather than up to 85\% of benefits are taxable). This is only applicable if it is 1994 or later; before 1994, states that follow federal are coded as \textit{ssbentx} = \textit{1}. [Note: \textit{ssbentx} is currently coded 3 for Minnesota 1994-2008. In fact, it should be coded as 1 starting in 1997. For 1994-1996, it looks like taxpayers could take the larger of an adjustment similar to \textit{ssbentx} = \textit{1}, and the provision coded into the \textit{retex} variables, but not both at the same time. The relevant provisions are on Schedule M1-R, and can be found in Section 290.0802 of the Minnesota Code. I need to modify the coding scheme for this.]
\end{itemize}
4 -- Same as 3, except that in addition a percentage of the social security benefits that would otherwise be included in AGI are non-taxable (applies in Iowa 2007 through 2013). The percentage is 32% in 2007-2008, 43% in 2009, 55% in 2010, 67% in 2011, and 77% in 2012, 89 percent in 2013, and 100% in 2014 and later years (at which point \texttt{ssbentx} can be coded as 0). [Note to self: I still need to modify the SAS code for \texttt{ssbentx} = 4 to account for this for 2009 through 2012. This will have implications for the SAS code for \texttt{lowtype} = 14 and \texttt{xtaxtype} = \texttt{maxtax} too.]

5 – Taxable social security benefits are equal to:

Fed. Taxable SS Benefits – (Fed Taxable SS Benefits - .5*\min((ssben/2 + Fagi + teint – Fssb1)/2, ssben/2). Adjustment to taxable social security benefits applying in CT in 1999.

Adjustment to taxable social security benefits applying in CT in 1998…

6. Same as ssbentx = 5, except if AGI < 50,000 for single filers and <60,000 for married and head of household filers, social security benefits are completely excluded. Adjustment to taxable social security benefits applying in CT in 1999.

7 – If federal AGI is less than 50,000 for single filers or 60,000 for married and head of household filers, then social security benefits are tax exempt. If federal AGI is above this limit, then taxable social security benefits are equal to the federal taxable SS benefits minus the difference between total social security benefits and 25% of the smaller of social security benefits and the combination of federal AGI, tax-exempt interest income, and 50% of social security benefits minus Fssb1. This applies in CT from 2000 to the present. For the law, see CT Public Act 00-174. Adjustment to taxable social security benefits applying in CT from 2000 to present…

11 = Same as 1, except that all social security is exempt if federal AGI is $50,000 or less (Kansas 2007).

12 = Same as 1, except that all social security is exempt if federal AGI is $75,000 or less (Kansas 2008 - ?).

13 – Social security benefits are 100% excluded, except that if a taxpayer is born in 1952 or later (using year of birth of the older spouse in case of a joint return), and is aged 67 or above (which first occurs in 2019), then if the deduction described in \texttt{sptx} = \texttt{agededmi} is taken, then treatment of social security benefits is the same as federal law. (Michigan, 2012 – present. Note that in the SAS code this is implemented in the code for \texttt{sptx} = \texttt{agededmi}, which is in the section of code that implements the provisions
described in the \texttt{retex} variables. Also note that because taxpayers born in 1952 or later do not turn 67 until 2019, this provision will not appear on the tax forms and instructions until then, assuming the law is not changed or repealed before then. The law is laid out in \textit{Michigan Annotated Statutes Section 206.40, subsections 1(f)(iii) and (9)(e)}.

\textbf{14} – Exclusion of social security benefits for low-income people applying in Nebraska starting in 2015. Social security benefits are included in state AGI in the same way as under the federal income tax, except that social security benefits are completely excluded from state AGI if federal AGI is less than \texttt{sptxex}. See also \texttt{sptx} = \texttt{ssnbentxne}.

\section*{LOW-INCOME EXEMPTIONS OR CREDITS}

Meaning of variables \texttt{low, lowdepamt, loweldamt, lowph1} and \texttt{lowph2} may depend on the value of \texttt{lowtype} (see \texttt{lowtype} for details). If phase-outs or phase-ins involve discreet jumps or notches, these are smoothed (phase-out is assumed to proceed at a constant rate between thresholds). Measure of income used to determine phase-outs is usually adjusted gross income or some close variant; unless otherwise specified, the calculator assumes state AGI is used to determine phase-outs. Note that some low income exemptions or credits are coded in using other sets of variables such as \texttt{miscextype} or \texttt{xtaxtype}, rather than the \texttt{low} variables (this is the case, for example, with the Arkansas low-income tax tables).

\texttt{lowtype} \hspace{1cm} Type of low-income exemption or credit:

\begin{itemize}
  \item 0 -- Nothing
  \item 1 -- Exemption
  \item 2 -- Non-refundable credit. Per-return amount of credit is in \texttt{low}, per-dependent amount of credit, if any, is in \texttt{lowdepamt}.
  \item 3 -- Refundable credit [Note: in New Mexico, the “low-income tax rebate” applying 1972-present is currently coded in using this approach, but this is an oversimplification. There has always been a maximum credit amount, and in the early years the income level at which the credit was completely phased out differed depending on the number of exemptions. In addition, the credit first increases with income and then decreases. I’ll need to create a new coding scheme to make this more accurate.]
  \item 4 -- Per capita non-refundable credit. (Note: in Oregon from 2007 through 2012, there was a credit that is partially phased-out; this is dealt with through a combination of \texttt{crpercap} and the \texttt{low} variables. See the documentation for \texttt{crpercap} for information on that).
\end{itemize}
5 -- Pension and social security exclusion

6 -- Maximum tax (e.g., Massachusetts since 1987). Alternative maximum tax is zero below threshold, x% of (AGI-threshold) above the threshold. The base threshold is in lowph1, and the threshold is increased by lowphdep times the number of dependents. The x% is in low. Maximum AGI to which provision applies is a multiple of the initial threshold; the multiple (1.75 in the case of MA) is contained in lowph2. This is called the “limited income credit” in the Massachusetts tax forms and instructions, and is in Chapter 62, Section 5 of the Massachusetts Code.

7 – Non-refundable per capita credit plus age credit (applies in Georgia)

8 -- Refundable per capita credit (Hawaii in recent years; Kansas food sales tax refund 1977-85, Vermont sales tax credit 1969-1973). Eligibility phased out for AGI between lowph1 and lowph2. Taxpayer must be older than lowminage to qualify. Per capita credit amount is in low.

9 -- Special earned income credit not related to federal law. Available only if earned income is > 80% of gross income, and there is at least one dependent under 18. Credit equals low % of (lowph2 – total federal income), where total federal income is AGI plus adjustments. Applies in Indiana since 1997.

10 -- Exclude all labor income (up to threshold amount) if AGI is less than threshold. (Threshold is in lowph1). MD 1989-1997; WV 1996-2006. In MD, labor income must be below the threshold as well, and the exclusion for separate filers was calculated based on joint income (so as long as the couple’s whole earned income was below the threshold, then each spouse’s earned income was wholly exempt). In WV, filing separately was disadvantageous during the relevant period.

11 -- Credit that is a % of labor income; eligible if AGI is below threshold. Percentage is in low, and threshold is recorded in lowph1 and lowph2 (they should be identical). Increase in threshold for each dependent is in lowphdep. (Maryland 1998 – present).

12 -- Credit equal to low percent of tax liability (before minimum taxes), phased-out using the thresholds defined in lowph1, lowph2, lowphdep, and loweldamt. In this coding scheme, loweldamt has an unusual meaning – it is an extra addition to lowphdep for the first dependent (this is relevant in PA 1974-1993). Used in: CA 1985-1991; CT 1995-present (called the “personal tax credit,” shown in Table C of 2007 instructions, and table E of the 2011-2014 instructions); PA 1975-present (called the “tax forgiveness credit” in PA); WI 1998-2013 (called the “working
families tax credit” in WI); WV 2007-present (called the “family tax credit” in WV). Note that an increase in the Wisconsin standard deduction in 2014 rendered the “working families tax credit” irrelevant for all taxpayers in Wisconsin except for married couples filing separately. Since married filing separately was generally disadvantageous in Wisconsin, the calculator assumes this filing status was not used there, so we treat this as an elimination of the credit. In CA, the credit is not allowed if taxpayer is subject to state minimum tax. In CA before 1987, the calculator sets the value of this credit to zero if $\text{mtrvar} = \text{ltcg1}$ or $\text{ltcg2}$, because during this period, adding long-term capital gains to someone who previously had none would put the return on the minimum tax, eliminating the credit, and creating a large notch. Note that in Pennsylvania, the phase-out range is extremely narrow. Smoothing the credit reduction over the phase-out range would cause very high state marginal tax rates, so in this particular case, we instead round the percentage used to compute the credit to the nearest 10% (which is how the actual credit is implemented in Pennsylvania). This produces large notches at the boundary points, but has no effect on marginal rates in between the boundary points. The notches are avoided if $\text{ReverseMTR}$ is set to 1 when running the tax calculator. For similar reasons, the percentage used to compute the California low-income credit is rounded to the nearest 20% (as specified in the law – see for example CA Annotated Statutes 1988 Section 17069).

13 – No-tax floor equal to federal filing threshold defined by standard deduction and personal exemption. A “no-tax floor” defines an income threshold below which there is no state income tax liability; if income is above that floor, then state income tax liability is computed according to ordinary income tax procedures (as a result, this often causes a “notch.”). It is often implemented as a credit equal to state income tax liability for those with incomes below the threshold. Note that in DC, this is called the “low income credit,” and taxpayers cannot take the low income credit and the DC earned income credit at the same time; the SAS code for $\text{lowtype}=13$ performs a special calculation for DC so that only the more advantageous credit is taken. (DC 1987-present, LA 1999-present, MD 1969-1988, OK 1983-1987). Note that if $\text{lowtype} = 13$, all the other variables starting with “low” are set to zero – the SAS code determines the federal filing threshold defined by the standard deduction and personal exemption using the applicable federal tax parameters, so they do not need to be re-entered here.

14 – Iowa 1973 – present. No-tax floor equal to low, plus $\text{loweldamt}$ if at least one spouse is aged $\text{lowminage}$. That is, people with AGI below the no-tax floor pay no income tax. In addition, if AGI is above the floor, the tax cannot reduce after-tax income below floor. In Iowa, if $\text{ssbentx}$ does not equal 3, AGI is re-calculated using $\text{ssbentx} = 3$ for the purposes of this provision. The no-tax floor is clearly stated in the Iowa tax instructions;
the provision that tax cannot reduce after-tax income below the floor is stated clearly in the Iowa Annotated Statutes Section 422.5, although it is not clear where this is implemented on the tax form. In the SAS code, lowtype = 14 is implemented immediately after taxs is computed. (Note: I still need to modify the SAS code for this to deal with changes in how ssbentx = 3 works for 2009 and 2010).

15 -- Exemption, plus there is also a no-tax floor equal to federal filing threshold (e.g., both 1 and 13 apply). Phase-out and minimum age apply only to the exemption (OK 1988-present).

16 – Non-refundable child credit equal to a fixed dollar amount (contained in lowdepamt) per child eligible federal child credit, for people with AGI below the phase-out threshold lowph1. (North Carolina, 2002 – 2013).

17 -- Refundable credit that is phased-in, getting larger with higher incomes. Minimum credit (given to anyone below the first threshold) is in low. Maximum credit for single and head of household is in lowdepamt, and maximum credit for married is in loweldamt (there was nowhere else to put them). Anyone with AGI above the second threshold gets the maximum amount, and the credit is gradually phased in between the thresholds. Applies in Colorado since 1997.

18 – Arkansas “working taxpayer tax credit,” 1998-2002. If gross income (income) < lowph1, then credit = low % of employee portion of OASDI tax. If gross income >= lowph1, then credit = lowdepamt % of employee portion of OASDI tax on the first lowph2 dollars of taxable income. For married couples, a single credit is calculated based on the couple’s total combined income. This credit may not be taken if the low-income tax tables are used (see xtaxtype = lowtab1, lowtab2, and lowtab3). The law indicates that the working taxpayer credit is already incorporated in the low-income tables, which apparently accounts for the minor change in parameter values for the xtaxtype = lowtab2 variables starting in 1998. This credit may not be used at the same time as the pension exclusion (see retextype = 14). Credit is non-refundable.

19 – Low-income allowance used in Wisconsin during 1970s and 1980s. A minimum standard deduction that starts at $2600 single, $3450 if single and elderly, $4000 married, $4800 if married and one spouse >=65, and $5700 if married and both spouses >=65. Add $800 for each dependent. Starts to phase out at incomes of $3200 (single), $4200 (single and >=65), and $5200 (married), $6200 (married, one spouse >=65), and $7200 (married, both spouses >=65). Adult portion phases down to a minimum of $1300 at an income level of $3600 (single), $4900 (single >=65), $6400 (married), $7900 (married, one spouse >=65), and $9700 (married, both spouses >=65). Dependent deduction phases down to zero between
incomes of $5000 and $12,000 for all taxpayers. The adult portion of the minimum standard deduction must be taken in lieu of the regular standard deduction, but the dependent portion can be taken in addition to the regular standard deduction. Must choose between this and standard deduction. At end of phase-out range, low-income allowance is $1300 with no dependents or age 65 exemptions, and $400 (half of \textit{lowdepamt}) higher than that for each dependent or age 65 exemption. Above top phase-out amount, use regular standard deduction. Add \textit{lowphdep} to top of phase-out range (and $150 to the $1300 low-income allowance at this point) if both spouses are over age 65.

20 – No state tax liability after non-refundable credits if federal tax liability before credits plus federal AMT liability is zero. (Nebraska 1987-present).

21 – Kansas food sales tax refund, 1986-97. Refundable credit amount equals \textit{low}, plus \textit{lowdepamt} times the number of people in the household other than the head. Taxpayer must either be older than \textit{lowminage}, or must have at least one dependent child under age 18, in order to qualify. Phased-out with \textit{income} between \textit{lowph1} and \textit{lowph2}.

22 – Kansas “food sales tax refund,” 1998-99. Refundable per capita credit equal to amount in \textit{low}. Taxpayer must either be older than \textit{lowminage}, or must have at least one dependent child under age 18, in order to qualify. If \textit{income} is less than \textit{lowph1}, credit amount = \textit{low}. If \textit{income} is between \textit{lowph1} and \textit{lowph2}, credit amount = \textit{low} / 2 (approximately – it sometimes about $1 different than \textit{low} / 2; the calculator just assumes \textit{low} / 2).

23 – Kansas “food sales tax refund,” 2000-present. Same as 22, but one extra credit is granted to head of household, subject to the same phase-out rules as above.

24 -- Increase in dependent exemption value for taxpayers with AGI below certain thresholds (Alabama starting in 2007). The standard dependent exemption available to all taxpayers is stored in \textit{ex\_dep} (see above). The additional amount of dependent exemption given to taxpayers with AGI below \textit{lowph1} is stored in \textit{low}, and the additional amount of dependent exemption given to taxpayers with AGI between \textit{lowph1} and \textit{lowph2} is stored in \textit{lowdepamt}. For example, in Alabama in 2007, the dependent exemption is $1,000 if AGI < $20,000, $500 if $20,000 <= AGI < $100,000, and $300 if AGI >= $100,000. In this case \textit{ex\_dep} = 300, \textit{low} = $700, \textit{lowdepamt} = $200, \textit{lowph1} = 20000, and \textit{lowph2} = 100000.
25 – Non-refundable credit that is the smaller of a fixed amount per person or a fixed amount per return, with different phase-out thresholds for each family size (Arizona 1998 – present). The credit is equal to the smaller of \( \text{low} \), or \( \text{lowdepamt} \) times the number of people (taxpayer, spouse, and dependents) on the tax return. Other \( \text{low} \) variables are ignored. The credit is only available to taxpayers with incomes below thresholds specified in the \( \text{xb} \) variables. The income level at which the credit is eliminated is: \( \text{xb1} \) for 0 or 1 dependent; \( \text{xb2} \) for 2 dependents; \( \text{xb3} \) for 3 dependents; \( \text{xb4} \) for 4 dependents; and \( \text{xb5} \) for 5 or more dependents.

26 – Idaho “grocery credit” 2008-2014. If state taxable income is less than \( \text{lowph1} \), there is a per capita refundable credit equal to \( \text{low} \) per exemption. If state taxable income is greater than or equal to \( \text{lowph1} \), there is a per capita refundable credit equal to \( \text{lowdepamt} \) (note the change from the usual meaning of \( \text{lowdepamt} \)). In either case, there is an additional refundable credit equal to \( \text{loweldamt} \) for each of taxpayer and spouse that is aged \( \text{lowminage} \) or above. (The “permanent building fund” tax is then subtracted from this credit – see \( \text{miscextype} = 19 \)). The \( \text{lowph2} \) variable is not used and can be set to zero. Prior to 2008, a simpler version of the grocery credit and permanent building fund tax was coded into the variables starting with “\( \text{cr} \).” In 2015 and later years, the grocery credit is coded into the \( \text{crpercap} \) and \( \text{cred_age} \) variables, and the permanent building fund tax is coded using \( \text{miscextype} = 19 \).

27 – Ohio, 1983-1988, choice between extra per capita exemption, or extra non-refundable per capita credit. The value of the per capita exemption is stored in \( \text{low} \), and the value of the per capita credit is stored in \( \text{lowdepamt} \). [The calculator addresses this by treating the extra exemption as itemized deduction, and then choosing itemization status based on whether or not the credit reduces tax liability by more than the exemption.]

28 – Exemption equal to the amount specified in \( \text{low} \), where eligibility is limited to taxpayers with state taxable income less than \( \text{lowph1} \) (which should be set equal to \( \text{lowph2} \)). Maine, 1997-2012 (technically called a credit equal to tax liability, but exemption has the same effect).

29 – Non-refundable per capita credit. To qualify, taxpayer must either be \( \text{lowminage} \) or older, or must have at least one dependent child under age 18 (approximated in the calculator by \( \text{kids3} > 0 \)). Also, dependents aged 18 or older are not eligible for the credit; the total credit equals \( \text{low} \) times the number of people on the return eligible for federal personal exemptions, excluding dependents aged 18 or over. Credit is phased-out over the range of federal AGI between \( \text{lowph1} \) and \( \text{lowph2} \). (Kansas Food Sales Tax Credit, 2013 - ).
30 – Non-refundable child credit applying in North Carolina, 2014 - . For returns with AGI less than lowph1, the credit is low times the number of children eligible for the federal child credit. For returns with AGI between lowph1 and lowph2, the credit is lowdepamt times the number of children eligible for the federal child credit. Returns with AGI above lowph2 are not eligible for the credit.

31 – Increase in the personal exemption for low-income taxpayers applying in Ohio 2014 - . The personal exemption for returns with AGI above lowph2 is expercap. The personal exemption for returns with AGI between lowph1 and lowph2 is expercap + low. The personal exemption for returns with AGI below lowph1 is expercap + lowdepamt. So when looking at the Ohio tax instructions, lowdepamt is the difference between the personal exemption for people in the lowest AGI category and the personal exemption for people in the highest AGI category, and low is the difference between the personal exemption for people in the middle AGI category and the personal exemption for people in the highest AGI category.

low
Usually, amount of low-income exemption or credit.

lowdepamt
Usually, amount of additional low-income exemption or credit, per dependent.

loweldamt
Usually, amount of additional exemption or credit, per person aged 65 or over.

lowph1
Usually, AGI level at which phase-out begins.

lowph2
Usually, AGI level at which phase-out ends. If the provision involves a "cliff" (that is, the full value of the provision is allowed below an income threshold, and nothing is allowed above the income threshold), this is handled by setting lowph1 = lowph2. A provision that phases-in as income increases can be handled by setting lowph2 as the income level at which the phase-in begins, and lowph1 as the income level at which the phase-in ends.

lowphdep
Increase in phase-out income thresholds for each dependent. If initial threshold (lowph1) is zero, then this only applies to the top threshold; otherwise, it applies to both.

lowminage
Minimum eligibility age for low-income credit or exemption.

MISCELLANEOUS ADDITIONAL EXEMPTION, EXCLUSION, OR CREDIT
**miscextype** Type of miscellaneous additional exemption, exclusion, or credit:
Note that, unless otherwise specified below, the amount coded for
**miscexamt** for married couples is assumed to be available to each spouse
(in which case effectively the amount available to the couple as a whole is
twice as large as the amount reported).

0 -- None

1 -- Interest exclusion, age 65 or over.

2 -- Exclusion of interest, dividends, and capital gains, minus pension
exclusion, age 65 or over. (Michigan, 1997 – 2011).

3 – Extra exclusion for pensions and social security for those aged 65 or
over, above and beyond what is coded in for all ages in the **retex**
variables.

4 -- Pension exclusion for those under age 60

5 -- Exclusion for pensions for those under age 65 (e.g. Utah 1973-1987,
SC 1997-present). In Utah only, taxable social security benefits also
counted as pension income. In SC there is also a larger exclusion for
pensions for those aged 65 and above, but this is subtracted dollar-for-
dollar from the exclusion for overall income for people aged 65 or above
recorded in the **retex**, so it can safely be ignored.

benefits for those under age 65. Maximum possible exclusion per spouse
is in **miscexamt**. Exclusion equals max(0, min(**miscexamt**, 
**retinc1**(agex<65) + min(**miscexamt**, **retinc2**(agespx<65)) –
.5*max(0,**agi-retph1**)), where **agex** is age of taxpayer, **agespx** is age of
spouse, **retinc1** is pension income and taxable social security income of
taxpayer, and **retinc2** is pension income and taxable social security
income of spouse. Starting in 1994, the measure of income used to
calculate the phase-out is **agi** plus tax-exempt interest.

7 – Refundable per capita credit, no phase-out.

8 – Oklahoma “Sales Tax Credit,” 1990 – present. Refundable per capita
credit allowed if income is below a threshold. Credit amount is in
**miscexamt**. The income thresholds can vary depending on age and
number of dependents, and are stored in the **sptx** variables. Income
threshold is **sptxrate** if taxpayer is aged 65 or above, or if the taxpayer has
at least one dependent. The income threshold for others is stored in **sptxex**
(see documentation for **sptx = misc8**).
9 -- Extra exemption for first dependent only. In Arizona’s income tax instructions, this can be found in the “personal exemption chart” as the difference between the exemption amounts for “Married filing joint return… and claiming no dependents” and “Married filing joint return… and claiming at least one dependent.”

10 -- Refundable credit for those with income below $5000. Amount in miscexamt is for dependent; credit for taxpayer and spouse are half of that amount, each. (Massachusetts 1966-86).

11 -- Exclusion for AGI for those aged 62-64; subtract social security to get allowable exclusion (VA, 1991-94).

12 – Same as 11, but social security no longer subtracted from exclusion (VA, 1995-2003).

13 – No tax floor. Floor is miscexamt for single, double that for head of household and married. This only removes ordinary tax, not minimum taxes. (California, 1974-1984).

14 – Extra personal exemption for people with AGI below lowph1. (NC, 1995-2013). The personal exemption is expercap for people with AGI above lowph1, and expercap + miscexamt for people with AGI below lowph1. In the instructions for the NC income tax, the amounts for expercap and expercap+miscexamt are not reported directly; rather, the tax form starts with the federal personal exemption, and then the instructions report the amounts to subtract from the federal personal exemption to get to expercap and expercap+miscexamt.

15 – Extra personal exemption for each of taxpayer and spouse aged 65 or over, if AGI is less than $40,000. Amount of exemption per person is in miscexamt. (Indiana starting 1999).

16 – One extra personal exemption equal to expercap for a head of household (Kansas).

17 – Virginia, 2004-2005. Special grandfathered age deduction equal to miscexamt for people born in certain years. In 2004, the deduction applies to those born in 1940 and 1941; in 2005, it applies to those born in 1941. Those taking the low income credit are not eligible for any age deduction (those who are eligible for the low income credit would always be better off selecting that).

18 -- Exclude all labor income (up to threshold amount) if AGI is less than threshold. Threshold is in miscexamt. Note that in this case, in contrast to the usual practice for miscexamt, the amount coded for miscexamt for
filertype = “m” is the threshold applicable to the couple’s joint income (e.g., 10000 in 2013), not an amount that is available to each spouse separately. West Virginia's low-income exclusion is moved here starting in 2007 to make way in the "low" variables for a new family credit.

19 – Idaho “permanent building fund” tax starting in 2008. This is a lump-sum tax amount per return. Amount of tax is in miscexamnt. People who are not required to file an Idaho return (that is, people with gross income less than the sum of the standard deduction and adult exemptions) are exempt from the permanent building fund tax. Before 2008 this was netted out of the grocery credit coded in errreturn. From 2008 to 2014 the grocery credit is in lowtype = 26, and the permanent building fund tax is here. Starting in 2015 the grocery credit moves to the crpercap and cred_age variables, but the permanent building fund continues to be implemented with miscextype = 19. (In the SAS code, miscextype = 19 is still implemented as a net reduction in the grocery credit when lowtype = 26, and as a net reduction in general credits otherwise).

20 – Non-refundable credit for pension income and taxable social security benefits, Utah 2008 – present. This credit is only available to taxpayer or spouse aged below retexage who was born before January 1, 1953. The credit before phase-out is equal to xr2 percent of pension income or miscexamnt, whichever is smaller. The income measure used for computing the phase-out is AGI plus tax-exempt interest (teint). The credit is reduced by retph2 percent of the amount by which AGI exceeds retph1, until the credit is reduced to zero. When the SAS code was written for this, there was only one tax rate in Utah, so the calculator assumes married couples file jointly; the SAS code for this provision will have to change if married filing separately becomes advantageous in Utah.

21 -- Exclusion of interest, dividends, and capital gains, minus pension exclusion coded into retex variables; only applies to those born before 1946. In the case of a joint return, this is determined by the date of birth of the older spouse. (Michigan 2012 – present. In Michigan, people born in 1946 and later years benefit from the provision described in sptx = agededmi instead).

22 – Increase in the retirement income exclusion coded in retextype=24 for people aged 65 and above, applying in Georgia from 2012 on. The retirement income exclusion for people aged 62-64 is coded into the retex variables, and this is just the increase in the maximum exclusion amount allowed for each taxpayer (and spouse) aged 65 or above. Retirement income is defined as up to $4,000 of earned income, plus income from pensions, dividends, capital gains, interest, rent and royalty income, partnership and S-corporation income, and othinc. In that case, the maximum exclusion if unmarried is retex + miscexamnt, and for married
couples the maximum exclusion is \( \text{retex} \times (\text{number of spouses aged retexage} \text{ or older divided by two}) + \text{miscexamt} \times (\text{number of spouses aged 65 or above}) \). The extra exclusion available due to \text{miscexamt} is calculated in the \text{retex} part of the SAS code, and is recorded in \text{retexamt} in the detailed output dataset.

23 – Non-refundable credit applying in Ohio 2005 – present. If state taxable income is less than $10,000, the credit is \text{miscexamt}. Those with taxable income above $10,000 are ineligible for the credit.

24 – New York “Family Tax Relief Credit,” 2014 -. Refundable credit of \text{miscexamt}. To be eligible, state AGI must be between \( \text{xb7} \) and \( \text{xb8} \), return must claim at least one child under age 17 as a dependent, and state tax liability after credits (including both non-refundable and refundable credits such as EIC and circuit breaker) must be zero or greater. For the 2014 tax year, eligibility was actually based on a prior year’s state AGI, but the calculator computes it as if it were based on 2014 state AGI. In years after 2014 eligibility is based on same-year state AGI. In the SAS code, this is calculated after \text{taxs} is initially calculated, and then again in the circuit breaker section. Its value is added into \text{gencred}.

\text{miscexamt} Usually, maximum amount of miscellaneous additional exemption, exclusion, or credit. Note that the amount coded for \text{miscexamt} for married couples is assumed to be available to each spouse (so effectively the amount available to the couple as a whole is twice as large as the amount reported).

EARNED INCOME CREDIT TIED TO FEDERAL PROVISIONS

\text{eictypestate} Type of state earned income credit. [Note: \text{mintaxapp}=3 only works correctly with \text{eictypestate}=0 or 1; if eictypestate changes to a different value for Iowa (where \text{mintaxapp}=3) then the SAS code for \text{eictypestate} will have to change.]

0 -- State credit is a percentage of federal credit and refundable; \text{eicstate1} contains percentage of federal earned income credit; \text{eictypestate} also equals zero if there is no state earned income credit (in which case \text{eicstate1} will also be zero).

1 -- State credit is a percentage of federal credit, but non-refundable; \text{eicstate1} contains percentage of federal EITC (e.g., Iowa before 2007).

2 – (Maryland) State credit is a percentage of federal credit, and is partly refundable; \text{eicstate1} contains percentage of federal credit that is non-refundable. If non-refundable EIC is greater than state tax liability before
credits (StaxAMIN), refundable credit is eicstate2 % of federal EIC, minus StaxAMIN.
Non-refundable EIC (eicstatenoref) = (eicstate1/100)*Feic
Refundable EIC:
if eicstatenoref>=StaxAMIN then
   eicstateref = max(0,(eicstate2/100)*Feic - StaxAMIN) ;
else eicstateref=0 ;

3 -- State credit is a percentage of federal credit, and refundable, but limited to people with incomes below amount specified in eicstate2 (e.g., New Jersey through 2006).

4 -- Wisconsin. State credit is a percentage of federal credit, but percentage depends on number of qualifying children; eicstatel contains percentage for 1 child, eicstate2 contains percentage for 2 children, and eicstate3 contains percentage for 3 or more children.

5 -- (Rhode Island, 2003 - 2014). State credit is a percentage of federal credit, and is partly refundable; eicstatel contains percentage of federal credit that is non-refundable. Refundable portion is:
   (eicstate2/100)*max(0,(eicstate1/100)*Feic-StaxAX),
where StaxAX is state income tax after other credits. (Does not currently work with separate filing, which is irrelevant in RI; need to change SAS code if separate filing becomes advantageous in RI).

6 -- Minnesota, refundable EIC, 1998 – 2013. This involves a lot of parameters, and the “extra tax” variables are already used for the marriage credit, so some parameters for the Minnesota earned income credit are stored in unused brackets and rates for the ordinary tax. For a taxpayer with no children, the state EIC is just eicstatel % of the federal credit. For a taxpayer with one child, credit is r10% of earned income between $0 and $ b10 of earned income, plus r11% of earned income between $ b11 and $ b12 of earned income, minus r12% of the amount by which max(AGI, earned income) exceeds $ b13. For a taxpayer with two or more children, credit is r20% of earned income between $0 and $ b20 of earned income, plus r21% of earned income between $ b21 and $ b22 of earned income, minus r22% of the amount by which max(AGI, earned income) exceeds $ b23. All of these parameters can be found by looking at the Minnesota tax form web site, listed under “Working Family Credit Table algorithms,” and then comparing the parameters there with the federal parameters for the same year. Taxpayer must be eligible for federal EIC in order to qualify for Minnesota EIC.

7 -- Virginia non-refundable EIC starting 2006. EIC is eicstatel % of federal credit, and non-refundable, but cannot take EIC and the credit coded in the low variables at the same time.
8 – Illinois 2003-2006. EIC is refundable for taxpayers with an eligible child (kids2 > 0), non-refundable if not. EIC is eicstate1% of federal credit.

9 – Indiana 2011 – present. State EIC is eicstate1 percent of what the federal EIC would be if the following three federal EIC provisions did not apply: the extra EIC for taxpayers with 3 or more qualifying children; the marriage penalty relief which makes the various federal EIC phase-out thresholds higher for married taxpayers than for unmarried taxpayers; and the protection of the EIC from the alternative minimum tax (this last bit is implemented by subtracting eicstate1 percent of federal AMT liability from the state EIC). In addition to the value of eicstate1, the one additional piece of information needed, which is coded in to eicstate2, is the increase in EIC phase-out thresholds for married taxpayers relative to unmarried taxpayers in the federal EIC in that year. This can be computed from the data in the federal tax parameters spreadsheet as the value of Feic2bend2 for filertype = m minus the value of Feic2bend2 for filertype = s for the tax year in question. So for example, in 2011, eicstate2 = 5080. The value of eicstate2 is indexed for inflation each year.

10 – New York (1996 on). State EIC is eicstate1 percent of federal earned income credit, reduced by the smaller of tax calculated before credits and the low income credit (in NY case the NY Household credit). In the calculation, the EIC could be a negative credit (i.e., add to liability) and thus reduces the value of the household credit. The combination will always result in a lower tax liability than from the tables. [NLF 8/5/14]

11 – Minnesota, refundable EIC, 2014 -. This involves a lot of parameters, and the “extra tax” variables are already used for the marriage credit, so some parameters for the Minnesota earned income credit are stored in unused brackets and rates for the ordinary tax. For a taxpayer with no children, the credit is r10 % of the first $ b10 of earned income, minus r11 % of the amount by which max(AGI, earned income) exceeds $ b11. For a taxpayer with one child, credit is r12% of earned income between $0 and $ b12 of earned income, minus r13 % of the amount by which max(AGI, earned income) exceeds $ b13. For a taxpayer with two or more children, credit is r14 % of earned income between $0 and $ b14 of earned income, minus r15% of the amount by which max(AGI, earned income) exceeds $ b15. Note that b11, b13, and b15 will be different for married couples relative to others. Set eicstate1, eicstate2, and eicstate3 to zero. All of these parameters can be found by looking at the Minnesota tax form web site, listed under “Working Family Credit Table algorithms.” Taxpayer must be eligible for federal EIC in order to qualify for Minnesota EIC.
12 – Non-refundable EIC applying in Ohio 2013. If state taxable income is \texttt{eicstate2} or below, then state EIC is \texttt{eicstate1} percent of the federal EIC but is not refundable. If state taxable income is greater than \texttt{eicstate2}, then the state EIC is the smaller of \texttt{eicstate1} percent of the federal EIC, and \texttt{eicstate3} percent “of the tax otherwise due after deducting all other credits that precede the credit except for the joint filing credit.”

13 – Same as 0, except that if state AGI is less than federal AGI, the state earned income credit is the federal earned income credit multiplied by the ratio of state AGI to federal AGI (Oklahoma, 2002 - ).

-14 – Refundable EIC in applying California 2015-. For families with three or more children, the credit is equal to \texttt{xr6\%} of min(\texttt{xb12}, earned income) minus \texttt{xr7\%} (max(AGI, earnedinc) – \texttt{xb13}), multiplied by \texttt{xr14\%}. If \texttt{fAGI} > \texttt{xb12}, the calculation above is completed using AGI as well as earned income, and the smaller EIC is taken.

For families with two children, the credit is equal to \texttt{xr12\%} of min(\texttt{xb12}, earned income) minus \texttt{xr13\%} (max(AGI, earnedinc) – \texttt{xb13}), multiplied by \texttt{xr14\%}. If \texttt{fAGI} > \texttt{xb12}, the calculation above is completed using AGI as well as earned income, and the smaller EIC is taken.

For families with one child, the credit is equal to \texttt{xr10\%} of min(\texttt{xb10}, earned income) minus \texttt{xr11\%} (max(AGI, earnedinc) – \texttt{xb11}), multiplied by \texttt{xr14\%}. If \texttt{fAGI} > \texttt{xb10}, the calculation above is completed using AGI as well as earned income, and the smaller EIC is taken.

For families with no children, the credit is equal to \texttt{xr8\%} of min(\texttt{xb8}, earned income) minus \texttt{xr9\%} (max(AGI, earnedinc) – \texttt{xb9}), multiplied by \texttt{xr14\%}. If \texttt{fAGI} > \texttt{xb8}, the calculation above is completed using AGI as well as earned income, and the smaller EIC is taken.

Notes for finding variables
-\texttt{xb8}, \texttt{xb10}, and \texttt{xb12} are the earned income amounts
-\texttt{xb9}, \texttt{xb11}, and \texttt{xb13} are the phaseout amounts
-\texttt{xr6}, \texttt{xr8}, \texttt{xr10}, and \texttt{xr12} are the credit percentages
-\texttt{xr7}, \texttt{xr9}, \texttt{xr11}, and \texttt{xr13} are the phaseout percentages
-\texttt{xr14} is the adjustment factor

All except for the adjustment factor may be found at Cal Rev and Tax Code 17052 (2015). The adjustment factor was found in the state budget, here: \texttt{http://www.dof.ca.gov/budget/historical_budget_Publications/2015-16/summary_veto.pdf}. 
Set eicstate1, eicstate2, and eicstate3 to 0.

NOTE: California introduced a new state EITC in 2015, and I still need to create a coding scheme for it.

**eicstate1**
State earned income credit as a percentage of federal EITC, unless otherwise specified in eictypestate.

**eicstate2**
See eictypestate

**eicstate3**
See eictypestate

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**TAX BRACKETS AND RATES FOR ORDINARY TAX**

Note that some of the variables b1-b26 and r1-r26 may occasionally be used to store information for other provisions (see, for example, documentation for margedtype = 10 which applies in North Dakota). Also, in some cases, a state may have an initial tax bracket with a zero percent tax rate – see documentation for exlim = 2 for Louisiana. Also, sometimes states implement special additional taxes or surtaxes that we incorporate directly into the bracket and rate structure. An example is the California “mental health services tax” which raises tax rates on millionaires by one percentage point – make sure to check for this when you update the brackets and rates.

**bracknum**
Number of tax brackets for taxpayer of this filing status.

So, for example, if tax liability is 5 percent of the first $10,000 of taxable income, plus 7 percent of taxable income between $10,000 and $20,000, plus 9 percent of taxable income above $20,000, bracknum is 3.

**b1-b26**
An array of 26 variables representing the dollar value at the bottom of each tax bracket. For example, b1 gives the bottom of the first tax bracket (this should always be zero, even if the first tax rate r1 is zero), b2 gives the bottom of the second tax bracket, etc. Any brackets beyond bracknum are ignored and can thus be coded as zero.

**r1-r26**
An array of 26 variables representing the percentage marginal tax rate in each tax bracket. For example, r1 is the percentage rate in the lowest tax bracket, r2 is the percentage rate in the 2nd tax bracket, etc. Any rates beyond bracknum are ignored and can thus be coded as zero.

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**SPECIAL TAXES**

**sptx**
Type of special tax, special credit, or other special provision.
Notes: the particular components of income that are subject to a special tax rate below will also be subject to the ordinary tax on top of that unless an exclusion is specified in the ordinary tax (using the exclusion variables listed above). This sptx feature was usually used to code relatively simple special taxes where there was a single tax rate and at most a single exemption per filing status. More complicated additional taxes are coded using the variables starting with “x” later on in the variable list. Possible values for sptx include:

none – No special tax.

cgtax – Capital gains are taxed at a special rate.

dtax -- Dividends are taxed at a special rate.

ditax – Dividends and interest are taxed at a special rate.

dcgtx – Dividends and capital gains are taxed at a special rate.

dcgitax – Dividends, interest, and capital gains are taxed at a special rate.

dltax -- Dividends and labor income are taxed at a special rate.


cgmax2 -- Alternative maximum tax on capital gains, where any gains taxed below the maximum rate already continue to be taxed at those below-maximum rates. Any gains that would otherwise be taxed at a rate above sptxrate are taxed at sptxrate. This code currently only works correctly if the first tax rate which exceeds sptxrate is r5, r6, or r7, which was sufficient to get things right through 2008. When the data is updated for future years, care should be taken to check whether the first tax rate that exceeds sptxrate is outside the range r5 – r7, in which case the SAS code will need to be modified. (AR 1991-1998, HI 1987-present).

cgexmd -- Capital gains exclusion applicable in Maryland in 1991. Percentage exclusion for long-term gains =
For single or HoH: if AGI<$50,000: min(7500, .3LTCG);
if AGI> $50,000: max(min(.3CG,7500)-.5(AGI-50000),0)
For married: if AGI<$100,000: min(15000, .3CG);
if AGI> $100,000: max(min(.3CG,15000)-.5(AGI-100000),0)
maxpctfd -- Alternative maximum tax that is a percentage of federal tax liability, which is defined as $(Fdtxliab\_bc + FtaxMIN + Famt)$

Regular tax was 28.75% of federal tax liability.
Actual tax = $V - \max(T+V - T(TI+V\*) - (sptxrate/100)*(AGI+cgex), 0)$,
where $V$=ordinary VT tax liability, $T$=ordinary federal liability, $T(.)$ is federal tax function, $V\*$ is any VT state income tax liability deducted on federal return, AGI is federal AGI, and cgex is capital gains excluded at the federal level.

cgexmax -- Exclusion for long term capital gains (ltcg) equal to the larger of sptxex and (sptxrate/100)*ltcg. New Mexico, 2003 - .

cgexmax2 -- Limit on exclusion for long-term capital gains (ltcg) applying in Vermont starting in 2008. Excluded capital gains are the smaller of cgexpct percent of ltcg, or sptxrate percent of federal taxable income.
Note that in 2009, Vermont changed the treatment of long-term capital gains from $sptx = cgexmax2$, $sptxrate = 40$, $cgexpct = 40$ and $cgexamt = 0$ to $sptx = none$, $sptxrate = 0$, $cgexpct = 0$ and $cgexamt = 2500$ for long term gains realized July 1, 2009 or later. For tax year 2009 in Vermont, the calculator applies the pre-July 1 law to all of ltcg.

kidcred --Refundable credit equal to sptxrate percent of the federal child credit. There is also a minimum credit amount equal to sptxex per child if $F\text{agi} < Fkidcthresh$. (The credit is only allowed for children aged 4 or above, but that provision is ignored for now). New York starting in 2006 (“Empire State Child Credit”).

diothcgtax -- Dividends, interest, and othcg are taxed at sptxrate.

masstax -- If othcg >= 0, (div + int) is taxed at r1 percent, and othcg taxed at sptxrate percent. If othcg < 0, (div + int + othcg) is taxed at r1 percent. (Massachusetts, 1999-present).

cgcred -- Non-refundable credit equal to sptxrate percent of capital gains. Enter a positive number for sptxrate, the program converts it into a credit (it is treated as a negative special tax liability). (Montana, 2005 – present).

charcred -- Non-itemizer credit for charitable giving. For people who do not itemize on their federal returns (state itemization status is required to be the same as Federal), there is a non-refundable credit equal to sptxrate percent of the amount by which charitable contributions exceed sptxex percent of AGI. The calculator includes this credit in gencred (North Carolina, 1997 – 2013).
misc8 – The sptxex and sptxrate variables are used to store information needed to compute the credit described in miscextype = 8 (see the documentation for that).

maxtax – An alternative maximum tax equal to sptxrate percent of federal AGI. Taxpayer pays the smaller of this, or tax liability after AMT, special capital gains computations, and all credits except for circuit breaker credit and earned income credit. Circuit breaker credit and earned income credit are the only credits that can be used under either tax. (This is called the “alternative flat tax” in RI, 2006-present).

ueitax – “Unearned income tax,” New York 1987-1988. “Unearned income” is defined here is AGI less labor income and removing all capital gains and losses. If AGI is less than sptxex, the taxpayer is exempt from the tax. If AGI is more than twice sptxex, then the tax is sptxrate percent of unearned income. The percentage rate gradually phases in from zero to sptxrate for AGI between sptxex and twice sptxex.

pcwi78 – Special property tax / rent credit applying in Wisconsin in 1978. The credit is refundable and is equal to 10 percent of property taxes paid, with a minimum credit of sptxex and a maximum credit of sptxrate. Renters receive the minimum credit recorded in sptxex. The tax calculator applies this credit regardless of the value of cbinclude. It is included in the value of lowcredref, and included in that part of the SAS code.

pcwi – Property tax and rent credit applying in Wisconsin 1979-1998 and 2000 – present. The credit is non-refundable and equals sptxrate percent of property taxes or rent constituting property taxes (up to a limit). 25 percent of rent is considered to constitute property taxes (the figure is 20 percent if rent includes heat, but the calculator makes no distinction between rent including and not including heat, so the calculator assumes that property taxes are 25 percent to the full value of rentpay). The maximum amount property taxes and rent constituting property taxes that can be used in calculation of the credit is recorded in sptxex. If sptxex = 0, then there is no limit. The tax calculator applies this credit regardless of the value of cbinclude. It is included in the value of gencred, and included in that part of the SAS code. This credit was originally called the “property tax and rent credit” and was in section 71.53 of the Wisconsin Annotated Statutes starting in 1979. Since 1986 it has been called the “Renter’s and Homeowner’s School Property Tax Credit,” and appears in section 71.07, subsection (9), of the Wisconsin Annotated Statutes. Note that there is also a separate circuit breaker property tax credit in Wisconsin, calle d the “homestead credit”; that is coded into the circuit-breaker variables (see documentation for cbtype = 24).
agededmi – Deduction for older taxpayers applying in Michigan in 2012 and later years. The deduction policy varies depending on year of birth and age. In the case of joint returns, the applicable policy depends on the year of birth and age of the older spouse. For those born before 1946, the provisions described in retextype = 23 and miscextype = 21 apply, and the provisions described in sptx = agededmi do not apply. For those born in 1946 and later years, the provisions described in retextype = 23 and miscextype = 21 do not apply, and the provisions described in sptx = agededmi do apply. For those born in 1946 through 1952 who have not yet reached age 67, there is a deduction equal to the smaller of pension income and sptxex. For those born in 1946 through 1952 who are aged 67 or older, there is a deduction equal to sptxex that does not depend on the amount of pension income. For those born after 1952 who are aged 67 or older, there is a deduction equal to sptxex that does not depend on the amount of pension income, but if that deduction is taken, the taxpayer (and spouse if applicable) loses his or her Michigan personal exemption, and no longer gets a deduction for the portion of social security benefits included in federal AGI. The SAS code for sptx = agededmi is in the section which implements the provisions described in the retex variables, and the value of the resulting deduction is recorded in retexamt in the output dataset. The SAS code implements the disallowance of personal exemption and exclusion for social security benefits for those who take this deduction and who are born in 1952 and later years by reducing the value of the deduction (retexamt) by the value of personal exemption and social security exclusion lost (without reducing retexamt below zero), and leaving the personal exemption and social security exclusion intact. It is difficult to work out all the details of this provision from the forms and instructions, so reading the law (Michigan annotated statutes section 206-30) is helpful.

autocred – Credit for Indiana in 2012 is automatic for taxpayers who filed timely in 2011 and 2012 (which we assume) and whose tax after EITC (and other credits) is greater than zero. sptxex is the amount of the credit which is refundable.

cgexar – Capital gains exclusion applying in Arkansas 2014 -. The portion of the value of capital gains that is below sptxex is subject to tax, but benefits from the exclusion specified in cgexpect. The portion of the value of capital gains that is above sptxex is completely excluded from taxation.

agephaseoh – Phase-out of senior citizen’s credit and retirement income credit in Ohio. Taxpayers with state taxable income (which in Ohio is equal to state AGI less exemptions) greater than sptxex are ineligible for the credits coded into cred_age and retextype = 8. Set sptxrate to zero. This applies in Ohio starting in 2015.
**ssbentxne** – Exclusion of social security benefits applying in Nebraska starting in 2015. If federal AGI is less than **sptxex** then social security benefits are completely excluded from state AGI. Otherwise, social security benefits are included in state AGI in the same manner as they are included in federal AGI under the federal income tax. See also **ssbentx = 14**. Set **sptxrate = 0**.

**sptxex** Usually, exemption for special tax. (But see **sptx** for exceptions). Note that in Massachusetts, the value of **sptxex** (set to zero in the IncTaxState data set) is determined in the SAS code as the value of exemptions determined by the variables with names beginning with **ex** that have not been used up to offset ordinary tax liability.

**sptxrate** Usually, rate for special tax (percent). (But see **sptx** for exceptions).

**sptx2** Second special tax, special credit, or other special provision. Can be **ditax**, **cgtax**, **surtax**, **surtax2**, **surtax3**, **ltcgtax**, **exlim**, or **mintax7**. The first two have the same meaning as for **sptx**. The others are defined below.

**surtax** – A special surtax that phases out the benefits of marginal tax rates below the taxpayers’ highest marginal tax rate for people with adjusted gross income above a certain level (**sptxex2**), applying in NY 2006-2008. The surtax gradually phases in between AGI of **sptxex2** and AGI of **sptxrate2**. The SAS code for **sptx2 = surtax** assumes the top rate is **r5**; starting in 2009, the number of tax brackets in NY increased, which necessitates a switch to **sptx2 = surtax2** for 2009 and later years (see below). If **agi > sptxex2**, then the surtax makes **StaxNORM = StaxNORM + max(0,(r5/100)*sti – StaxNORM) *min(1,max(0,(agi-sptxex2)/(sptxrate2 – sptxex2)))**

**surtax2** – A special surtax (recapture) that phases out the benefits of marginal tax rates below the taxpayer’s highest marginal tax rate for people with adjusted gross income above a certain level (**sptxex2**), applying in NY starting 2009-2011. The surtax gradually phases in between AGI of **sptxex2** and AGI of **sptxrate2**. The surtax is different from the one in **sptx2 = surtax** because rates were added above the previous top rate 2009-2011. [NF: NOTE: 2012-2017 MAY NOT WORK FOR ALL RECORDS].

**surtax3** – Similar to **surtax2**, but with subtle differences (reflecting a new tax rate added in the middle of the bracket structure starting in 2012), which requires different SAS code. See **surtax2** above for how to code the state tax parameters in the spreadsheet. This is the provision that is
implemented, for example, in the “tax computation worksheets” on pp. 57-59 the instructions for 2013 NY form IT-201-I. Applies in New York 2012-2017.

ltcg – ltcg is taxed at sptxrate2. (MA 1995 - present). Note that in MA, long-term gains were taxed at different rates depending on holding period; sptxrate2 is the rate applying to the longest holding period.

exlim – Limitation on personal exemptions similar to the one that applied at the federal level 1991 through 2005, except that it applies in a year when the federal personal exemption limitation did not apply (Rhode Island 2010, Minnesota 2011 - , Hawaii 2009 - , DC 2015 - ). This is implemented by coding sptx2 as exlim, coding the AGI threshold at which the personal exemption phase-out begins in sptxex2, and coding the percentage of the value of personal exemptions lost for every additional dollar of AGI above the threshold in sptxrate2. In Rhode Island in 2010, sptxrate2 is 0.008, just as in the federal personal exemption phase-out that applied 1991-2005 and 2013 - present. Note exlim must be coded as 5 to invoke the code relating to sptx2 = exlim.

mintax7 – Minimum tax exemption phase-out applying in Iowa 2013 -. The minimum tax exemption is reduced by 25 percent of the amount that alternative minimum taxable income exceeds the threshold recorded in sptxex2. Set sptxrate2 = 0. The Iowa minimum tax also had an exemption phase-out before 2013, but during that time the thresholds were the same as federal, so this sptx2 = mintax7 was not needed. See mintaxtype = 7.

cbmi – “Alternate Property Tax Credit for Renters Age 65 and Older” applying in Michigan 1982 - present. Taxpayers aged cbage or over can choose the larger of the circuit breaker credit coded into the cb variables, or a credit equal to the amount by which rent exceeds sptxrate2 percent of the measure of income defined in cbincdef, up to a maximum credit of cbmaxcr1.

sdexlimri -- Phase-outs of standard deductions and personal exemptions applying in Rhode Island starting in 2011. Both the standard deduction and the sum of personal exemptions are gradually phased down to zero over a range of adjusted gross income between sptxex2 and sptxex2+sptxrate2. See also exlim = 6.

nobiz – Exclusion of business, passthrough, rent/royalty, and farm income. Use sptxrate2 = 100 for full exemption (KS 2013 on) or set percentage (Ohio 2013 50%, 2014 75%). Use sptxex2 for amount of exclusion (Ohio).
nobiz2 – Exclusion of business, passthrough, rent/royalty, farm income and interest dividend income (OH2015- ) Use sptxrate2 = set percentage of exclusion (Ohio 2013 50%, 2014 75%). Use sptxex2 for amount of exclusion (Ohio). Hardcoded for number of brackets (in Ohio, the top rate becomes the 5\textsuperscript{th} bracket) to cut off tax amount. Misses a small amount of tax (top rate 2.969 instead of 3%).

sptxex2 This is usually the exemption for the special tax specified in sptx2, but may have a different meaning depending on the value of sptx2. For example, it is the first threshold for sptx2 = surtax, surtax2, or surtax3. Note that in Massachusetts, the value of sptxex2 (set to zero in the IncTaxState data set) is determined in the SAS code as the value of exemptions determined by the variables with names beginning with ex that have not been used up to offset ordinary tax liability, less sptxex. If sptx2 = exlim, then this is the AGI threshold at which the phase out of personal exemptions begins. If sptx2 = sdexlimri, this is the AGI at which standard deductions and personal exemptions start to be phased out. If sptx2 = nobiz, sptxex2 refers to the maximum exclusion.

sptxrate2 This is usually the rate for the special tax specified in sptx2, but may have a different meaning depending on the value of sptx2. For example, it is the second threshold for sptx2 = surtax, or surtax2, or surtax3) Or, it is the percentage of value of personal exemptions lost for each additional dollar of AGI above sptxex2 if sptx2 = exlim. If sptx2 = sdexlimri, this is the width of the AGI range over which standard deductions and personal exemptions are phased out. If sptx2 = nobiz, sptxrate2 refers to the percent of business income excluded.

EXTRA TAX
Note: A * indicates that the variable has the same meaning and possible values as its counterpart in the ordinary tax (i.e., the variable with the same name except without an “x” at the beginning). These cases are noted where applicable elsewhere in the documentation.

xtaxtype Type of extra state tax or credit. Possible values:


none – No extra tax is applicable.

paratax -- Parallel tax on some measure of income. Starting income measure is defined in xbase, then exclusions, deductions, and exemptions specified in rest of the variables for the tax are subtracted.
Note that in recent years, this is used to code the Connecticut “3% Tax Rate Phase-Out Add-Back” and the “Tax Recapture.” In the 2011 CT income tax instructions, these can be found in table C and table D on p. 48, but the tables don’t illustrate the underlying principles. To understand that, you need to look at the law. Also, look in the following directory:

…\Google Drive\TaxLaw\All-Research-Assistants\Income-Tax-Calculator\NotesOnComplicatedStateProvisions\ct
The spreadsheet available there contains formulas that show how \texttt{xr2} and \texttt{xr4} were calculated for CT in 2011, which will help you understand the logic of how they were calculated, especially if you compare them to the law and instructions. The idea of both provisions is to gradually phase-out the benefits of certain tax provisions (such as the fact that the initial tax rate is 3% rather than 5%) over certain ranges of income. The provisions are mathematically equivalent to increasing the marginal tax rate on gross income by a certain percentage over certain income ranges, and that is how we capture it in the calculator. Answers to prior research assistants questions on this can also be helpful.

\textit{paracred} -- Tax credit based on some measure of income (e.g., Wisconsin 1961). Produces a positive (or zero) amount, which is then subtracted from ordinary tax liability.

\textit{maxtax} -- Optional maximum tax. Taxpayer can choose between this tax and the ordinary tax. (IA 1988-present, KS 1989-1991, MN 1985-86, ND 2001-2008, OK 1979-2005, OR 1939-1943, UT 2007- ). In North Dakota during 2001 through 2008, the “xtax” was called the “optional method tax” and was filed on Form ND-2 (this was eliminated in 2009). In Iowa 1988-present the maximum tax is called the “alternate tax.” Treatment of separate filing differs by state and is hard-coded. Currently,, among cases with a maxtax, the calculator only allows separate filing in Iowa and Oregon. In Iowa, for separate filers the alternate tax must be calculated based on the couple’s joint income, and then allocated to each spouse in proportion to AGI. In Oregon, the maximum tax was calculated separately for each spouse. (Note: I still need to modify the SAS code for this to deal with changes in how $\texttt{ssbentx} = 3$ works for 2009 and 2010).

\textit{liabtax} -- Tax on ordinary state tax liability after credits (e.g., Kentucky in 1950s).

\textit{liabcred} -- Credit that is a percentage of tax liability after credits (e.g., California '69)

\textit{dagi} -- Tax on dividends where rate depends on AGI (e.g., Connecticut in 1970s).
diagi -- Tax on dividends and interest where rate depends on AGI (e.g., Connecticut in 1970s and 1980s)

agicred – Credit that is a percentage of tax liability, where the percentage depends on AGI. Includes brackets, where bracket amount depends on AGI and rate is percentage of tax liability that is forgiven. Also allows exemptions (in which case the credit is a function of AGI less exemptions). Credit cannot exceed xagicrmax. In general, this credit is a percentage of tax liability before any minimum taxes. In the case of CT, this is taken care of through the mintaxapp variable. In the case of CA, it is taken care of in the code for xtaxtype=agicred.

mintax -- Minimum tax. In all cases, most details of operation of state minimum taxes, alternative minimum taxes, and taxes on tax preferences are included below in the separate section on minimum taxes tied to federal law (see documentation for mintaxtype). The one exception occurs when there are a large number of brackets and rates in the minimum tax (e.g., California 1975-86). In that case, xbase = mintax, and the exemptions, brackets, and rates of the minimum tax are contained in the variables for the “extra tax.” The rest of the details about such a tax are in the minimum tax variables.

cgmax5 – Works the same as federal Ftax = cgmax5, but with different rates (state rates and brackets are in xb1-xb2 and xr1-xr2). (RI 2001 - ).

lowtab1 -- Special low-income table applicable in Arkansas, 1973-1990. This is an alternative to the regular tax calculation. The only “extra tax” variables that matter for this are xtaxtype, xb1, xb2, and xex_dep, xcrreturn, and xcred_dep. All other “extra tax” variables are ignored. If income < (xb1 + min(deps, 2)*xex_dep), then tax liability is zero. If income = (xb2 + min(deps, 2)*xex_dep), then tax liability equals xcrreturn + min(deps, 2)*xcred_dep. Tax liability gradually phases in between these two thresholds, with changes at AGI increments of $10 (this is incorporated in the SAS code to prevent enormous marginal tax rates). If income > (xb2 + min(deps, 2)*xex_dep), then taxpayer is not eligible for the special low-income tax table. Married taxpayers must file jointly to use the low-income table. If the special low-income tax table is used, then the retirement income exclusion may not be used, and no credits can be taken.

lowtab2 -- Special low-income tax table applicable in Arkansas, 1991-2006. The only “extra tax” variables that matter for this are xtaxtype, xbracknum, xb1 through xb6, and xr1 through xr6. All other “extra tax” variables are ignored. If AGI is less than xb1, then tax is zero. If xbracknum = 4, then tax liability is as follows. For AGI between xb1 and xb2, tax gradually increases from xr1 to xr2. For AGI
between $x_b^3$ and $x_b^4$, tax gradually increases from $x_r^3$ to $x_r^4$. People with AGI above $x_r^4$ are ineligible for the low-income tax table. If $x_bracknum = 6$, then tax liability is as follows. For AGI between $x_b^1$ and $x_b^2$, tax gradually increases from $x_r^1$ to $x_r^2$. For AGI between $x_b^3$ and $x_b^4$, tax gradually increases from $x_r^3$ to $x_r^4$. For AGI between $x_b^5$ and $x_b^6$, tax gradually increases from $x_r^5$ to $x_r^6$. People with AGI above $x_r^6$ are ineligible for the low-income tax table.

Married taxpayers must file jointly to use the low-income table. The retirement income exclusion and the working taxpayer credit ($lowtype=18$) may not be used with the special low-income tax table. The per-return credit, elderly credit, and dependent credit can still be used with the special low-income tax table (they are subtracted out after finding tax on the low-income table). During this period the special low-income tax tables were published directly in the law and instructions, without any explanation of the logic underlying them. Our coding scheme captures the major non-linear aspects of the tables, and then smoothes between them.

\textit{lowtab3} -- Special low-income tax table applicable in Arkansas, 2007-present. The only “extra tax” variables that matter for this are $xtaxtype$, $x_b^1$, $x_b^2$, $x_b^3$, and $x_b^4$. All other “extra tax” variables are ignored. Married taxpayers must file jointly to use the low-income table. The underlying logic of the low-income tax table is as follows. First, calculate tax by applying regular tax table to AGI less standard deduction. Then apply a special non-refundable credit equal to 100% of tax liability if AGI is below an exempt amount $x_b^1+x_b^3$. The value of $x_b^3$ is zero for singles, married couples with fewer than 2 dependents, heads of household with fewer than 2 dependents, and all heads of household in years before 2011. For those with incomes above the exempt amount defined by $x_b^1 + x_b^3$, there is effectively a credit that starts at 80 percent of the amount of ordinary tax that would be imposed on someone with a taxable income equal to the exempt amount defined above less the standard deduction. The credit is then phased out in a linear fashion as AGI rises, until the credit is completely phased out at an income of $x_b^2 + x_b^4$. The value of $x_b^4$ is zero for singles, married couples with fewer than 2 dependents, heads of household with fewer than 2 dependents, and all heads of household in years before 2011. In the instructions for the low-income tax tables, $x_b^1$ refers to the top of the initial AGI range where “your tax is 0” for singles, heads of household (before 2011), heads of household with fewer than 2 dependents (in 2011 and later years), and married couples with fewer than 2 dependents. The top of the initial AGI range where “your tax is 0” for married couples with 2 or more dependents, and for heads of household with 2 or more dependents in 2011 and later years, is $x_b^1 + x_b^3$. In the low-income tax tables, the highest income amount listed in the table (and the amount “$X$” in the note at the bottom of the table that says “Above $X$ use Standard or Itemized Eductions and Regular Tax Table”) is $x_b^2$ for singles, heads of household before 2011, heads of
household with fewer than 2 dependents in 2011 and later years, and married couples with fewer than 2 dependents, and is \( x_{b2} + x_{b4} \) for heads of household with 2 or more dependents in 2011 and later years, and for married couples with 2 or more dependents. The retirement income exclusion may not be used in conjunction with the special low-income tax table. The per-return credit, elderly credit, and dependent credit can still be used with the special low-income tax table (they are subtracted out after finding tax on the low-income table). The logic of the special low-income table during this period is spelled out in Section 26-51-301 of the Arkansas Annotated Statutes.

**maxei** -- Maximum tax on personal service income (NY 1978-1986). Personal service taxable income (PSTI) = \([(\text{Personal service income} - \text{deductions}) / \text{AGI}] \times (\text{State taxable income}) - (\text{tax preferences as defined under state minimum tax})\). Personal service income is essentially wages and salaries and business income, and deductions are business expenses and moving expenses. There is a non-refundable credit equal to the tax calculated by applying the extra tax brackets and rates to PSTI. The resulting credit is stored in the variable **xcredit**.

**liabcred2** -- Credit that is a percentage of tax liability after general credits but before credit for child and dependent care expenses. The percentage phases down with AGI from 100% to 0%, and the starting and ending thresholds depend on family size. (Actually, “modified” AGI is used, but this is ignored because the main modification depends on tax exempt municipal bond interest). Family size is defined as taxpayer plus spouse plus **kids2**. Starting and ending thresholds for one-person families are in \( x_{b1} \) and \( x_{b2} \), respectively. Thresholds for two-person families are in \( x_{b3} \) and \( x_{b4} \). Thresholds for three-person families are in \( x_{b5} \) and \( x_{b6} \). Thresholds for families with four or more members are in \( x_{b7} \) and \( x_{b8} \). Other extra tax variables are not used and can be set to zero. In the detailed output data, the value of this credit is in **xcredit**. (Kentucky starting in 2005).

**lowexempt** -- An extra exemption equal to \( \text{xexpercap} \) times the number of family members, phased-out with \( \text{agi} \). If \( \text{agi} > x_{b1} \), then the exemption equals:

\[ (1+(\text{filertype}=”m”)+\text{deps}) \times \text{max}(0, \text{xexpercap} - (x_{r1}/100) \times (\text{agi} - x_{b1})). \]

All other extra tax variables are ignored and can be set to zero. In SAS code, this is in the section where **lowexamt** is defined, and it is included in **lowexamt**. New Mexico starting in 2006.

**cb** -- “x” variables are used to store information used to calculate a circuit-breaker property tax credit. See documentation for **cbtype** for further information.
*cbex* – *xb1-xb6, xr1-xr6*, and *xbracknum* are used to store information used to calculate a circuit breaker property tax credit. The number of brackets used for the circuit breaker credit should be stored in *xbracknum*. See documentation for *cbtype = 14* for further information on that. In addition, *xb8-xb13* and *xr8-xr13* (2008-2011) or *xb8-xb12* and *xr8-xr12* (2012 - ) are used to store information used to calculate a phase-down of personal exemptions. See documentation for *exlim = 4* and *exlim = 7* for further information on that (Maryland, 2008 - ).

*marded* – “x” variables are used to store information used to calculate a special marital deduction or credit. See documentation for *mardedtype* for an explanation.

*mardedkc* -- “x” variables are used to store information used to calculate both a special marital deduction or credit, and a credit for child and dependent care expenses. See documentation for *mardedtype* and *kidcaretype = 30* for an explanation. Applies in MN (2013 - ).

*low* – “x” variables are used to store information used to calculate a special low-income credit or exemption. See documentation for *lowtype* for an explanation.

*mintax2* – *xb1* and *xb2* are used to help calculate the state’s alternative minimum tax. See *mintaxtype = 3* for explanation. Other “x” variables are ignored.

*kidcare* – “x” variables are used to store information used to calculate a credit or deduction for child care expenses. (NY 2001 – 2008, OR 1997 - ). See *kidcaretype* for an explanation.

*lowcred* – Refundable per-return tax credit. Credit starts at *xcrreturn*, and is gradually phased-out with AGI between AGI levels *xb1* and *xb2*. The only “x” variables used are *xtaxtype*, *xcrreturn*, *xb1*, and *xb2*; all other “x” variables are ignored. (Hawaii, 2007 only, called “credit for general income tax”).

*utahcred* – Non-refundable credit that is related to federal personal exemption and standard deduction or itemized deductions, and is phased out with income. Applies in Utah starting in 2008. To calculate the credit, first multiply federal personal exemptions (after federal phase-out) by *(xr1/100)*. To that, add the federal standard deduction (if the taxpayer did not itemize on the federal return), or federal itemized deductions (after federal limitation) less the portion of state income tax that was deducted on the federal return (if the taxpayer did itemize on the federal return). The value of the federal standard deduction included in this calculation includes any federal property tax deduction for non-itemizers. Multiply the
total by \( \frac{\text{xr2}}{100} \) to get the credit before phase-out. If \( \text{AGI} > \text{xb1} \), then reduce the credit by \( \frac{\text{xr3}}{100} \) times the amount by which \( \text{AGI} \) exceeds \( \text{xb1} \), but do not reduce the credit below zero. (The tax calculator output for this variable is stored in \( \text{gencred} \), and the calculation is in the \( \text{gencred} \) section of the program). All other “x” variables are ignored by the calculator. The standard deduction, personal exemption, and itemized deduction variables in the ordinary state tax (e.g., \( \text{expercap} \), etc.) should be set to zero in this case, as the credit for those things is calculated entirely using the information in the x variables. However, \( \text{itemiz} \) should still be coded to reflect any restrictions imposed on the calculation of the credit by federal itemization status; as of 2008, the state credit calculation required the taxpayer to use itemized deductions if itemizing on the federal return and standard deduction if not itemizing on the federal return. Note that \( \text{xr2} \) is also used to compute the credit specified in \( \text{miscextype} = 20 \) in Utah.

\( \text{nmrebate} \) – Special one-time refundable tax credit in New Mexico, 2005, based on income and number of exemptions. The credit phases down with \( \text{AGI} \) between thresholds \( \text{xr1} \) and \( \text{xr2} \). Those with \( \text{AGI} \) below \( \text{xr1} \) get the maximum credit, those with \( \text{AGI} \) above \( \text{xr2} \) get the minimum credit, and credit gradually phases down for those with \( \text{AGI} \) between \( \text{xr1} \) and \( \text{xr2} \). Maximum and minimum credit amounts depend on number of exemptions, and are stored in the following variables.

<table>
<thead>
<tr>
<th>Number of exemptions:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>&gt;=6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum credit:</td>
<td>( \text{xb1} )</td>
<td>( \text{xb2} )</td>
<td>( \text{xb3} )</td>
<td>( \text{xb4} )</td>
<td>( \text{xb5} )</td>
<td>( \text{xb6} )</td>
</tr>
<tr>
<td>Minimum credit:</td>
<td>( \text{xb7} )</td>
<td>( \text{xb8} )</td>
<td>( \text{xb9} )</td>
<td>( \text{xb10} )</td>
<td>( \text{xb11} )</td>
<td>( \text{xb12} )</td>
</tr>
</tbody>
</table>

The resulting credit is stored in \( \text{lowercred} \). (Source: 2005 N.M. ALS 3).

\( \text{fedtab2} \) – Louisiana, 1980-1982. During this period, there were two alternative tax computations. The first option was based on taxable income, and calculator computes this tax based on the the variables for an ordinary state income tax (\( \text{taxtype} = \text{pctinc} \)). The section option was an alternative maximum tax that was based on tables produced by the Louisiana legislature. The tables indicated the Louisiana state tax liability that corresponded to each federal tax liability for each filing status and each number of exemptions. The law did not explain the underlying logic that was used to construct the tables. Taxpayers paid the larger of the first tax, or 70 percent of the second tax (the 70 is stored in \( \text{xr14} \)). The second tax works exactly the same as \( \text{taxtype} = \text{fedtab} \), and the exact same procedure and variables were used to code it in, so see documentation for \( \text{taxtype} = \text{fedtab} \) for details. The only difference is that the resulting tax is stored in \( \text{xtaxs} \), not \( \text{taxs} \). Note that \( \text{xtaxs} \) is the amount before multiplying by 70 percent. The variable \( \text{taxs} \) will then be set to the smaller of the ordinary tax or 70 percent of \( \text{xtaxs} \).
itemlim22 – Limitation on itemized deduction applying in Hawaii 2011 and 2012. Itemized deductions are subject to a limitation similar to the one that applied at the federal level 1991-2005 but with a different AGI threshold (see itemlim = 22 and idphthresh). In addition, there is a cap placed on total allowable itemized deductions for taxpayers with AGI above a certain threshold. Allowable itemized deductions are the smaller of the applicable cap amount and the amount of itemized deductions calculated after applying the provisions associated with itemlim = 22. This itemized deduction cap is coded into the xtaxtype variables: set xtaxtype = itemlim22; set xb1 = the level of federal AGI above which the cap applies; and set xb2 = the amount of the cap. Moreover, the itemized deduction for the larger of state and local income taxes or sales taxes is disallowed for all taxpayers with federal AGI above the threshold recorded in xb1 (see for example Worksheet A-2 in the 2011 Hawaii income tax instructions). If the itemized deduction for the larger of state and local income taxes or sales taxes is allowed for taxpayers with federal AGI below xb1, then set sitded = 1. If xtaxtype = itemlim22, then all variables between xbase and xr14, except for xb1 and xb2, are ignored and should be set to 0 (or to none in the case of xbase).

wistr99 – Wisconsin sales tax rebate applying in 1999. Described in Wisconsin Session Laws, October 1999 Special Session, Act 10, Section 4. This was a refundable rebate of sales taxes that was an increasing function of state AGI. The dollar value of the rebate is xr1 if AGI is between xb1 and xb2, xr2 if AGI is between xb2 and xb3, and so forth up to xr6 for those with AGI above xb6. The variable xbracknum must also be set to 6. All other variables between xtaxtype and xr14 are ignored by the calculator. (The rebate was paid out in 1999 based on 1998 AGI, but the calculator computes it as if it depends on 1999 AGI). This is included in the value of lowcredref and is calculated in that part of the SAS code.

itemlim24 – Itemized deduction limitation applying in Kansas, 2013-2014. See itemlim = 24. The only variable used is xr1 (which is the percentage reduction in itemized deductions).
See itemlim = 25. The only variable used is xr1 (which is the percentage reduction in propded and intded itemized deductions).

kcitem – xb1-xb6 are available to be used for a child care credit (see kidcaretype = 23), and xb10-xb14 and xr10-xr14 are available to be used for parameters of an itemized deduction limitation (itemlim = 3 or 4). Not all of the variables noted above are necessarily used for those purposes in all years. This applies in New York from 2009 through 2013.

kcitemmsc – xb1-xb6 are available to be used for a child care credit (see kidcaretype = 23), xb7 and xb8 are available to be used for another credit specified in miscextype = 24, and xb10-xb14 and xr10-xr14 are available to be used for parameters of an itemized deduction limitation (itemlim = 3 or 4). Not all of the variables noted above are necessarily used for those purposes in all years. This applies in New York in 2014 and later years.

xbase
Base of extra tax. (See base for further details).
If xtaxtype takes on any of the following values: paratax, paracred, maxtax, liabcred, liabtax, agicred, dagi, diagi, then xbase indicates the base that forms the starting point of the tax or credit calculation. It is analogous base in the regular tax. If xtaxtype takes on any other value besides those mentioned above, then xbase is ignored by the calculator and is generally set to none. (Occasionally in cases where the value of xbase doesn’t matter, we have assigned the same value to xbase as to xtaxtype, but this has no effect). Values used for xbase when it matters include:

- gi – Gross income. (Note that if the base of the extra tax is AGI, xbase is usually coded as gi, and then xosa1st is coded as 1 if the adjustments used to compute AGI in the regular tax are allowed.)
- cg – Capital gains
- div – Dividends
- di – Dividends and interest
- dcg – Dividends and capital gains
- dcgi – Dividends, interest, and capital gains
- fti – Federal taxable income
- agicred – Adjusted gross income, used only for xtaxtype = agicred.
liabcred – State tax liability (specifically StaxAGC), used only with xtaxtype = liabcred.

liabtax -- State tax liability (specifically StaxAGC), used only with xtaxtype = liabtax.

none, or other value that is the same as xtaxtype – either there is no extra tax / credit, or the value of xbase is ignored by the calculator and so does not matter.

xtaxtype

xosa1st Are other features not specified below the same as in the 1st (ordinary) tax?
0 -- No, none of the other features apply
1 – Yes, all of the other features apply. If xosa1st = 1, then adjustments subtracted from gross income to get to AGI, and deductions and credits governed by the retext, low, and miscex variables, are all assumed to apply in the extra tax. [Hard-coded exceptions: in the Utah and Iowa versions of xtaxtype = maxtax, the retext, low, and miscex deductions are not allowed (although credits are), and in Iowa if ssbentx > 3, income for the maxtax is re-calculated using ssbentx=3.]

xcgexpct *
xdivexamt * [Note: this is hard-coded to apply to both dividends and interest in OK in 1981. Otherwise it just applies to dividends.]
xdivexpct *
xintexpct *
xexpcap *
xexreturn *
xexdep *
xex_age *
xptex *

xnotaxflr Value of no-tax floor for extra tax. If AGI is below this floor, no tax is charged; above this floor, full amount of tax is charged.
xminstded *
xmaxstded *
xptstded *
xpercap *
xreturn *
xcred *
xcred_age *
xagicrmax Maximum allowable AGI-related credit. If zero, no limit applies. (Only applicable if xbase = agicred, or mardedtype=7).
Note: if \textit{xintded} = 1, then other itemized deductions not specified for this extra tax are the same as in the first (ordinary) tax.

\textit{xsitded}

Indicator for whether state follows federal limitation on itemized deductions (which applied 1991-present at the federal level).

\begin{align*}
0 & = \text{Federal itemized deduction limitation does not apply.} \\
1 & = \text{Yes. If state income tax is not deductible from itself, then only that portion of state income taxes that are actually deductible at the federal level (after any limitation) are subtracted from federal itemized deductions to determine state itemized deductions.}
\end{align*}

Note: \textit{xbracknum}, \textit{xb1-xb14}, and \textit{xr1-xr14} are sometimes used to store the bracket and rate structure for the “extra” tax in a way that is analogous to \textit{bracknum}, \textit{b1-b26}, and \textit{r1-r26}, but in many cases \textit{xbracknum}, \textit{xb1-xb14}, and \textit{xr1-xr14} are used to represent very different things than brackets and rates. See the documentation for \textit{xtaxtype} for an explanation of exactly how each of \textit{xbracknum}, \textit{xb1-xb14}, and \textit{xr1-xr14} are used.

\section*{MINIMUM TAXES TIED TO FEDERAL LAW}

Note: state minimum taxes and alternative minimum taxes are tied very closely to federal law, but sometimes adopt a slightly different base than the federal base. Any major differences between state and federal AMT tax bases are incorporated directly into the programming and are not reflected in the state tax law parameter data, but are noted below.

Abbreviations used in explanations of variables:

\begin{align*}
\text{AMTI} & = \text{federal alternative minimum taxable income.} \\
\text{TAMT} & = \text{federal tentative alternative minimum tax (before subtracting normal tax liability).} \\
\text{AMT} & = \text{federal alternative minimum tax liability (after subtracting normal tax liability).} \\
\text{AMTEX} & = \text{exemption for federal alternative minimum tax.} \\
\text{mintax} & = \text{federal minimum tax}
\end{align*}

\textit{mintaxtype}

Type of minimum tax

\begin{align*}
\theta & = \text{None}
\end{align*}
1 -- Addition to tax = percentage of federal tax preference income in excess of mintaxex. During 1978-82, include the tax preferences from both the federal minimum tax and the AMT. From 1983 on, include AMT tax preferences but not adjustments. Base is re-calculated to deal with differences between federal and state in capital gains exclusions and deductibility of state income tax. New York 1970-2013, California before 1975.

2 -- Addition to tax = liability from applying graduated rate structure to federal tax preference income in excess of exemptions. Brackets, rates, and exemptions are stored in xb1- xb15, xr1-xr15, xbracknum, and xexreturn. Tax preference income means same thing as in 1. (CA 1975-1986).

3 -- Addition to tax = \([\text{mintaxrate}/100 \times (\text{AMTI} - \text{AMTEX})]\) - ordinary state income tax liability. (CA 1987-present, CO 1987-present, MN 1985-present, WI 1987-present). Note that in California since 1987, the AMT exemption and the income level at which it begins to phase out are different than federal. These are contained in xb1 and xb2, respectively. There are some other state-specific idiosyncracies in this type of tax that are incorporated directly into the SAS code, and need to be checked when the state tax data is updated. Wisconsin allows a subtraction from AMTI for its special capital gains exclusion. Colorado allows a subtraction from AMTI for its retirement income exclusion. Minnesota's calculation only allows charitable contributions to the extent they exceed 1.3% of AGI (in 2002) or 1% of AGI (2003-2005; unlimited charitable deduction was restored starting in 2006). Minnesota also removes appreciation on charitable donations from AMTI during the years it was included in federal AMTI. From 1993 through 2002, California added capital gains on charitable donations of appreciated property to federal AMTI (they were included in both federal and CA AMTI 1987-1992). California also allows a deduction for up to $1 million of self-employment and closely-held business income.


5 -- Addition to tax = \([\text{mintaxrate}/100 \times (\text{AMT} + \text{mintax})]\). (IA 1982-1984, MN 1977-1984, NE 1987-2013, WI 1986). For purposes of computing this state minimum tax, AMT and minimum tax (mintax) are re-calculated to account for differences between federal and state taxable income – for instance, differences in capital gains exclusions or deductibility of state income tax from the normal tax. In Minnesota and Wisconsin, itemization status used to compute the minimum tax is same as
federal. For other states, itemization status can be different than federal for purposes of computing the minimum tax, but currently the code is only set up to handle such situations when itemiz <= 3, and to handle separate filing when itemiz <= 2 (which was sufficient to deal with Nebraska and Iowa).

6 -- Addition to tax = \[\min\left(\frac{\text{mintaxrate}}{100}*\text{TAMT}, \right.
\left.\frac{\text{mintaxex}}{100}*\text{AMTI}\right) - \text{ordinary state income tax liability.}
\] (CT 1993-present).

7 – Iowa 1985-present. Addition to tax = \[(\frac{\text{mintaxrate}}{100})*(\text{AMTI} - \text{mintaxex})\] - ordinary state income tax liability (IA 1985-present). AMTI is not identical to federal; it is recalculated based on state itemization decision, and state income tax is not a preference item (since it is not deductible from the ordinary Iowa income tax). Standard deductions and personal exemptions are not added back into AMTI either. The SAS code for this currently only works correctly if mintaxapp=3 (which it has throughout the history of this provision in Iowa). A note relevant for updating the data: this particular kind of state AMT requires the state itemization decision to be deferred until after taxes has been computed under each itemization status, which led to a variety of fixes that work given Iowa’s particular tax features through 2008, but not necessarily under other tax features. As a result, if complicated new features (for example, an alternative capital gains tax computation or sptx) are added to the Iowa income tax after 2008, care must be taken throughout the SAS code to make them work correctly with mintaxtype=7. From 1988 through 2012 the Iowa minimum tax exemption was reduced by 25 percent of the amount that alternative minimum taxable income (AMTI) exceeded the federal thresholds at which the AMT exemptions started to phase-out (Famtexth). That is hard-coded in the SAS code for mintaxtype=7. Starting in 2013, the AMT exemption phase-out in Iowa still works the same way as before, except that the threshold of AMTI at which the phase-out begins is de-coupled from the federal threshold (the federal threshold was indexed for inflation starting in 2013, but Iowa did not follow suit). So starting in 2013, we start coding the Iowa exemption phase-out thresholds into the “sptx2” variables. In 2013 and later years, set sptx2 = mintax7, set sptxex2 equal to the level of AMTI at which the exemption starts to phase out, and set sptxrate2 = 0.

8 – Rhode Island. Addition to tax = (\frac{\text{mintaxrate}}{100})*(\text{TAMT recalculated with different exemptions}) – ordinary state income tax liability. The exemptions work the same way as in the federal AMT (including phase-out), but the maximum exemption values are contained in \text{mintaxex}. (RI 2003-present). Note that \text{mintaxrate} is not necessarily reported directly on the RI AMT form – rather, the RI AMT form reports rates that are to be multiplied by AMTI less exemptions. \text{Mintaxrate} is
found by dividing the rates reported on the RI AMT form into the rates applying over the same income ranges in the federal AMT. (So for example, if over a certain income range, the RI rate is 6.5% and the federal rate is 26%, and 6.5 / 26 = 25%, so mintaxrate = 25). This version of state AMT also allows for an alternative capital gains tax calculation in the AMT that is similar to that in the federal AMT, but with different maximum rates, which is implemented if xtaxtype is set equal to cgmax5, as it is in RI starting in 2001.

9 – Maine. Addition to tax = \((\text{mintaxrate}/100)\)\((\text{TAMT recalculated with different exemptions and some adjustments}) – ordinary state income tax liability. The exemptions work the same way as in the federal AMT (including phase-out), but the maximum exemption values are contained in mintaxex. In addition, any social security benefits included in AGI at the federal level, and any pension income excluded at the state level, are subtracted from the measure of AMTI used to recalculate TAMT. (Maine 2003- ). Note that the Maine instructions do not report mintaxrate directly, but rather report the rates that apply to different ranges of Maine alternative minimum taxable income (AMTI). For example, in 2008, the Maine AMT is 7% of AMTI below $175,000, and 7.6% of AMTI above $175,000. This is equivalent to 27% of the federal AMT tax rates on the same ranges of AMTI (7% Maine rate / 26% federal rate = 27%, and 7.6% Maine rate / 28% federal rate = 27%). So in 2008 mintaxrate = 27, because the Maine AMT is essentially 27% of what the federal tentative alternative minimum tax would be on Maine AMTI.


mintaxrate Rate of minimum tax, percent
mintaxex Exemption for state income tax
mintaxapp Where does the minimum tax apply? This variable is basically about what measure of tax liability is compared to the minimum tax when computing minimum tax liability.

0 – No minimum tax.

1 – Applies to normal tax before credits, but after any “special” taxes (sptx and sptx2). So the minimum tax is generally either computed as tentative minimum tax minus normal tax before credits, or is simply added to normal tax before credits and then after that credits are subtracted. This is the most common approach.

2 – Minimum tax is calculated after extra tax and all credits (including
earned income credit). Tax liability after all credits is used in the formula for computing the minimum tax. (New York, 1970-present).

3 – Iowa 1985-present. Minimum tax applies after all other taxes and credits, including non-refundable earned income credit. However, refundable earned income credit (which starts in 2007), is subtracted off after computing the minimum tax. The minimum tax is computed as tentative minimum tax less tax liability after maximum tax and all credits except refundable EIC. This minimum tax can affect the optimality of itemizing and of filing a separate versus joint return, so in the SAS code those decisions are not finalized until after a tentative value of final tax liability after credits but before minimum tax (taxs) is computed.

4 – Minimum tax applies after agicred and lowcred but before other credits (CT, 1992 – present; SAS code for this is not set up for separate filing, since it is not advantageous in CT).

5 – Minimum tax applies after low-income credit and itemized deduction credit, but before EITC, married couple credit, and homestead credit (WI, 1986-present; SAS code for this is not set up for separate filing, since it is not advantageous in WI).

STATE CREDITS OR DEDUCTIONS FOR CHILD CARE
General comments: In the documentation for state credits or deductions for child care below, whenever we use the generic term “income” when describing credits or deductions that are phased out as income rises, the exact definition of “income” used to compute phase-outs, which is usually state or federal AGI, is defined in the variable kcincome below, and is called kcinc in the SAS code. Age limits for qualifying dependents are assumed to be the same as in the federal law. The documentation on state child care credits and deductions below sometimes refers to variables that are computed by the SAS code: Fkcareded, which is the amount of federal expenses eligible for deduction or credit (computed in all years where a federal deduction or credit for child care expenses exists); and and Fkcarecred, which is the amount of the federal credit for child care expenses before applying any limitations related to federal tax liability (computed in all years when there is a federal credit). Deductions have codes below 11, and credits have codes of 11 or above, with the exception that 28 involves both a credit and a deduction.

kidcaretype Type of child care credit or deduction

0 – None

1 – Itemized deduction, definition of eligible expenses same as current federal law.
2 – Above-the-line deduction, definition of eligible expenses same as current federal law.

3 – Itemized deduction, definition of eligible expenses and phase-out with income operate the same as the deduction that applied in the federal income tax 1972-1975 (see Fkcarettype = 3). Maximum deduction is $2400 for one child, $3600 for 2, or $4800 for 3 or more. Deduction is phased out with income for all filing statuses. Full deduction available if income < $18,000; deduction reduced by 50 cents for each dollar of income above $18,000. (Numerous states in 1976; SC 1976-1984; Montana 1976 – present).

4 – Massachusetts above-the-line deduction. Choice of deduction for eligible federal expenses or alternative deduction of kc1 (one kid) or kc2 (two or more kids), even if there are no dependent care expenses. Maximum allowable child care expenses increase above federal level, in kc3 (1 kid) and kc4 (2 or more kids) starting in 2001. There is also an addition to the personal exemption for a working spouse 1967-86. Extra exemption is min(kc5, lower-earning spouse’s earnings), plus an additional exemption of kc6 if those earnings are below kc5.

5 – Itemized deduction. Maximum total deduction for 1, 2, and 3 or more kids are in kc1, kc2, kc3. Income at which phase-out begins is in kc4, income at which phase-out ends is in kc5. If kc5 is zero, then kc6 has cents of deduction lost per dollar of income above bottom threshold (AZ 1954-89, KY 1976-89, MD 1964-66, NY 1956-60, OK 1962-70).

6 – Itemized deduction. Each spouse must have income below kc1 + dependent exemptions. Maximum deduction is earnings of lower-earning spouse. (GA 1954-70).

7 – Itemized deduction, not phased out with income. Maximum eligible expenses are in kc1 (1 kid) and kc2 (2 kids). (NC 1975-80)

8 – Wisconsin (2011 – present). Above-the-line deduction for child and dependent care expenses eligible for federal child care credit (as in federal credit, expenses must be less than lower-earning spouse’s earned income). The deduction is capped at kc1 for one qualifying dependent, or kc2 for two or more qualifying dependents.

11 – Percentage of federal credit. Percentage is in kc1. kc2 contains information on allocation of credit between spouses in cases where separate state returns are filed. If kc2 = 0, credit can be allocated however spouses choose. If kc2 = 1, then only lower-earning spouse can take the credit. If kc2 = 2, then credit must be divided between spouses in proportion to each spouse’s share of combined AGI. (In a state where

\[ I2 \] – Credit, percentage of federal credit, where the percentage is phased down with income. Percentage for those with income below the phase-out range is in \[ \text{kc1} \], percentage for those with income above the phase-out range is zero, income at the beginning of the phase-out range is \[ \text{kc3} \], and income at the end of the phase-out range is \[ \text{kc4} \]. The percentage is gradually phased down from \[ \text{kc1} \] to \[ \text{kc2} \] between incomes \[ \text{kc3} \] and \[ \text{kc4} \] (some states such as California have a step-function phaseout, which we approximate with a smooth phase-out). So note that in parameter file, \[ \text{kc2} \] is the lowest percentage applied to child care expenses before becoming ineligible for credit. Maximum eligible expenses for 1 kid and 2 or more kids are in \[ \text{kc5} \] and \[ \text{kc6} \] (both are zero if same as federal).


\[ I3 \] – Credit, percentage of eligible expenses. Percentage is in \[ \text{kc1} \]. Maximum eligible expenses are \[ \text{kc2-ke4} \] for 1-3 kids. If maximum eligible expenses are the same as federal, \[ \text{kc2-ke4} \] are set to zero and the calculator applies the current federal limits. Note that the SC instructions list a maximum possible credit, but this has so far just been \[ \text{kc1} \] percent of the maximum federal limits on eligible expenses, so as long as that is still true, the maximum credits are already imposed by the calculator and don’t need to be coded in separately. (GA 1982-86, SC 1984 - ).

\[ I4 \] – Credit, percentage of federal expenses, phased down with income. Percentage below phase-out range is in \[ \text{kc1} \], percentage above phase-out range is in \[ \text{kc2} \], income at bottom of phase-out range is \[ \text{kc3} \], and income at top of phase-out range is \[ \text{kc4} \]. Maximum eligible expenses are in \[ \text{kc5-ke6} \] for 1-2 kids (all zero if same as federal). (HI, 1985 - , NC 1994 - 2013). Note that in North Carolina, the values of \[ \text{kc1} \] and \[ \text{kc2} \] are different for kids under the age of 7 and kids aged 7 and older, and we use the values applying to kids under the age of 7.

\[ I5 \] – Percentage of federal credit up to a dollar maximum. State credit is \[ \text{kc1} \] percent of the federal credit, up to dollar maximum in \[ \text{kc2} \]. This
applies in Louisiana, 1986-2002. It is part of what is called the “special allowable credit” on the Louisiana Schedule A. The dollar maximum \( \text{kc2} \) actually applies to the sum of the childcare credit and a credit that is equal to \( \text{pcf} \) percent of the federal retirement income credit; this is implemented in the SAS code by adjusting to the value of the state child care credit to ensure that the sum of the two credits is no greater than \( \text{kc2} \).

16 – If income is \( \text{kc1} \) or below then credit is \( \text{kc4} \) percent of the federal credit, and is refundable. Else if income is \( \text{kc2} \) or below, then the state credit is \( \text{kc5} \) percent of the federal credit, and is non-refundable. Else if income \( \text{kc3} \) or below, then the state credit is \( \text{kc6} \) percent of the federal credit and non-refundable. Else if income is \( \text{kc3} \) or above, the state credit is the smaller of \( \text{kc6} \) percent of the federal credit or $25 and is non-refundable. (Louisiana 2003 – present).

17 – Two child care credits applying in Colorado starting in 2014 (see Colorado Form DR 0347). The first one works just like \( \text{kidcarype} = 12 \), with limits on child care expenses that are the same as federal, so that \( \text{kc5} \) and \( \text{kc6} \) are not needed for that credit. So the first credit is a percentage of federal credit, with the percentage phased down with income. Percentage for those with income below the phase-out range is in \( \text{kc1} \), percentage for those with income above the phase-out range is zero, income at the beginning of the phase-out range is \( \text{kc3} \), and income at the end of the phase-out range is \( \text{kc4} \). The percentage is gradually phased down from \( \text{kc1} \) to \( \text{kc2} \) between incomes \( \text{kc3} \) and \( \text{kc4} \). So note that in parameter file, \( \text{kc2} \) is the lowest percentage applied to child care expenses before becoming ineligible for credit. The second credit is a “Low Income Child Care Expenses Credit” (bottom part of Form DR 0347 and Section 39-22-119.5 of the Colorado Statutes). To be eligible for this second credit, the taxpayer must be ineligible for the first credit because federal tax liability before credits plus AMT are zero (making the federal child care credit after limitation zero – see \( \text{kcFedLimit} = 2 \)), and federal AGI must be less than \( \text{kc3} \). If so, the credit is \( \text{kc5} \) percent of child care expenses eligible for the federal credit, except that the maximum allowable credit is \( \text{kc6} \) dollars if there is one eligible child, or \( \text{kc6} \times 2 \) dollars if there are two or more eligible children. Refundability of both credits is governed by the value of \( \text{kidCareref} \).

18 -- State credit is a percentage of the federal credit, refundable up to a maximum, and then non-refundable beyond that. The percentage is \( \text{kc1} \), and the maximum refundable credit is \( \text{kc2} \). (Maine, 2001 - ) Note that technically, the percentage recorded in \( \text{kc1} \) is the percentage that applies to “quality” child care expenses; other child care expenses get a smaller percentage. Since we have no data on whether any particular child care expenses qualify as “quality” under Maine law, the calculator assumes all child care expenses are quality.
19 – Minnesota 1977-2012 and 2014. The credit is equal to the smaller of \( \text{kc1} \) percent of the federal child care credit (note that \( \text{kc1} \) is 100% from 1981 through 2012 and 2014 - , during which time that percentage was redundant and so did not show up on the form), or a maximum credit amount which is phased down gradually from \( \text{kc2} \) (if there is one qualifying child) or \( \text{kc3} \) (if there are 2 or more qualifying children) to zero between incomes \( \text{kc4} \) and \( \text{kc5} \) (if there is one qualifying child) or between incomes of \( \text{kc4} \) and \( \text{kc6} \) (if there are two or more qualifying children). People with income above \( \text{kc5} \) (if there is one qualifying child) or \( \text{kc6} \) (if there are two or more qualifying children) are not eligible for the credit.

20 – Credit is a percentage of the federal credit, phased down with income. Percentage below phase-out range is in \( \text{kc1} \), and percentage above phase-out range is \( \text{kc2} \). The AGI at the bottom of phase-out range is \( \text{kc3} \), and th AGI at top of phase-out range is \( \text{kc4} \). The percentage is gradually phased down from \( \text{kc1} \) to \( \text{kc2} \) between incomes \( \text{kc3} \) and \( \text{kc4} \). The credit is refundable if AGI is below \( \text{kc4} \), and is non-refundable otherwise. (Nebraska, 1998 - ).

21 – New Mexico 1981(?) – present. Credit is \( \text{kc1} \) percent of expenses. Maximum allowable expenses are in \( \text{kc2}, \text{kc3}, \text{and \text{kc4}} \) for 1 kid, 2 kids, or 3 or more kids, respectively. Subtract off federal credit actually used. Only available if income is below \( \text{kc5} \).

22 – New York, 1996-2000. Percentage of federal credit = \( \text{kc1} + \text{kc2} \times \min(\text{kc3}, \max(0, \text{kc4} - \text{income}))/\text{kc5} \). [Note: these parameters are not apparent in the tax form instructions; they are laid out in the NY annotated statutes, section 606(c).]

23 – New York, 2001-present. Same as 22, but if income > \( \text{kc6} \), then \( \text{kc1}-\text{kc5} \) are contained in \( \text{xb1-xb5} \). [Note: these parameters are not apparent in the tax form instructions; they are laid out in the NY annotated statutes, section 606(c).]

24 – Two-tier credit. \( \text{kc1} \)% of federal credit if income < \( \text{kc2}, \text{kc3} \)% of federal credit if income < \( \text{kc4} \), zero above \( \text{kc4} \). (Ohio 1993-present).

25 – Oregon 1976. Credit is \( \text{kc1} \)% of expenses. Maximum eligible expenses for 1-3 kids are in \( \text{kc2}-\text{kc4} \). Lose \( \text{kc6} \) cents of credit per dollar of income above \( \text{kc5} \).

26 – Oregon 1997-present. Taxpayer can take both of two credits. First credit is \( \text{kc1} \)% of child and dependent care expenses that are eligible for the federal credit, phased down to \( \text{kc2} \)% between federal taxable income levels \( \text{kc3} \) and \( \text{kc4} \), and is non-refundable (\text{kidcareref} refers to first
credit). The second credit (Working Family Child Care Credit) is refundable (in 2003 and later years only), and its parameters are in \(\text{xb1-xb5}\). Credit is \(\text{xb1}\)% of gross qualified child care expense (\text{childcare}, which can be larger than the amount eligible for the federal credit, as no limits are applied). Phase out starts at an income of \(\text{xb2 + xb3}\)*(household size – 1). The credit is fully phased out at an income level approximately 1.25 times the initial phase-out threshold. Note that the value of \(\text{xb3}\) is not exactly the same for each increment in household size due to rounding error (the table in the instructions rounds everything to the nearest $50), so we use a rough average value rounded to the nearest $25. The 1.25 figure is not precisely right either due rounding error, but the calculator approximates by making the end of the phase-out threshold 1.25 times the beginning. To qualify for the Working Family Child Care Credit, household earned income must be greater than \(\text{xb4}\), and the sum of interest, dividend, and capital gain income must be less than \(\text{xb5}\). The variable \text{kidcareref} should be coded as 0 in all years, as the refundability of the working family child care credit starting in 2003 is hard-coded into the SAS code for \text{kidcaretype}=26.

27 – Vermont 2003-present. Refundable \(\text{kc1}\)% of federal credit if income \(\leq \text{kc3}\). If income > \(\text{kc3}\), non-refundable \(\text{kc2}\)% of federal credit.

28 – Maryland, 2000-present. Above-the-line deduction for child care expenses, definition of eligible expenses same as current federal law (same as \text{kidcaretype} = 2). In addition, there is a credit equal to a percentage of the federal child care credit that phases out as income increases. The credit is \(\text{kc1}\) percent of the federal credit if income is below \(\text{kc3}\), and is zero if income is above \(\text{kc4}\). The percentage phases down fairly smoothly from \(\text{kc1}\) to \(\text{kc2}\) between income levels \(\text{kc3}\) and \(\text{kc4}\) (the credit works exactly the same as \text{kidcaretype}=12, so the SAS code for the credit part of this is in with \text{kidcaretype}=12).

29 – Oklahoma (2008 - ). There is a non-refundable credit equal to the greater of \(\text{kc1}\) percent of the federal credit for child and dependent care expenses, and \(\text{kc2}\) percent of the federal child tax credit. Returns with income greater than \(\text{kc3}\) are ineligible for the credit. Credit is multiplied by the ratio of state AGI to federal AGI.

30 – Minnesota (2013). Similar to \text{kidcaretype} = 19, which applied in Minnesota before and after 2013, except the value of the federal child care credit is replaced in the formula for calculating the state credit with what the federal child care credit would have been if the federal law applying prior to 2003 still applied. We use the variables \(\text{xb11-xb14}\) and \(\text{xr13-xr14}\) to contain the key parameters for the pre-2003 federal child care credit. The credit is the smaller of the following: (a) a maximum credit amount which is phased down gradually from \(\text{kc2}\) (if there is one qualifying child) or \(\text{kc3}\)
(if there are 2 or more qualifying children) to zero between household incomes $\text{kc4}$ and $\text{kc5}$ (if there is one qualifying child) or between household incomes of $\text{kc4}$ and $\text{kc6}$ (if there are two or more qualifying children); (b) $\text{kc1}$ percent of what the federal credit would have been under pre-2003 law (where $\text{kc1}$ has been 100% in recent years and so does not show up on the form). The federal credit under pre-2003 law is equal to a percentage of the minimum of: (1) child and dependent care expenses; (2) earned income of the lower-earning spouse; (3) the amount coded into $\text{xb11}$ (if one qualifying child) or $\text{xb12}$ (if two qualifying children). The percentage applied to this amount is $\text{xr13}$ if federal AGI is below $\text{xb13}$, $\text{xr14}$ if federal AGI is above $\text{xb14}$, and gradually phases down from $\text{xr13}$ to $\text{xr14}$ as federal AGI increases from $\text{xb13}$ to $\text{xb14}$. The household income measure used to phase-down the maximum allowable credit ($\text{kc2}$ or $\text{kc3}$) is determined by the value of $\text{kcincome}$, whereas the use of federal AGI to compute what the federal child care credit would have been under pre-2003 law is hardcoded into the SAS code for $\text{kidcaretype} = 30$ and is not affected by the value of $\text{kcincome}$.

**kidcareref**

Is the child care credit refundable?  (Note: in some cases the state child care credit is refundable for some taxpayers but not for others. In those cases, that information will be incorporated into $\text{kidcaretype}$, which will supersede $\text{kidcareref}$).

0 -- no
1 -- yes

**kc1-kc6**

Parameters of state child care credit or deduction. The meaning of each of these is determined by $\text{kidcaretype}$.

**kcincome**

Definition of income used for computing state-specific phase-outs of state credit or deduction for child care expenses.

0 -- Not applicable. There is no state credit or deduction for child care expenses, or there is no state-specific phase-out that depends on income. Note that if the state credit is just a function of the federal credit, and the state-specific function does not depend on income, then $\text{kcincome}$ will generally be coded as zero, even though the federal credit is a function of federal AGI. The $\text{kcincome}$ variable is only used in cases where there are further state-specific calculations that depend on some measure of income, beyond those that were already done on the federal child care credit form.

1 -- State adjusted gross income.

2 -- Federal adjusted gross income.
3 – Broader measure of income than AGI (in this case the calculator uses the `income` variable in the taxpayer input data set). Note that in Minnesota this only governs the measure of “household income” used to phase-down the maximum allowable credit; it does not affect the measure of income used to compute what the federal child care credit would have been under pre-2003 law, which is hard-coded to be federal AGI in the SAS code for `kidcaretype = 30`.

4 – The credit coded in the `kc` variables is phased out based on federal taxable income, and the credit coded in the `xb` variables is phased out based on federal AGI. Applies in Oregon 1997 -. The use of federal AGI for the phase-out of the credit coded in the `xb` variables is hard-coded in the SAS code for `kidcaretype = 26`, so the measure of income used to phase-out the `xb` credit changes, we’ll need to change the SAS code for `kidcaretype = 26`.

5 – The phase-out of the credit, if any, is based on federal AGI. In addition, the credit must be multiplied by the ratio of state AGI to federal AGI. This applies in Oklahoma 1976 – present (where `kidcaretype = 11` from 1976 through 2007 and 29 from 2008 through present). Also note that in Oklahoma, the retirement income exclusion that is coded into `retex` variables is subtracted out before computing state `agi`. The calculator subtracts out the `retex` exclusion after computing the `agi` variable, we adjust for this in the SAS code wherever the OK child care credit is computed. The only part of this that is controlled by the value of `kcincome` is the use of federal AGI to phase-out the credit – all other issues discussed here are hard-coded in the SAS code for `kidcaretype = 29`, and in `kidcaretype = 11` if `statename = “ok”`.

`kcfedlimit` In cases where the state credit or deduction for child care expenses is a function of the federal credit for child care expenses (for example, `kidcaretype = 11, 12, 15-20, 22-24, 27-29`), this variable indicates whether the state credit is a function of the gross federal credit calculated before any limitations, or to the federal credit calculated after limitations applicable in the federal income tax. The relevant limitations are as follows. From 1987 through 1997, the amount of the credit was limited to be no larger than the amount by which federal tax liability before credits exceeded tentative alternative minimum tax. From 1998 through 2001, the credit was limited to be no larger than federal tax liability before credits. In 2002 and later years, the credit was limited to be no larger than the sum of federal tax liability before credits and AMT. For example, in 2014, the value of federal credit for child care expenses before limitations was reported on line 9 of federal Form 2441, and the value after limitations was reported on line 11 of federal Form 2441, and (The foreign tax credit also plays some role in the limitation but we ignore this).
Not applicable. This is the correct code in the following situations. First, zero is the correct code when there is no state credit for child care expenses. Second, zero is the correct code when the state child care credit is not a function of the federal credit for child care expenses. Third, zero is the correct code in all years before 1987, because in those years the limitations on the federal credit for child care expenses described above did not exist.

1 – The state credit is a function of the federal credit for child care expenses calculated before applicable federal limitations are applied.

2 – The state credit is a function of the federal credit for child care expenses calculated after applicable federal limitations are applied.

3 – The state credit is calculated as in \( kcfedlimit = 1 \) if \( \text{income} \leq \text{kc4} \), and is calculated as in \( kcfedlimit = 2 \) if \( \text{income} > \text{kc4} \). This applies in Nebraska since 1998 (\( \text{kidcarype} = 20 \)).

4 – The state credit is calculated as in \( kcfedlimit = 1 \) if \( \text{income} \leq \text{kc1} \), and is calculated as in \( kcfedlimit = 2 \) if \( \text{income} > \text{kc1} \). This applies in Louisiana starting in 2006 (\( \text{kidcarype} = 16 \)). The applicable rules when \( \text{income} \leq \text{kc1} \) are in the “Louisiana Refundable Child Care Credit Worksheet” – the relation to the federal credit is not immediately obvious in that worksheet, but the worksheet has the effect of replicating \( kcfedlimit = 1 \).

**Allocation of Deductions, Exemptions and Credits Between Spouses When Filing Separately**

Note: in general, if one spouse chose to itemize deductions instead of taking the standard deduction, then both were required to do so, so the calculator assumes this unless otherwise specified. Also note that in many states, spouses are allowed to file separately on the same return (sometimes called a “combined return”), or separately on different returns. In the event that the rules differ depending on whether the spouses file separately on the same return or separately on different returns, we use the rules for spouses filing separately on the same return (combined return). The calculator ignores the variables \( \text{itemalloc}, \text{stdalloc}, \text{exalloc}, \text{and credalloc} \) if the taxpayer is unmarried (\( \text{filertype} = h \) or \( \text{filertype} = m \)), but in the state tax parameter data set we follow the convention of coding in the married taxpayer values of these particular variables for both married and unmarried \( \text{filertype} \). Also note that of the variables with names ending in “\( alloc \)”will be set to zero for states where “married filing separately” is not allowed or not advantageous. Filing separately is generally not advantageous for married couples if \( \text{multbrk} = 1 \), or \( \text{sepdil} = 1 \), or \( \text{bracknum} = 1 \). Read sections of documentation entitled “Joint versus separate filing and division of income and deductions between spouses” and “Treatment of Married Couples” for further information.
Important: do not attempt to update itemalloc, stdalloc, or credalloc until you’ve read the paragraph immediately above!

**itemalloc** Allocation of itemized deductions between spouses

0 – Filing separately not allowed or not advantageous; or there are no itemized deductions; or each spouse must report his or her “own” deductions; or itemized deductions may be allocated between spouses in any way they choose. In latter two cases, any deduction for federal income tax usually must be allocated by % of AGI, but otherwise deductions are fairly fungible.

1 – Must be allocated in proportion to spouse’s share of AGI

**stdalloc** Allocation of standard deduction between spouses filing separately

0 – Filing separately not allowed or not advantageous; or each spouse filing separately gets 50% of maximum standard deduction for a joint return, or percentage of AGI.

1 – Each spouse filing separately gets full value of maximum standard deduction for a joint return, or percentage of AGI

2 – Standard deduction can be allocated any way the spouses choose

3 – Allocated in proportion to spouse’s share of AGI

4 – Standard deduction can be allocated in any way the spouses choose, except it can’t exceed pctstded percent of each separate taxpayer’s AGI.

**exalloc** Allocation of exemptions between spouses filing separately

0 – Not applicable because there are no exemptions, or because filing separately is not allowed or not advantageous; or same as federal treatment. Same as federal treatment means that adult exemptions for the whole return can be divided in any way they choose; adult per capita exemptions and age exemptions must go to the adult to whom they relate; and dependent exemptions must be taken by the adult providing over half of support.

1 – Adult exemptions must go to the adult to whom they relate; dependent exemptions can be divided between spouses filing separately in any way they choose.

2 – Adult exemptions divided equally between spouses. Dependent exemptions to adult providing over half of support.
3 – Allocated in proportion to spouse’s share of AGI

4 – All exemptions can be divided in any way the spouses choose

5 – Joint filing not allowed. Spouse gets 2/3rds of adult exemption and all dependent exemptions, other spouse gets 1/3rd of adult exemption. Spouses can choose who gets what. (North Carolina, 1927-1988)

6 -- Adult exemptions divided equally between spouses. Dependent exemptions to adult providing over half of support. Adult exemption reduced by $300 if filing separately (North Dakota 1967-88).

7 – Spouses must file separately, each one gets half of exemption listed for married couples (New Hampshire 1923-1980).

credalloc Allocation of credits between spouses filing separately

0 – Not applicable because separate filing is not allowed or is not advantageous for married couples, or separate spouse tax liabilities are combined before applying credits.

1 – Credits must be allocated separately to each spouse. Adult credits go to the adult to whom they relate, and dependent credits can be allocated in any way desired.

2 – Credits must be allocated separately to each spouse. Adult credits go to the adult to whom they relate, and dependent credits go to the spouse providing more than half of the support. Note that this is the case when credits must be allocated based on the definition of dependent used in the federal Internal Revenue Code, since that assigns the dependent to the person who provides more than half of the support. (We assume credalloc = 2 for Iowa because section 422.12 of the Iowa code says “Dependent’ has the same meaning as provided by the Internal Revenue Code,” but the instructions for Iowa tax forms are not clear about this.)

3 – Adult credits divided equally between spouses filing separately, dependent credits go to spouse providing more than half of the support.

CIRCUIT BREAKER PROPERTY TAX CREDITS
(The initial draft of the documentation for circuit breaker property tax credits was written by Rosemary Smith).

Note: circuit breaker property tax credits are coded into the calculator based on the year of income used to calculate the credit. So for example if the property tax credit
form says “2007,” but 2006 household income is used to compute the credit, then the credit is assigned to the year 2006.

In general, variables for circuit breaker property tax credits are divided into three sections: (1) those that apply to all eligible taxpayers; (2) those that apply to people at or above the age specified in the variable cbage; and (3) those that apply to the people below the age specified in cbage. Variables in groups (1) and (2) all start with “cb” and variables in group (3) start with “xcb”. Note, however, that specific variables may be used for different purposes than usual in some cases; if so, this will be made clear in the description of cbtype below.

In the documentation below, when the word “income” is not in bold, it is a generic term for income, which is defined more specifically in the variable cbincdef (the specific measure of income used to calculate property tax credits is called cbincome in the program). When in bold, income refers to the variable in the taxpayer input data set. Unless otherwise indicated, a percentage of rent, cbrenteq, is considered equivalent to property taxes, (xcbrenteq for those below cbage) and the term “property tax” is meant to include both property taxes paid directly, and rent counted as equivalent to property tax.

In general, phase-ins and phase-outs that operate in a “step function” pattern have been smoothed and approximated.

In addition to credits for property taxes and/or rent which are coded here, many states also operate “homestead exemption” programs which exempt some portion of property value from property taxes, often with larger exemptions for the elderly or disabled. We are not incorporating any homestead exemptions into the income tax calculator. I did have a research assistant collect data on homestead exemptions a few years ago, and hope to update that data and do something with it one of these days, but I do not intend to incorporate it into the income tax calculator.

Circuit breaker variables applying to all eligible taxpayers

**cbtype**

Type of circuit breaker property tax credit.

0 – State does not have a circuit breaker property tax credit.


Regardless of age, if cbmaxhome > 0, then property tax on value of home greater than cbmaxhome is not eligible for credit (an exception is...
KS starting in 2007 and MI starting in 2012, where no credit at all is received if market home value is greater than $cbmaxhome$ – note that in MI, market value of home is usually twice the “taxable value” which is referred to on the tax forms; see $cbmaxhome$ for further info). If $cbmaxrent > 0$, then rent greater than $cbmaxrent$ is not eligible for credit. If $cbmaxcr2 > 0$, property tax (or rent equivalent to property tax) above $cbmaxcr2$ is set to equal $cbmaxcr2$ when calculating the credit.

For people equal to or above $cbage$, credit is equal to $cbpct1$ of property taxes above a percentage of income floor. Credit is capped at a maximum of $cbmaxcr1$ if $cbmaxcr1 > 0$. Credit is phased-out starting at income $cbthresh1$ and ending at income $cbthresh2$. The percentage of income floor starts at $cbfloor1$ and rises to $cbfloor2$ – it phases in starting at income $cbthresh3$ and ending at income $cbthresh4$. A percentage $cbrenteq$ of rent is considered equivalent to property tax.

For people below $cbage$, credit is equal to $xcbpct1$ of property taxes above a percentage of income floor. Credit is capped at a maximum of $xcbmaxcr1$ if $xcbmaxcr1 > 0$. Credit is phased-out starting at income $xcbthresh1$ and ending at income $xcbthresh2$. The percentage of income floor starts at $xcbfloor1$ and rises to $xcbfloor2$ – it phases in starting at income $xcbthresh3$ and ending at income $xcbthresh4$. A percentage $xcbrenteq$ of rent is considered equivalent to property tax.

Note that in Iowa, there is a credit for the non-elderly that works similarly to that for the elderly, but it is only paid out if the legislature chooses to appropriate funds for it for a particular year. Since we have no information on whether that happens, we’ve chosen to ignore the non-elderly credit in Iowa.

Also note that in Colorado, the form to apply for the property tax credit also includes an application for a rebate of home heating expenses. We have not incorporated the rebate of home heating expenses into the tax calculator, just the property tax credit. The value of $cbmaxcr1$ in Colorado is set equal to the maximum property tax rebate, not the maximum of the sum of the property tax rebate and the rebate for home heating expenses.

In Michigan starting in 2012, the phase-out of the circuit breaker credit for elderly taxpayers follows a complicated non-linear pattern, gradually phasing down between incomes of $21,000 and $30,000, hitting a plateau between incomes of $30,000 and $41,000, and then phasing out the rest of the credit between incomes of $41,000 and $50,000. We approximate this with a smooth linear phase-out between incomes of $21,000 and $50,000.

Note that as an alternative to the credit coded in $cbtype = 1$, Michigan has since 1982 also offered an “Alternate Property Tax Credit for Renters Age 65 and Older.” We code this into the variables $sptx2$ and $sptxrate2$. See $sptx2 = cbmi$ for details.
2 – [Arizona]. Works the same as 1 except that when \( \text{cbthresh5} > 0 \), if \( \text{homeval} \) exceeds \( \text{cbthresh5} \) then no credit at all is received. Also, from 1977 on, there is no fixed percentage that is assumed to be property tax for renters; rather, the landlord reports actual property tax payment to tenant. Given that data on this is generally unavailable, we set \( \text{cbrenteq} = 25 \) during these years.

3 – [Arkansas, Connecticut 1973-1984, Idaho, New York, Oregon 1971-1972]. Works the same as 1, except that credit does not phase-out between incomes \( \text{cbthresh1} \) and \( \text{cbthresh2} \). Instead, maximum credit does. Maximum credit starts at \( \text{cbmaxr1} \) and falls to \( \text{cbmaxr2} \), starting to phase-out at income \( \text{cbthresh1} \) and ending at income \( \text{cbthresh2} \). The credit is eliminated above income \( \text{cbthresh5} \). For people aged under \( \text{cbage} \), the same system applies except values are in the \( \text{x-vars} \). Also, if \( \text{cbmaxhome} > 0 \) and \( \text{homeval} \) exceeds \( \text{cbmaxhome} \) or if \( \text{cbmaxrent} > 0 \) and \( \text{rentpay} \) exceeds \( \text{cbmaxrent} \), no credit at all is received.

4 – California [1977-1980], Missouri [2008 – present], Iowa [2014 - ]. Works the same as \( \text{cbtype} = 1 \) except that values in the \( \text{xcb-vars} \) apply to renters rather than to people under \( \text{cbage} \). Both renters and homeowners must be \( \text{cbage} \) or above to be eligible. The variables with names beginning with “\( \text{cb} \),” with the exceptions of \( \text{cbage} \) and \( \text{cbmaxrent} \), only apply to homeowners. The percentage of rent that is considered equivalent to property tax is coded into \( \text{xcbrenteq} \), and the SAS code ignores \( \text{cbrenteq} \), but in the state tax parameters spreadsheet we recorded \( \text{cbrenteq} \) to be the same as \( \text{xcbrenteq} \) just to avoid confusion.

5 – Connecticut [1985-present]. Property tax credits for renters and homeowners aged \( \text{cbage} \) or above are described in this paragraph. For renters, \( \text{cbrenteq} \) percent of rent is considered equivalent to property tax. The credit for renters is equal to \( \text{cbpct1} \) percent of property tax above percent of income floor \( \text{cbfloor1} \). Credit for renters must be between maximum credit \( \text{cbmaxr1} \) and minimum credit \( \text{cbmaxr2} \). The maximum credit values for renters are phased-down between incomes \( \text{cbthresh1} \) and \( \text{cbthresh2} \). Credit for renters is eliminated for those with income above \( \text{cbthresh2} \). For homeowners, credit is equal to \( \text{cbpct2} \) percent of property tax, phased-down between incomes \( \text{cbthresh1} \) and \( \text{cbthresh2} \). Homeowner’s credit must be between maximum credit \( \text{cbthresh3} \) and minimum credit \( \text{cbthresh4} \) which are also phased down between incomes \( \text{cbthresh1} \) and \( \text{cbthresh2} \). Homeowners with income above \( \text{cbthresh2} \) receive no credit.

The credits for the elderly described in the paragraph above are computed directly by the revenue department, and property tax bills are adjusted accordingly. There is only limited information available about these credits on the revenue department web site because taxpayers do not
need to compute the credits themselves. As a result, it will be especially important to check the law when updating the parameters for this credit. In recent years the credits for the elderly could be found in the Connecticut Statutes at Title 12 (Taxation), Chapter 204a, Section 12-170aa (homeowners) and Section 12-170e (renters).

The law specifies that \texttt{cbthresh1} and \texttt{cbthresh2} are to be adjusted for inflation each year, and the numbers written into the law for renters and homeowners (in sections 12-170e and 12-170aa, respectively) were written into the law in different years. As of 2011, the values of \texttt{cbthresh1} and \texttt{cbthresh2} written into the law for the renter’s credit (section 12-170e) were from 1987, and the values of \texttt{cbthresh1} and \texttt{cbthresh2} written into the law for the homeowner’s credit were from 1998. Once you adjust each of these for inflation in the years since each was written into the law, the values of \texttt{cbthresh1} and \texttt{cbthresh2} are the same for homeowners and renters. In addition, the maximum income at which people are eligible for either credit is identical to \texttt{cbthresh2} once you adjust for inflation. The inflation-adjusted values for \texttt{cbthresh2} can be found in instructions for these credits on the revenue department website. The online instructions do not list the inflation-adjusted value \texttt{cbthresh1}, but are published in a letter that can be obtained via a phone call or e-mail to the Connecticut Office of Policy and Management (as of 2011, the contact person was Patrick Sullivan, 860-418-6406, patrick.j.sullivan@ct.gov). We have the 2010 version of the letter, for example, stored as “CT INC 2010 CB PARAMETERS.pdf”.

In addition, for people of all ages, there is also a credit available starting in 1996 in the \texttt{xcb} variables that works the same as \texttt{ctype} = 1 except there is a minimum credit of \texttt{xcbmaxcr2}. The credit for people of all ages is in the instructions for the regular income tax. As of 2010 it could be found in the Connecticut Statutes at Title 12 (Taxation), Chapter 229 (Income Tax), Section 12-704c.

6 – DC [1975 – present], Montana [1981 – present], South Dakota [1976 – present], Utah [1977-1981], West Virginia [1971-2000]. Works the same as \texttt{cbpct1} to \texttt{cbpct2} between incomes \texttt{cbthresh1} and \texttt{cbthresh2}. Credit is eliminated for people with income above \texttt{cbthresh5}. Same system applies to those under \texttt{cbage} in the \texttt{x-variables}. If \texttt{homeval}>0 and \texttt{cbmaxhome}>0, then if \texttt{homeval} exceeds \texttt{cbmaxhome} no credit at all is received. Percent of rent equivalent to property tax is \texttt{cbrenteq}.

If \texttt{xcbpct1} is set to zero, then there is no special credit for people under age \texttt{cbage}. But in that case if \texttt{xcbmaxcr1} > 0 then there is instead a credit for homeowners of all ages that is simply the smaller of \texttt{xcbmaxcr1} and the homeowner’s property tax bill. When \texttt{xcbpct1} is zero, then all other “xcb” variables except for \texttt{xcbmaxcr1} are ignored. (This last provision applies in Montana in 2007).
Note that the values of \( \text{cbthresh}_3 \) and \( \text{cbthresh}_4 \) are a bit difficult to figure out for Montana. Here is an example that clarifies where they came from in 2007. See Montana Form 2EC for 2007 (I have this saved under the name “MT INC 2007 CB FORM.pdf”). The \( \text{cbthresh}_3 = 8300 \) comes from adding the standard exclusion, 6300, to the first bracket threshold (2000) from the Household Income Reduction table (2000). The \( \text{cbthresh}_4 = 18300 \) comes from adding the standard exclusion, 6300, to the last bracket threshold (12000) from the Household Income Reduction Table.

Also note that in Montana only, the percentage of property tax eligible for the credit gradually phases down from \( \text{cbpct}_2 \) to zero between income levels \( \text{cbthresh}_2 \) and \( \text{cbthresh}_5 \). [I still need to modify the SAS code to make this happen, and need to look through the old forms and laws to figure out how long this feature has been in effect.]

Note that in DC, since 1977, unlike other states with \( \text{cbtype}=6 \), the percentage of property tax eligible for the credit is not phased-down with income for those aged \( \text{cbage} \) or above – the phase-down of that percentage only applies to those aged below \( \text{cbage} \) (coded into the \( \text{xcb} \) variables) which is why we need to use \( \text{cbtype}=6 \). For those aged \( \text{cbage} \) or above, we deal with this by setting both \( \text{cbpct}_1 \) and \( \text{cbpct}_2 \) to 100, and setting both \( \text{cbthresh}_1 \) and \( \text{cbthresh}_2 \) equal to \( \text{cbthresh}_3 \). As is typical with \( \text{cbtype}=6 \) (and \( \text{cbtype}=1 \)), in DC, \( \text{cbthresh}_3 \) represents the income below which the lowest percentage of income floor applies, and \( \text{cbthresh}_4 \) represents the income at the top of the income range for the highest percentage of income floor, and \( \text{cbthresh}_5 \) represents the highest level of income at which someone can be eligible for the credit, which so far has happened to be the same as \( \text{cbthresh}_4 \).

Finally, note that DC also has a “homestead deduction” and a “lower-income long-term homeowner credit.” We ignore these. The “homestead deduction” is an example of a homestead exemption, and in general we do not incorporate these into the income tax calculator. The “lower-income long-term homeowner credit” is a credit that is only available to people who have owned their home for at least 7 years, and provides a credit for the amount by which the property tax bill increase across two consecutive years exceeds some percentage (e.g., 5 percent from 2011 to 2012). We ignore this because we generally will not have the information necessary to calculate such a credit. The property tax credit that we do take into account in DC is the one that is included directly in the income tax forms and instructions. Note that in Montana starting in 1996, in the circuit breaker instructions \( \text{cbthresh}_3 \) and \( \text{cbthresh}_4 \) are defined in terms of gross household income less a “standard exclusion” (which was $6,300 from 1996 through at least 2015) – see instructions for “Household Income Reduction Table” and lines 1 through 3 of the “Household Income” section of the form. The values we record for \( \text{cbthresh}_3 \) and \( \text{cbthresh}_4 \) are the amounts at the beginning and end of the “Household Income Reduction Table plus the standard exclusion, so that
cbthresh3 and cbthresh4 are defined with respect to gross household income (line 1 of the form) instead of with respect to household income after subtracting standard exclusion.

7 – Hawaii [1977 - present]. If income exceeds cbthresh1 or if rentpay is less than cbmaxrent, no credit at all is received. Otherwise, credit is equal to the sum cbmaxcr1 plus an additional cbmaxcr2 for each qualified exemption. These exemptions are: spouse aged over cbage and each dependent (deps). Credit does not apply to homeowners. Same system applies to those under cbage but values are in the xcb. There’s actually only one credit applying to people of all ages, and the credit is cbmaxcr2 times the number of exemptions; but there are extra exemptions for people aged 65 or above, and we deal with that by coding the amount that a single filer or couple would receive if aged 65 or above into cbmaxcr1, the amount that a single filer or couple would receive if under age 65 into xcbmaxcr1, and the amount per dependent in cbmaxcr2 and xcbmaxcr2.

8 – Illinois [1975-present]. A percentage cbpet1 of the portion of property tax above percent of income cbfloor1 is potentially eligible for credit. The maximum credit starts at cbmaxcr1 when income is $0, and then phases down smoothly to cbmaxcr2 at income cbthresh1. The credit is eliminated above incomes cbthresh2 (for <3 person household) or cbthresh3 (for >= 3 person household). Percent of rent equivalent to property tax is cbrenteq. Applies to people aged cbage or older. This is in Chapter 320, Section 25, of the Illinois code. In 2010 and 2011, the Illinois legislature only appropriated enough funds to pay half of this credit, and then in 2012 it did not appropriate any funds for the credit at all, despite the fact that it is still in the Illinois code. In 2010 and 2011, we address this by coding in the credit the same way it was before, except that in addition we set cbfloor2 equal to 50. The variable cbfloor2 now represents the percentage of the credit that is lost due to inadequate legislative appropriations. In 2012 through at least 2015, the IL legislature did not appropriate enough funds to finance this credit at all. According to the web site of the Illinois department of aging (saved here: “...\Google Drive\TaxLaw\StateByState\IL\IncomeTax\Laws\ IL INC 2013 CB ELIMINATED.pdf”), “Effective July 1, 2012, Illinois Cares Rx was terminated and the Circuit Breaker Property Tax Relief Grant was eliminated due to the lack of funding,” which makes the elimination sound final. However, the circuit breaker law is still on the books in Chapter 320, Section 25. So each year, we should check to see if the program has been reinstated. In 2012 through at least 2015, we keep cbtype coded as 8 and keep the other cb parameters the same as they were in 2011, except that we set cbfloor2 equal to 100 so that the credit coded into the variables with names beginning with cb is eliminated. This is intended to signal that
the provision is still in the Illinois code and could come back at some point in the future.

In addition, there is also a non-refundable “homeowners property tax credit” against income tax equal to $\text{xcbpct1}$ percent of property tax, available to homeowners of all ages. The “xcb” variables are otherwise not used for $\text{cctype} = 8$. Because the homeowners property tax credit is more like an alternative to an itemized deduction, the calculator applies it regardless of the value of $\text{cbinclude}$; it is included in the value of $\text{gencred}$ and calculated in that part of the SAS code. [Chapter 35, Article 2, Section 208 of Illinois Code, starting 1991.]

9 – Illinois [1972-1974]. As with 8, maximum credit starts at $\text{cbmaxcr1}$ when income is $0$, and then phases down smoothly to $\text{cbmaxcr2}$ at income $\text{cbthresh1}$. The credit is eliminated above $\text{cbthresh2}$. The portion $\text{cbthresh3}$ of income faces percent of income floor $\text{cbfloor1}$ while the remainder of income faces percent of income floor $\text{cbfloor2}$. Percent of rent equivalent to property tax is $\text{cbrente}$. Applies to people aged $\text{cbage}$ or older.

10 – Indiana [1973 - present]. For people aged $\text{cbage}$ or above, there can be a credit coded into the $\text{cb}$ variables that works the same as 1. In addition, there is available to all taxpayers an above-the-line deduction for all property taxes up to a maximum deduction of $\text{xcbmaxcr1}$ for renters and $\text{xcbmaxcr2}$ for homeowners. For renters, the property tax equivalent for this deduction is $\text{xcbrente}$. The $\text{cb}$ part of the credit (for people above $\text{cbage}$) was eliminated starting in 1982.

11 – Iowa [1975-1981], Colorado [2014 – present]. Works the same as 1 except that those with income below $\text{cbthresh5}$ have a minimum credit of $\text{cbmaxcr1}$.

Note that in Colorado, the circuit breaker form and instructions report the value of $\text{cbthresh2}$ but not $\text{cbthresh1}$. Both $\text{cbthresh1}$ and $\text{cbthresh2}$ are adjusted annually for inflation. Assuming no changes in law, the inflation-adjusted value of $\text{cbthresh1}$ can be found by multiplying the prior year value of $\text{cbthresh1}$ by the ratio of this year’s value of $\text{cbthresh2}$ to the prior year value of $\text{cbthresh2}$, and then rounding to the nearest dollar. All other parameters can be found in the law (Colorado Annotated Statutes section 39-31-101).

12 – Kansas [1970-1972], Maryland [1975-76], Wisconsin [1964-1972]. For those aged above $\text{cbage}$, credit is equal to the sum of a percent of property tax above various percentage of income floors up to maximum credit $\text{cbmaxcr1}$ (if $\text{cbmaxcr1}>0$). The percent of property tax falls from $\text{cbpct1}$ to $\text{cbpct2}$ between incomes $\text{cbthresh1}$ and $\text{cbthresh2}$. Where $\text{cbthresh5}>0$, credit is eliminated when income rises above $\text{cbthresh5}$. The percentage of income floor is determined by a method similar to
ordinary tax brackets, for example 0% of income below $500, plus 3% of income between $500 and $1,000, plus 6% of income between $1,000 and $1,500, etc. The brackets and rates are contained in \( xb1 - xb14 \) and \( xr1 - xr14 \). Where \( cbmaxr2 > 0 \), property tax above \( cbmaxr2 \) is set to equal \( cbmaxr2 \). Percent of rent equivalent to property tax is \( cbrenteq \).

13 – Maine [1989-2012] Credit for people at or above \( cbage \) works the same as \( l \), except they can take the larger of that credit and the credit calculated for people under \( cbage \) described below.

The credit for people under \( cbage \) works as follows. Income must be less than or equal to \( xcbthresh1 \) to qualify for credit. Maximum credit is \( xcbmaxcr1 \). Where \( xcbmaxcr2 > 0 \), property tax above \( xcbmaxcr2 \) is set to equal \( cbmaxr2 \). No credit is received for property tax below \( xcbfloor1 \) percent of income. For that portion of property tax which is more than \( xcbfloor1 \) percent of income but less than or equal to \( xcbfloor2 \) percent of income, credit is equal to \( xcbpt1 \) percent of that portion of property tax. For that portion of property tax which is more than \( xcbfloor2 \) percent of income, credit is equal \( xcbpt2 \) percent of that portion of property tax. Percent of rent equivalent to property tax is \( cbrenteq \).

14 – Maryland [1979-present]. For both homeowners and renters, the credit is equal to property tax (or \( cbrenteq \) percent of rent for renters) in excess of a percentage of income floor. For renters, the floor is calculated similarly to \( l2 \) above, using bracket and rate structure in \( xb1 - xb6 \) and \( xr1 - xr6 \). The brackets used to construct the floor for homeowners generally match up with those for renters, but the rates are sometimes lower for homeowners. For homeowners, \( xcbthresh1 - xcbthresh5 \) contain the amounts by which the rates for homeowners are lower than the rates for renters in each bracket. For homeowners, the rate in the first bracket is \( xcbthresh1 \) lower than \( xr1 \), the rate in second bracket is \( xcbthresh2 \) lower than \( xr2 \), and so forth, up through all five brackets. From 2006 to 2014 there were fewer brackets for homeowners than for renters, but this was addressed by setting the \( xcbthresh \) variables to get the rate right in each income range. Starting in 2015 there were 3 brackets for renters and 5 brackets for homeowners, and the rates in the top two brackets for homeowners were higher than the top rate for renters. We handle this by making \( xb1 - xb5 \) the brackets for homeowners, making \( xr3, xr4, \) and \( xr5 \) identical and equal to the top rate for renters, and making \( xcbthresh4 \) and \( xcbthresh5 \) negative numbers. The maximum credit is \( cbmaxr1 \) for rent and \( cbmaxr2 \) for property tax (if either is set to zero, then there is no limit). Percent of rent considered equivalent to property tax is \( cbrenteq \). For homeowners there are no age restrictions (so \( cbage \) refers only to renters). For renters to qualify, they must either be \( cbage \), or starting in 1993, they must have at least one dependent child \( (kids2 \geq 1) \) and income must be below the poverty threshold from the year before income used to
compute the credit was earned (so for example, we code the “2007” credit in year 2006, because that is when the income used to compute the credit was earned, and we use the 2005 poverty thresholds). Poverty thresholds are stored in the following variables for Maryland (threshold for single-person household is not needed because such households are ineligible for the credit).

<table>
<thead>
<tr>
<th>Household size</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty threshold in variable:</td>
<td>cbthresh2</td>
<td>cbthresh3</td>
<td>cbthresh4</td>
<td>cbthresh5</td>
<td>cbpct1</td>
<td>cbpct2</td>
<td>cbfloor1</td>
<td>cbfloor2</td>
</tr>
</tbody>
</table>

Historical values for the official poverty thresholds can be found at: <http://www.census.gov/hhes/www/poverty/data/threshld/index.html>. For 1993-2007 we used the official thresholds (thresholds on the MD instructions involve some rounding, which we ignored). For homeowners, only homeval up to cbmaxhome is eligible for credit. If cbfloor4 > 0, then the homeowner’s property tax credit is only available to people with income below cbfloor4. [See Maryland Code, Tax – Property, Sections 9-102 and 9-104.]

15 – Massachusetts [1980 - present]. For people aged cbage or above, this works the same as 1. In addition, there is available to all taxpayers an above-the-line deduction for xcbpct1 percent of rent. If xcbmaxr1>0, the maximum available deduction is xcbmaxr1 (this is implemented in the program earlier, right after state itemized deductions, and applies even if cbinclusive is set to zero).

16 – Minnesota [1990-present]. Credit for property taxes and rent above a percentage of income floor, multiplied by a percentage, and subject to a maximum credit limit, all of which change with income. Parameters for homeowners are in the cb variables, and parameters for renters are in the xcb variables. For homeowners, credit works as follows. The percentage of income floor gradually rises from cbfloor1 to cbfloor2 percent of income, over the income range $0 to cbthresh1 (that is, cbthresh1 is the income level at which the maximum percentage of income floor kicks in). Taxpayers then get a credit equal to property taxes in excess of the percentage of income floor, multiplied by a percentage that gradually falls from cbpct1 to cbpct2 as income rises from $0 to cbthresh2 (that is, cbthresh2 is the income level at which minimum percentage kicks in). Note that the instructions and law report a “copay” that is 100 – cbpct1 at an income of $0 and 100 – cbpct2 at an income above cbthresh2 (that is, the percentage of property tax above the percentage of income floor that the taxpayer must pay). In the law and tax instructions, cbfloor and cbpct percentages don’t actually start declining until somewhere above $0 of income, but our approximation starts the phase-down at $0 of income.
nonetheless. The credit is limited to a maximum amount that is \texttt{cbmaxcr1} for incomes below \texttt{cbthresh3}, and then gradually declines from \texttt{cbmaxcr1} to \texttt{cbmaxcr2} between incomes \texttt{cbthresh3} and \texttt{cbthresh4}. No credit is allowed for people with incomes above \texttt{cbthresh4}. For renters, the variables beginning with \texttt{xcb} have exactly analogous meanings to the corresponding variables beginning with \texttt{cb}. In addition \texttt{xcbrenteq} indicates the percentage of rent that is considered equivalent to property taxes. Up through 1996, there was actually no percentage applied to rent to estimate property taxes; landlords were supposed to report the actual property tax payments on the apartment to the tenant. Since we don’t have that data, we use 18 percent as a rough approximation. In 2013 only, the credit computed in the manner described above is increased by \texttt{cbthresh5} percent for homeowners, and by \texttt{xcbthresh5} percent for renters. For 1997 and later years, the exact value of \texttt{xcbrenteq} is specified in the law (Minnesota Statutes Section 290A.03, Subdivision 11. Also note that Minnesota Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision 2 reduced \texttt{xcbrenteq} from 19 to 15 for 2009 only). Also note that \texttt{cbincval1}, \texttt{cbincval2}, \texttt{cbfloor3}, and \texttt{cbfloor4} are used to compute the measure of income used to calculate the credit – see \texttt{cbincdef} = 8 below for details. The \texttt{cbmaxhome} and \texttt{cbmaxrent} variables are not used. Various parameters were indexed for inflation starting in 1994, and we estimated the inflation adjustments for the years between 1994-2006 (homeowners) and 1994-2005 (renters).

18 – New Mexico [1978 - present]. Works the same as 1, except that \texttt{cbfloor1-3} are fixed values instead of percentages of income. The floor starts at \texttt{cbfloor1} and is phased-in in two possible stages; first it rises to \texttt{cbfloor2} starting at income \texttt{cbthresh3} and ending at income \texttt{cbthresh4}. Then it rises from \texttt{cbfloor2} to \texttt{cbfloor3} starting at income \texttt{cbthresh4} and ending at income \texttt{cbthresh5}.

19 – Oregon [1973-present]. People aged above \texttt{cbage} can take the larger of the two credits computed below. Up until 1990, people aged under \texttt{cbage} were eligible to receive credit #2; afterwards they were not eligible for any credit.

1: Credit for rent only. Credit equals
\[
\max(\min(\text{rentpay}, \text{cbmaxrent}) - (\text{cbfloor1}/100)/\text{cbincome}, 0).
\]
Only those with income below \texttt{cbthresh1} qualify.

2: Credit is equal to property tax up to maximum \texttt{xcbmaxcr1} for \texttt{rentpay}>0 and \texttt{xcbmaxcr2} for \texttt{homeval}>0. The maxima are phased-out smoothly starting at income \texttt{xcbthresh1} and ending at income \texttt{xcbthresh2}. The law (Section 310.635) specifies that the renters’ credit is a function of “rent constituting property tax,” but does not specify what percentage of rent constitutes property tax. The credit is computed by the tax authorities, and apparently it is
based on the actual property tax remitted on the rental property. Since we generally will not have such information, we approximate by setting “rent constituting property tax” at 17 percent of rent. This is recorded in xcbrenteq. (cbmaxhome and cbmaxrent do not apply). Starting in 1997 this credit is only available to renters, and this is addressed by setting xcbmaxcr2 = 0.

Other cb and xcb parameters not mentioned above are ignored by the SAS code.

Note: the Oregon circuit breaker coding scheme needs some revisions going back to the 1970s. See C:\Bakija\IncTaxCalc\RA2008\CBremainingQuestions\ToDo\OR_CB_LauAug4th08.doc

20 – Pennsylvania [1980-1990]. Works the same as 1 except that variables cbthresh3-4 and cbfloor1 do not determine percentages of income floor. Instead, they determine a fixed value received in addition to credit. Fixed value is equal to cbfloor1 and is phased-out smoothly, starting at income cbthresh3 and ending at income cbthresh4.

21 – Rhode Island [1977 – present]. Works the same as 1, except that if income is greater than cbthresh4, percentage of income floor is equal to cbfloor3. Note that in 2005 and earlier years, people under cbage were able to receive a partial credit; the regular credit amount was multiplied by a ratio of the amount of funds left over from the amount appropriated after paying the elderly to the amount necessary to fully fund the credit for people under cbage. We have been unable to find any information on what this ratio was from year-to-year (the RI tax authority must have just applied the ratio when calculating the credit for people, without making any public pronouncement about it, as far as we can tell)/ So through 2005, we assume that people under cbage receive no credit. From 2006 through 2013, the full credit became available to people of all ages (cbage = 0), so this was no longer an issue. Starting in 2014, cbage became 65 again, the full credit was available to people at or above cbage, and no credit was allowed to people below cbage.

22 – Utah [1982-present]. A percentage cbpct1 of the portion of property tax is potentially eligible for credit. The maximum credit falls from cbmaxcr1 to cbmaxcr2 between incomes cbthresh1 and cbthresh2. Credit is eliminated above cbthresh2. For renters, the same system applies in the x-variables except that the percentage of rent that is considered to be equivalent to property tax falls from xcbrenteq to xcbpct1, starting at income xcbthresh1 and ending at income xcbthresh2.
23 – Vermont [1973-present]. The credit is equal to the amount of property tax (or \( \text{cbrenteq} \) percent of rent) that exceeds a percentage of income floor, where the percentage is different depending on the bracket into which one’s income falls. We use the \( x_b \) and \( x_r \) variables to store the brackets and percentages. For people with income between \( x_b1 \) and \( x_b2 \), the percentage is \( x_r1 \); for people with income between \( x_b2 \) and \( x_b3 \), the percentage is \( x_r2 \), etc. The total number of brackets is recorded in \( x_{bracknum} \). If \( cb\text{thresh}1 > 0 \), then anyone with income above \( cb\text{thresh}1 \) is ineligible; if \( cb\text{thresh}1=0 \), then people of all incomes are eligible.

If \( cb\text{maxcr}1 > 0 \), \( cb\text{maxcr}2 = 0 \), and \( x_{cb\text{maxcr}}1 = 0 \), which applied 1973-1985, 1991-1994, and 2006-2012, then the maximum total combined property tax and rent credit allowable is \( cb\text{maxcr}1 \). If \( cb\text{maxcr}1 > 0 \), \( cb\text{maxcr}2 > 0 \), and \( x_{cb\text{maxcr}}1 = 0 \) (which applied 1995-1996), then the maximum allowable combined property tax and rent credit is \( cb\text{maxcr}1 \) for those with income below \( cb\text{maxcr}2 \), and is reduced by \( cb\text{pct2} \) percent of the amount by which income exceeds \( cb\text{maxcr}2 \), so that the credit is completely eliminated at an income level of \( cb\text{maxcr}1 + cb\text{maxcr}2 / (cb\text{pct2} / 100) \). If \( cb\text{maxcr}1 = 0 \), there is no limitation on the maximum allowable credit (this applied 1997-2005). If \( cb\text{maxcr}1 > 0 \), \( cb\text{maxcr}2 = 0 \), and \( x_{cb\text{maxcr}}1 > 0 \), which applies in 2012 and later years, then the maximum renter’s credit is \( cb\text{maxcr}2 \), and the maximum combined property tax and renter’s credit is \( cb\text{maxcr}1 \).

In recent years, the renter’s credit is called the “Renter Rebate” and has its own form and instructions (Vermont Form PR-141). The property tax credit that we’ve coded in has been called “Additional Adjustment for Claimants With Household Income of $47,000 or Less,” or “Homeowner Property Tax Rebate Claim for Household Income of $47,000 or less,” and the instructions for how to calculate it were in the instructions for the regular income tax in 2008 and various years before then. Starting in 2009 the formula for the credit for homeowners is no longer spelled out in the forms or instructions so you need to look at the law. As of 2015, the law governing the homeowner’s credit computation was in Section 6066(a)(3) of the Vermont Code, and the law governing the renter’s credit computation was in Section 6066(b) of the Vermont Code. The limits \( (cb\text{maxcr}1 \) and \( x_{cb\text{maxcr}}1 \) have been in Section 6067 in recent years. The value of \( \text{cbrenteq} \) is called the “rental adjustment” and is reported on Form LC-142, the “Landlord’s Certificate,” and is also specified in Section 6061, subdivision (7), of the Vermont Code.

In addition to the credits described above, there is now an “Education Property Tax Adjustment,” which we are ignoring. This other credit is for people with incomes above \( cb\text{thresh}1 \), and it is also described in Section 6066. It depends on one’s locality and is related to school finance equalization. Since we do not have information on one’s locality, we have not coded in the “Education Property Tax Adjustment.” There
were also some years where payment of credits to people below a certain age was contingent on the budget situation; due to lack of information, we ignore this and assume all ages are eligible for the full credit.

24 – Wisconsin [1973-present]. Works the same as 1 except that in calculating the percent of income floor, first subtract \( \text{cbthresh3} \) from income (negative income set equal to zero). Note that since 1978 there has also been another credit for property taxes (and rent constituting property taxes) in Wisconsin that is available to taxpayers of all income levels (in recent years it has been called the “Renter’s and Homeowner’s School Property Tax Credit”); see documentation for \( sptx = \text{pcwi78} \) for the credit that applied in 1978 and \( sptx = \text{pwi} \) for that credit that applied 1979 – present.

25 – Wyoming [1975-present]. A refund meant to offset the burdens of property tax, sales tax, and utility bills for low-income people, which does not actually depend on the amount of property tax, sales tax, or utility bills paid. For people aged \( \text{cbage} \) or above, credit equals \( \text{cbmaxer1} \) for those with income below \( \text{cbthresh1} \), and then the credit is gradually phased out between incomes \( \text{cbthresh1} \) and \( \text{cbthresh2} \). This credit for the elderly has been in effect since 1975, and is currently in Section 39-11-109 of Wyoming code, and was previously in Sections 39-6-701 and 39-6-702. We have no information on how the credit worked 1975-1984; it is first described in ACIR in 1985, where it indicates the credit began in 1975. We currently assume the credit 1975-84 was the same as in 1985. People with assets, aside from their home, greater than a certain level are ineligible for this first credit, but we ignore this asset test. Starting in 2008, the amount of this credit is reduced by the amount of the other credit described below. The provision in the previous sentence was adopted in Wyoming Session Laws 2008 Chapter 110, and as of 2015 was in Section 39-11-109(c)(viii) of the 2015 Wyoming Code, and is hard-coded into the SAS code for \( \text{cbtype} = 25 \) for when \( \text{stateyear} \geq 2008 \).

There is a second credit, for property taxes paid by people of all ages, that has existed since 1996. It is most recently in Section 39-13-109(c) of the Wyoming Code, and was previously in Section 39-3-401. This second credit coded into the “\( \text{xcb} \)" variables

In 1996-2002, the second credit worked as follows. For people with income below the poverty threshold, the credit \( \text{xcbpct1} \) percent of property tax, up to a maximum credit of \( \text{xcbmaxr1} \). The percentage gradually phases down to \( \text{xcbpct2} \), and the maximum credit gradually phases down to \( \text{xcbmaxr2} \), for incomes between the poverty threshold and \( \text{xcbfloor1} \) times the poverty threshold. If income is above \( \text{xcbthresh1} \) times the poverty threshold, then the taxpayer is ineligible for the credit. The poverty thresholds for each household size are stored in the “\( \text{xb} \)” variables, where \( \text{xb1} \) is the threshold for a one-person household,
xb2 is the threshold for a two-person household, etc., through xb9, which is the threshold for a household with 9 or more people.

Starting in 2003, the xcb credit is now just xcbpct1 of property taxes, and anyone with income below xcbthresh1 is eligible; those with income above xcbthresh1 are ineligible for the credit. This credit is still in Section 39-13-109(c) of the Wyoming code. The xb variables and other xcb variables are no longer used. In 2003-2006, xcbthresh1 is 50% of the median household income for the state. In 2007, xcbthresh1 is 2/3rds of the median household income for the state, and starting in 2008 xcbthresh1 is 3/4ths of the median household income for the state. In all cases, xcbthresh1 should actually be based on the larger of the median for state and for the county, but we simply use the state value. This credit also involves an asset test, and is limited to a maximum of one-half of the median residential property tax in the taxpayer’s county; we ignore both of those complications due to lack of data. For the years 2003 through 2007, 3/4ths of median household income for the state of Wyoming was obtained by contacting the Economic Analysis Division in Wyoming. For the years 2008 through 2013, 3/4ths of median household income for WY was obtained from the brochure on property tax relief programs in WY (which we found via Google search on the term “Current Property Tax Refund/Credit/Deferral Programs in Wyoming”). See for example WY INC 2013 CB BROCHURE.pdf on Google Drive. Median household income by state based on the American Community Survey can be found here <http://www.census.gov/hhes/www/income/data/statemedian/>, and is close to what the brochures say, but the brochure is the preferred source.

Note that starting in 1997, there is an additional credit in Section 39-13-109(d) of the Wyoming code, that depends on assessed value of the home and local millage rate, and is only available to people who own homes with extremely small assessed values. We have ignored that credit because it seems more like a homestead exemption than a circuit-breaker credit, and because the data sets used with the calculator generally lack the information necessary to compute it.

26 – Maryland [1977-78]. Same as 12 above, but there is also a credit for those aged < cbage, equal to ½ of the credit for those >= cbage.

27 – West Virginia [2003 - present]. Starting in 2003, there is a credit for the elderly coded into the “cb” variables. In recent years this has been called the “Senior Citizen Tax Credit for property tax paid.” Eligible if age >= cbage and income is below 150% of federal poverty guideline, which is equal to cbthresh1 + cbthresh2*(household size - 1). Credit is equal to the property tax on the portion of homeval between cbthresh3 and cbthresh4. Note that the instructions for the credit list the thresholds underlying cbthresh3 and cbthresh4 in terms of the assessed value of the home. As of 2007 the “assessed” value a home in WV was 60% of the market value – see for example:
To find $cbthresh3$ and $cbthresh4$, which are expressed in terms of market value, you need to divide the amounts reported in the instructions by 60%.

Starting in 2008, there is a new refundable credit for people of all ages coded into the $xcb$ variables, and implemented through the income tax. It has most recently been called the “Homestead Excess Property Tax Credit.” The credit is equal to property taxes in excess of $xcbfloor1$ percent of income, up to a maximum credit of $xcbmaxcr1$. If $xcbmaxcr2 = 0$, then taxpayers may take the larger of this credit or the elderly credit described in the first paragraph, but not both (this applied 2008 – 2011). If $xcbmaxcr2 = 1$, which applied starting in 2012, then both credits (the one coded into the $cb$ variables and the one coded into the $xcb$ variables) can be taken at the same time, but the Senior Citizen Tax Credit is subtracted from the property tax bill in the formula to compute the Homestead Excess Property Tax Credit. So in other words, starting in 2012, the credit is equal to property taxes (less Senior Citizen Tax Credit) in excess of $xcbfloor1$ percent of income, up to a maximum credit of $xcbmaxcr1$. Also starting in 2012, eligibility for this credit requires that federal AGI be less than 300 percent of the federal poverty line, which is $cbthresh1 + cbthresh2*(household size - 1)$. If $xcbthresh$ is set to zero (as it should be in years before 2012), then people of all income levels are eligible for this credit.

Starting in 2009, there is also a property tax deferral option for elderly taxpayers who faced an increase in property tax bill that exceeded $300. If this option is taken, neither of the other two options above can be taken. We are currently ignoring this because data used with the tax calculator is unlikely to indicate who potentially faced, but did not pay, an increased property tax assessment from one year to the next. Also, the WV instructions indicate that less than 1% of households who are eligible for any of these credits will find the deferral option to be most advantageous.

28 – California [1998 – 2007, not 2008-2010, possibly later years depending on funding]. Same as $cbtype = 1$, except the “$xcb$” variables do not refer to a credit available to those younger than $cbage$. Rather, the “$xcb$” variables are the parameters of a non-refundable renter’s credit. If $proptax = 0$ and $rentpay >0$, there is a non-refundable credit of $xcbmaxcr1$ regardless of age. According to <http://www.ftb.ca.gov/forms/misc/1041.pdf>, “The state budget for fiscal years 2008/2009 and 2009/2010 did not include funding for the Homeowner and Renter Assistance Program. Since there was no funding for this program, FTB did not process or pay claims for these fiscal years.” The credit is still included in the California Statutes (Sections 20541 through 20544) but it appears to have been de-funded, at least temporarily.
29 – Minnesota [1975-1976]. Credit is equal to property taxes in excess of a percentage of income floor. The \( cb \) variables are for those aged \( cbage \) or above, and the \( xcb \) variables are for those under age \( cbage \). The percentage of income floor rises from \( cbfloor1 \) to \( cbfloor2 \) percent of income between incomes \( cbthresh3 \) and \( cbthresh4 \). The maximum allowable credit declines from \( cbmaxcr1 \) to \( cbmaxcr2 \) between incomes \( cbthresh1 \) and \( cbthresh2 \). Percentage of rent equivalent to property tax is in \( cbrenteq \). Exactly analogous parameters applying to those under age \( cbage \) are in the \( xcb \) variables. (The fact that the maximum credit limits are $200 higher for the elderly is derived from ACIR).

30 – Minnesota [1977-82]. For all ages, initial credit is calculated as 100\% of property taxes (or \( cbrenteq \) percent of rent) above a percentage of income floor, up to an initial maximum credit limit. The percentage of income floor increases from \( cbfloor1 \) percent of income to \( cbfloor2 \) percent of income between incomes \( cbthresh3 \) and \( cbthresh4 \). The initial maximum allowable credit declines from \( cbmaxcr1 \) to \( cbmaxcr2 \) between incomes \( cbthresh1 \) and \( cbthresh2 \). To this amount, add additional credit equal to a percentage of property tax (or rent equivalent) in excess of the sum of the percentage of income floor and the initial maximum credit amount. For taxpayers aged \( cbage \) or above, the additional credit is calculated as follows. The applicable percentage is \( cbpct1 \), and the overall credit (sum of initial credit and additional credit) is limited to an amount that declines from \( cbfloor3 \) to \( cbfloor4 \) between incomes \( xcbthresh3 \) and \( xcbthresh4 \). For taxpayers aged below \( cbage \), the additional credit is calculated as follows. The applicable percentage is \( xcbpct1 \), and the overall credit (sum of initial credit and additional credit) is limited to an amount that declines from \( xcbmaxcr1 \) to \( xcbmaxcr2 \) between incomes \( xcbthresh1 \) and \( xcbthresh2 \).

31 – Minnesota [1983-1984]. For all ages, initial credit is equal to property taxes (or \( cbrenteq \) percent of rent) in excess of a percentage of income floor, up to a maximum limit. The floor gradually increases from \( cbfloor1 \) percent of income to \( cbfloor2 \) percent of income between incomes \( cbthresh3 \) and \( cbthresh4 \). The maximum initial credit is the smaller of an amount equal to the percentage of income floor, and a maximum limit that declines from \( cbmaxcr1 \) to \( cbmaxcr2 \) between incomes \( cbthresh1 \) and \( cbthresh2 \). To this is added an additional credit that is a percentage of property tax and rent equivalent in excess of the sum of the percentage of income floor and the maximum initial credit. The percentage declines from \( cbpct1 \) to \( cbpct2 \) between incomes \( xcbthresh1 \) and \( xcbthresh2 \) (for taxpayers aged below \( cbage \)) or between incomes \( xcbthresh3 \) and \( xcbthresh4 \) (for taxpayers aged \( cbage \) or above). The overall maximum credit (applied to the sum of the initial credit and the additional credit) is limited to an amount that declines from \( xcbmaxcr1 \) to \( xcbmaxcr2 \) between incomes \( cbfloor1 \) and \( cbfloor2 \).
No credit at all is allowed for anyone with an income above $xcbfloor2$. Note that we approximate $cbrenteq$ to be 18%, because the law specifies that there was actually no percentage applied to rent to estimate property taxes; landlords were supposed to report the actual property tax payments on the apartment to the tenant, but we don’t have data on that.

32 – Minnesota [1985-1989]. First, calculate the amount by which property taxes (or $cbrenteq$ percent of rent) exceed a percentage of income floor. For those aged $cbage$ and above, the floor increases from $xcbfloor1$ percent of income to $xcbfloor2$ percent of income between incomes $cbthresh3$ and $cbthresh4$. For those aged under $cbage$, the floor increases from $xcbfloor1$ to $xcbfloor2$ between incomes $cbthresh3$ and $cbthresh4$ (note that $cbage$ is zero except in 1987). Multiply the result by a percentage that declines from $cbpct1$ to $cbpct2$ between incomes $cbthresh1$ and $cbthresh2$. The result is then limited to a maximum credit amount that declines from $cbmaxer1$ to $cbmaxer2$ between incomes $xcbthresh1$ and $xcbthresh2$. Credit is zero if income is greater than $xcbthresh2$. Note that we approximate $cbrenteq$ to be 18%, because the law specifies that there was actually no percentage applied to rent to estimate property taxes; landlords were supposed to report the actual property tax payments on the apartment to the tenant, but we don’t have data on that. Also note that $cbincval1$, $cbincval2$, $cbfloor3$, and $cbfloor4$ are used to compute the measure of income used to calculate the credit – see $cbincdef = 8$ below for details.

33 – North Dakota (1973 - present). First, there is a credit for elderly renters (aged $cbage$ above) that is coded into the “cb” variables and works exactly the same as $cbtype=1$. Note, however, that this credit is not available to homeowners (thus, parameters pertaining only to homeowners such as $cbmaxhome$ should be set to zero). This credit is described in Section 57-02-08.1 of the ND Annotated Statutes, which is the most reliable source of information, since availability of online forms and instructions for this is spotty. The most recent year for which we could find the application for the renters’ credit was 2012, but the 2013 credit is described in the law and in the CB BROCHURE document. The CB BROCHURE document explains things pretty clearly but does not always make it clear which years it applies to, so be careful and check the law. In the same section of the law (57-02-08.1), and in the CB BROCHURE document, there is also described a “homestead credit” for elderly homeowners. However, the homestead credit is actually a reduction in the assessed value of the property for low-income elderly households for purposes of computing the property tax. As such, it is more like a homestead exemption, which we are not coding into the tax calculator (as it will generally already be reflected in the property tax liability data contained in any dataset used with the tax calculator). The forms for the homestead credit are stored in North Dakota’s “HomesteadExemption”
directory on Google Drive, but have no implications for coding the income tax calculator. Finally, in 2007 and 2008 only, there was a credit called the “Residential and agricultural property income tax credit” (ND Statutes Section 57-38-01.29, and ND schedule PT and form ND-3). This was a non-refundable credit against the income tax and is available to people of all ages. It was equal to $\text{xcbpct1}$ percent of property tax up to a maximum credit of $\text{xcbmaxcr1}$. The SAS program adds this new property tax credit into $\text{gencred}$ and computes it regardless of the value of $\text{cbinclude}$.

34 – Kansas (2008 – present). There are two credits. The first credit (called the “Homestead Refund” in Kansas and contained in chapter 79, article 45 of the KS Code) is coded into the variables with names beginning with “$\text{cb}$,” is available to anyone aged $\text{cbage}$ or above ($\text{cbage}$ was 55 in Kansas last we checked), and works the same way as the credit that is coded into the $\text{cb}$ variables when $\text{cbtype} = 1$, using the same coding scheme as that. The second credit (called “Property Tax Relief for Low Income Seniors” and contained in section 79-32,263 of the KS Code, newly introduced in 2008) is coded into the $\text{xcb}$ variables, and is only available to homeowners aged 65 and above (renters are not eligible for the second credit, and thus there is no rent equivalent of property tax for the second credit). Those eligible for both credits cannot take both at the same time; rather they must choose one or the other. The second credit is a refundable credit equal to $\text{xcbpct1}$ percent of property taxes, and only those with income below $\text{xcbthresh1}$ are eligible for this second credit. The definition of income used to determine eligibility for the second credit differs from that used for computing the first credit in that the income measure for the second credit includes 100% of social security benefits instead of 50%. Unlike the first credit, there is no cap on the amount of property taxes that are eligible for the second credit, which is one reason why the second credit can be larger than the first credit. For the second credit, $\text{xcbpct1}$ and $\text{xcbthresh1}$ are the only variables with names beginning with $\text{xcb}$ that matter. All other variables with names beginning with $\text{xcb}$ can be set to zero. In Kansas from 2008-2012, just as with $\text{cbtype}=1$ in KS in 2007, the first credit is disallowed entirely if market home value exceeds $\text{cbmaxhome}$, Starting in 2013, $\text{cbmaxhome}$ starts to apply to both credits instead of just the first one, and the rent credit is eliminated (the latter is handled by setting $\text{cbrenteq}$ to zero).

35 – (Pennsylvania 2006 – present).

For homeowners equal to or above $\text{cbage}$, credit is to the smaller of property tax liability, and a maximum credit that phases down with income. The maximum allowable credit is: $\text{cbfloor1}$ if income is below $\text{cbthresh1}$; $\text{cbfloor2}$ if income is between $\text{cbthresh1}$ and $\text{cbthresh2}$; $\text{cbfloor3}$ if income is between $\text{cbthresh2}$ and $\text{cbthresh3}$; $\text{cbfloor4}$ if income is between $\text{cbthresh3}$ and $\text{cbthresh4}$, and zero if income is above $\text{cbthresh4}$. 

143
For renters equal to or above \texttt{cbage}, the credit works the same as for homeowners, with property tax liability approximated by \texttt{cbrenteq} percent of rent paid, except that renters with income above \texttt{cbthresh2} get no credit at all.

The variables \texttt{cbref}, \texttt{cbform}, and \texttt{cbincdef} have the standard meanings, and all other circuit-breaker variables aside from the ones mentioned above are ignored and can be set to zero.

\textbf{36} – “Property tax fairness credit” applicable in Maine 2014 - . If the return has 2 or fewer personal exemptions, then income must no more than \texttt{cbthresh1} in order to qualify for the credit. If the return has more than 2 personal exemptions, then income must be no more than \texttt{cbthresh2} to qualify for the credit. Percentage of rent that is considered equivalent to property tax is in \texttt{cbrenteq}. The sum of property tax and \texttt{cbrenteq} percent of rent that is potentially eligible for the credit is limited by a “maximum benefit base” of \texttt{cbthresh3} (if 2 or fewer personal exemptions) or \texttt{cbthresh4} (if more than 2 personal exemptions) – the “benefit base” that is potentially eligible for the credit is the minimum of property tax + \texttt{cbrenteq} percent of rent and the “maximum benefit base.” The credit is then \texttt{cbpct1} percent of the amount by which the “benefit base” exceeds \texttt{cbfloor1} percent of income. The maximum allowable credit is \texttt{cbmaxcr1} if age is greater than or equal to \texttt{cbage}, or \texttt{cbmaxcr2} if age is less than \texttt{cbage}. The variables \texttt{cbref}, \texttt{cbform}, and \texttt{cbincdef} have the standard meanings, and all other variables starting with \texttt{cb} or \texttt{xcb} are ignored.

[Note: Jim Pappas contributed to writing the documentation for values of \texttt{cbtype} from 37 through 42 applying in New Jersey.]


“Homestead credit for tenant.” [Applied in years 1976 through 1989]. This program was created by chapter 47 of 1976 NJ public law. The section of the law that defines the amount is appears C. 54A:2-3 NJ Annotated Statutes.

Credit for renters below \texttt{cbage} is a fixed dollar amount \texttt{cbmaxcr1}. Credit for renters aged \texttt{cbage} or above is a fixed dollar amount \texttt{cbmaxcr1} + \texttt{cbmaxcr2}. The credit does not depend on amount of rent paid.

\textbf{38} – New Jersey [1985 - 1989].

The “homestead credit for tenant” described in \texttt{cbtype} = 37 continues to apply throughout this period. This portion is still coded in propcred. The rest of this code is located in “Deduction for property tax and rent in NJ 1985-1989”, which is directly above the definition of \texttt{Sti}. 

144
There are also later references to cbtype=38 in the lowered section to ensure lowcredref doesn’t return to zero.

In addition, the new “deduction for property taxes,” “tenant’s deduction,” and “homestead tax refund” were introduced starting in 1985, and applied in this incarnation from 1985 through 1989. This program was created by chapter 304 of 1985 NJ public law. Sections 54A:3A-3, 54A:3A-4, 54A:3A-6, and 54A:3A-8 of the NJ Annotated Statutes define the amount of the deduction and/or credit.

The deduction for property taxes (54A:3A-3) worked as follows. If someone rents for part of the year and owns a home for part of the year, then the deduction will simply be the sum of the property taxes paid and the rent constituting property taxes paid.

For homeowners with taxable income that is not over cbthresh2, the deduction is max(cbthresh1, proptax). For homeowners with taxable income that is over cbthresh2 but not over cbthresh3, the deduction is max(cbthresh2, proptax). For homeowners with taxable income that is over cbthresh3, the deduction is max(cbthresh3, proptax).

The tenant’s deduction (54A:3A-4) worked as follows. For renters with taxable income that is not over cbthresh2, the deduction is max(xcbthresh1, (xcbrenteq/100)*rentpay). For renters with taxable income that is over cbthresh2 but not over cbthresh3, the deduction is max(xcbthresh2, (xcbrenteq/100)*rentpay). For renters with taxable income that is over cbthresh3, the deduction is max(xcbthresh2, (xcbrenteq/100)*rentpay).

For both homeowners and renters, if the allowable deduction for property taxes or tenant’s deduction reduces taxable income below zero, then the amount by which the deduction exceeds taxable income (before the deduction) is multiplied by the initial income tax rate (r1/100) and is provided as a refundable credit (54A:3A-6).

In the special case of anyone “who is not required to file a return under the ‘New Jersey Gross Income Tax Act,’ N.J. S. 54A:1-1”, which means anyone whose gross income is less than lowph1 (see lowtype=1, and NJ income tax instructions from 1978 and 1995), a fixed dollar amount of refundable credit is provided. In that case, the credit is min(proptax, xcbmaxcr1) + min((xcbrenteq/100)*rentpay, xcbmaxcr2). Note that xcbmaxcr1 is equal to (r1/100)*cbfloor1, and xcbmaxcr2 is equal to (r1/100)*xcbthresh1, so people with gross income below the filing threshold defined by lowph1 are effectively given the refundable credit that would apply if their taxable income before property tax deduction were zero; this will cause a notch as gross income passes lowph1. This provision is described in section 54A:3A-8.

The “deduction for property taxes,” “tenant’s deduction,” and “homestead tax refund” are all addressed in the SAS code in the sections on itemized deductions and miscellaneous credits, and are implemented regardless of the choice of value for cbinclude.
Provisions applying in NJ 1985-1989 that the calculator ignores:
A program called the “Tenants’ Property Tax Rebate” is defined by chapter 210 of 1981 NJ public law. The section of the law that defines the size of the benefit appears in C.48:2-29.31 of NJ Annotated Statutes. The program was started in 1976, and is still in effect today. This program, which is not included in the calculator due to lack of information, requires some landlords of rental property to pass on property tax savings to their tenants. More information on this program can be found on Google Drive at “…\Google Drive\TaxLaw\StateByState\NJ\IncomeTax\Laws\NJ INC CB Tenants' Rebate Summary.pdf”.

The provisions applying in NJ before 1990, described above in cbtype = 37 and cbtype = 38, were eliminated and replaced by the new credit described below.

A new “Homestead Property Tax Rebate” was introduced in 1990, and this version of it applied through 2002, after which it changed enough that a new coding scheme was required. It was created in chapter 61 of 1990 NJ public law. The section of the session law that defines the amount of the credit appears at [*3] and [*4]. Changes to the credit that began to apply in 1991 are detailed in New Jersey Division of Taxation Technical Bulletin TB – 14 issued 7-2-92 (available on Google Drive as “NJ INC 1991 TECHNICAL BULLETIN.pdf”). The values of cbpct1 and cbpct2 were changed in 2001 and 2002 by laws passed in response to the budget situation. Parameter values can be found in the instructions for NJ income tax form HR-1040 for most years. For example, the instructions for HR-1040 in 1998 include the parameter values that applied for 1991 through 1998.

(Note values are prorated to take into account how much time taxpayer spent renting and how much time they spent owning a home)

Credit for homeowners:

For all returns in 1990: and for those at or above cbage for 1991-2002: Below income cbthresh1, credit is equal to the portion of the property tax above cbfloor1 percent of gross income, subject to a minimum credit of min(cbpct1, proptax) and a maximum credit of cbmaxcr1. For income between cbthresh1 and cbthresh2, the credit is min(cbpct1, proptax). For income between cbthresh2 and cbthresh3, the credit is min(cbpct2, proptax). For those with incomes above cbthresh3, the credit is eliminated.

For those aged below cbage for 1991-2002: Credit is equal to the minimum of property tax and cbmaxcr2. For those with income above cbthresh4, credit is eliminated.
Credit for renters:

For people of all ages in 1990, and for people aged at or above \( \text{cbage} \) for 1991-2002: For people with income below \( \text{xcbthresh1} \), credit is equal to the portion of the property tax above \( \text{xcbfloor1} \) percent of gross income, up to a maximum credit of \( \text{xcbmaxcr1} \), with a minimum credit of \( \text{min}[\text{xcbpct1}, (\text{xcbrenteq}/100)\times\text{rentpay}] \). For people with income between \( \text{xcbthresh1} \) and \( \text{xcbthresh2} \), the credit is \( \text{min}[\text{xcbpct1}, (\text{xcbrenteq}/100)\times\text{rentpay}] \). For people with income between \( \text{xcbthresh2} \) and \( \text{xcbthresh3} \), the credit is \( \text{min}[\text{xcbpct2}, (\text{xcbrenteq}/100)\times\text{rentpay}] \). For those with incomes above \( \text{xcbthresh3} \), the credit is eliminated.

For people aged below \( \text{cbage} \) for 1991-2002: Credit is equal to the minimum of \( (\text{xcbrenteq}/100)\times\text{rentpay} \) and \( \text{xcbmaxcr2} \). If income is above \( \text{xcbthresh4} \), credit is eliminated.

Note: Language explicitly stating that the credit cannot exceed the amount of property tax was added in 2004. The calculator assumes that this 2004 change was just a clarification, and that the credit was also limited to be no more than the amount of property tax before 2004, since prior to 2004 the description of the credit as a property tax “rebate” seems to imply that it cannot exceed the value of property tax paid. The added language, which defines the rebate to be “not more than the amount of property taxes actually paid,” can be found in C.54:4-8.59 of NJ annotated statutes, and in chapter 40 of 2004 NJ public laws, the latter of which we have at …/Google Drive/TaxLaw/StateByState/NJ/IncomeTax/Laws/NJ INC 2004 SL CB.PDF.

40 – New Jersey [1996-2002].

The “Homestead Property Tax Rebate” described in \( \text{cbtype}=39 \) continued to apply throughout this period.

In addition, the following new “Property Tax Deduction / Credit Program” was introduced starting in 1996 and continues to apply through the present. This program was created by chapter 60 of 1996 NJ public law. The section of law that defines the size of the deduction appears in NJ Annotated statutes in C.54A:3A-18. NJ income tax instructions call it the “Property Tax Deduction.” Filers who have income over \( \text{xcbthresh5} \) or who are \( \text{cbage} \) or above can choose either of the following (but not both): a deduction from taxable income; or a refundable credit of fixed value \( \text{cbincval2} \). The deduction from taxable income is equal to \( (\text{cbincval1}/100)\times\text{min}(\text{proptax}, \text{cbmaxhome}) \) for homeowners, and
(\text{cbincvall}/100) \times \min[(\text{xcbrenteq}/100) \times \text{rentpay}, \text{chmaxhome}] \text{ for renters. The “property tax deduction / credit” provisions are addressed in the SAS code in the sections on itemized deductions and miscellaneous credits, and are implemented regardless of the choice of value for cbinclude.}

41 – New Jersey [2003-2005].

First, we note that the rules concerning those who both own and rent during one year are different in 2003 vs 2004/2005.

In 2003, the credits are prorated to the amount of time spent renting and the amount of time spent owning a home.

In 2004 and 2005, a person’s credit will correspond to wherever a person resides as of October 1st of that year. To approximate this, we say that if proptax \geq (\text{xcbrenteq}/100) \times \text{rentpay}, then the taxpayer gets the homeowner’s credit, and we’ll treat proptax + (\text{xcbrenteq}/100) \times \text{rentpay} as an approximation of the property tax paid that year. If proptax < (\text{xcbrenteq}/100) \times \text{rentpay} then the taxpayer gets the renters credit, which will be based on (\text{xcbrenteq}/100) \times \text{rentpay}.

The “Property Tax Deduction / Credit Program” described in cbtype = 40 continued to apply throughout this period.

In addition, starting in 2003, the “Homestead Property Tax Rebate” described in cbtype=39 was revised enough to require a new coding scheme, which applies in 2003 through 2005. The new version of the “Homestead Property Tax Rebate” was created by chapter 40 of 2004 NJ public law in sections [*4] and [*5]. C.54:4-8.59 of NJ Annotated Statutes defines the amount of the credit. Some parameters of the credit were supposed to receive automatic cost-of-living adjustments in years after 2003, but subsequent NJ budget bills suspended the cost-of-living adjustments for everyone, and imposed lower temporary caps on the credits for people under age cbage in 2004 and 2005. Changes for tax year 2004 are in chapter 132 of 2005 NJ public law, and the changes for tax year 2005 are in chapter 45 of 2006 NJ public law. The new “Homestead Property Tax Rebate” had the following components:

Credit for homeowners:

\textit{Aged at or above cbage:} Credit is equal to the portion of property tax above cbfloor1 percent of gross income, but the credit must be within minimum and maximum credit
values. Below income $cbthresh_1$, the minimum credit is 
$\min(cbmaxcr_1, proptax)$ and the maximum credit is $cbmaxcr_2$. Between incomes $cbthresh_1$ and $cbthresh_2$, 
minimum credit is $\min(cbfloor_2, proptax)$ and maximum 
credit is $cbfloor_3$. Between incomes $cbthresh_2$ and $cbthresh_3$, the credit simply equals $\min(cbfloor_4, proptax)$. Above income $cbthresh_3$, credit is eliminated.

Aged below $cbage$: 
Credit is equal to the portion of property tax above 
$cbfloor_1$ percent of gross income, but the credit must be 
within minimum and maximum credit values. Below 
income $cbthresh_2$, minimum credit is $\min(cbfloor_2, proptax)$ and maximum credit is $cbfloor_3$. Between 
incomes $cbthresh_2$ and $cbthresh_3$, the credit simply equals $\min(cbfloor_4, proptax)$. Above income $cbthresh_3$, credit is eliminated.

In 2004 and 2005, the credit for those aged below $cbage$ is subject to temporary lower caps. In these two 
years: for those with income that does not exceed $cbthresh_1$, the maximum credit is $xb1$; for those with 
income between $cbthresh_1$ and $cbthresh_2$ the maximum 
credit is $xb2$; and for those with income between $cbthresh_2$ and $cbthresh_3$ the maximum credit is $xb3$.

Credit for renters:

Aged at or above $cbage$: 
For people with income below $xcbthresh_1$, the credit is 
equal to a fixed dollar amount $xcbfloor_2$, to the portion of 
the property tax above $xcbfloor_1$ percent of gross income, 
but this combined sum is subject to a maximum credit 
value of $xcbmaxcr_1$, and a minimum credit of 
$\min(xcbpct_1, proptax)$. For people with income between 
$xcbthresh_1$ and $xcbthresh_2$, the credit is $\min(xcbpct_1, proptax)$. For income between $xcbthresh_2$ and 
$xcbthresh_3$, the credit is $\min(xcbpct_2, proptax)$. For 
those with incomes above $xcbthresh_3$, the credit is 
eliminated. Percent of rent equivalent to property tax is $xcbrenteq$.

Aged below $cbage$: 
Credit is equal to the minimum of property tax and $xcbmaxcr_2$. If income is above $xcbthresh_4$, credit is 
eliminated.
The “Property Tax Deduction / Credit Program” described in cbtype = 40 continued to apply throughout this period, except that in 2009 only, there are income restrictions for people under cbage taking the deduction. Those aged under cbage with gross income over xb2 cannot claim a deduction. Those under cbage with gross income over xb1 but under xb2 can claim a deduction of at most xb3.

Starting in 2006, the “Homestead Property Tax Rebate” described in cbtype = 41 was replaced by a “Homestead Rebate Program.” This version of the Homestead Rebate Program” has continued to apply through the present, but has been subjected to frequent temporary amendments in various budget bills since its introduction. The basic framework of the current “Homestead Rebate Program” was introduced in Chapter 62 of 2007 NJ public law. The section of the law that defines the size of the credit appears in C.54:4-8.59 of NJ Annotated Statutes. For the credit applying for income earned in 2006, look at the state budget passed in 2007 for amendments, for the credit applying for income earned in 2007 look at the state budget passed in 2008, and so on.

A person’s credit will correspond to wherever a person resides as of October 1st of that year. To approximate this, we say that if proptax\geq (xcbrenteq/100)\cdot rentpay, then the taxpayer gets the homeowner’s credit, and we’ll treat proptax + (xcbrenteq/100)\cdot rentpay as an approximation of the property tax paid that year. If proptax < (xcbrenteq/100)\cdot rentpay then the taxpayer gets the renters credit, which will be based on (xcbrenteq/100)\cdot rentpay.

Note: as usual, we assign the parameters to a year based on the year the income used in the formula to compute the credit was earned (so for example, the parameters for 2011 refer to those that applied to the credit that is calculated based on 2011 income). In some cases, the property tax used in the calculation of the NJ “Homestead Rebate Program” is from some prior year (for example, the credit computed using income earned in 2007 through the present is based on property tax paid, or would have been paid, in 2006), and there has sometimes been a long delay in the payment of the credit (for example, since 2009, credits based on income earned in a given year are paid to the taxpayer two years after the income is earned). We do not do anything special in the calculator to account for these – the calculator’s computation of the credit uses the current year value of proptax and income, and does not account for delayed payment of the credit.

Homestead Rebate Program for homeowners:

Aged at or above cbage:
The following credit is calculated as a percentage of property taxes paid. The maximum amount of property tax eligible for the credit is \( \text{cbmaxhome} \). For those with gross income not exceeding \( \text{cbthresh1} \), the percentage is \( \text{xr1} \). For those with gross income above \( \text{cbthresh1} \) but not exceeding \( \text{cbthresh2} \), the percentage is \( \text{xr2} \). For those with gross income above \( \text{cbthresh2} \) but not exceeding \( \text{cbthresh3} \), the percentage is \( \text{xr3} \). The credit is not available to those with gross income above \( \text{cbthresh3} \).

In 2006, credit is equal to the greater of the credit described immediately above this paragraph or the following credit:

Credit is equal to the portion of property tax above \( \text{cbfloor1} \) percent of gross income, but the credit must be within minimum and maximum credit values. Below income \( \text{cbthresh4} \), the minimum credit is \( \min(\text{cbmaxcr1}, \text{proptax}) \) and the maximum credit is \( \text{cbmaxcr2} \). Between incomes \( \text{cbthresh4} \) and \( \text{cbthresh5} \), minimum credit is \( \min(\text{cbfloor2}, \text{proptax}) \) and maximum credit is \( \text{cbfloor3} \). Between incomes \( \text{cbthresh5} \) and \( \text{cbpct1} \), the credit simply equals \( \min(\text{cbfloor4}, \text{proptax}) \). Above income \( \text{cbpct1} \), credit is eliminated.

**Aged below \( \text{cbage} \):**
The credit is calculated as a percentage of property taxes paid. The maximum amount of property tax eligible for the credit is \( \text{cbmaxhome} \). For those with gross income not exceeding \( \text{xb10} \), the percentage is \( \text{xr10} \). For those with gross income above \( \text{xb10} \) but not exceeding \( \text{xb11} \), the percentage is \( \text{xr11} \). For those with gross income above \( \text{xb11} \) but not exceeding \( \text{xb12} \), the percentage is \( \text{xr12} \). The credit is not available to those with gross income above \( \text{xb12} \).

**Homestead Rebate Program for renters in 2006:**

**Aged at or above \( \text{cbage} \):**
Below income \( \text{xcbthresh1} \), initial credit is equal to the portion of the property tax above \( \text{cbfloor1} \) percent of gross income, plus fixed value \( \text{cbfloor2} \), up to a maximum credit of \( \text{xcbmaxcr1} \), with a minimum initial credit of \( \min(\text{xcbpct1}, \text{proptax}) \). For income between \( \text{xcbthresh1} \) and \( \text{xcbthresh2} \), the initial credit is \( \min(\text{xcbpct1}, \text{proptax}) \). For income between \( \text{xcbthresh2} \) and \( \text{xcbthresh3} \), the initial credit is \( \min(\text{xcbpct2}, \text{proptax}) \).
proptax). For those with incomes above xcbthresh3, the initial credit is 0. Percent of rent equivalent to property tax is xcbrenteq.

After the initial calculation, further minimums are applied. Credit is max(xr5, initial credit) for gross income not exceeding xb5. Credit is max(xr6, initial credit) for gross income above xb5 but not exceeding xb6. Credit is max(xr7, initial credit) for gross income above xb6 but not exceeding xb7.

Aged below cbage:
Initial credit is equal to the minimum of property tax and xcbmaxcr2. If income is above xcbthresh4, credit is eliminated.

After the initial calculation of the credit, further limitations apply. Credit is min(xr5, initial credit) for gross income not exceeding xb5. Credit is min(xr6, initial credit) for gross income above xb5 but not exceeding xb6. Credit is min(xr7, initial credit) for gross income above xb6 but not exceeding xb7. Credit is min(xr8, initial credit) for gross income above xb7 but not exceeding xb8.

Homestead Rebate Program for renters in 2007:

Aged at or above cbage:
Below income xcbthresh1, credit is equal to the portion of the property tax above xcbfloor1 percent of gross income, plus fixed value xcbfloor2, up to a maximum credit of xcbmaxcr1, with a minimum credit of min(xcbpct1, proptax). For income between xcbthresh1 and xcbthresh2, the credit is min(xcbpct1, proptax). For income between xcbthresh2 and xcbthresh3, the credit is min(xcbpct2, proptax). For those with incomes above xcbthresh3, the credit is eliminated. Percent of rent equivalent to property tax is xcbrenteq.

Aged below cbage:
Credit is equal to the minimum of property tax and xcbmaxcr2. If income is above xcbthresh4, credit is eliminated.

Homestead Rebate Program for renters in 2008:
2008: Aged at or above \texttt{cbage}:
Below income \texttt{xcbthresh1}, credit is equal to the portion of
the property tax above \texttt{xcbfloor1} percent of gross income,
plus fixed value \texttt{xcbfloor2}, up to a maximum credit of
\texttt{xcbmaxcr1}, with a minimum credit of \text{min}(\texttt{xcbpct1},
\texttt{proptax}). For income between \texttt{xcbthresh1} and
\texttt{xcbthresh2}, the credit is \text{min}(\texttt{xcbpct1}, \texttt{proptax}). For
income between \texttt{xcbthresh2} and \texttt{xcbthresh3}, the credit is
\text{min}(\texttt{xcbpct2}, \texttt{proptax}). For those with incomes above
\texttt{xcbthresh3}, the credit is eliminated. Percent of rent
equivalent to property tax is \texttt{xcbrenteq}.

Aged below \texttt{cbage}:
Not available.

Homestead Rebate Program for renters in 2009-present:

No longer available.

ADDENDUM FOR NEW JERSEY: PROPERTY TAX RELIEF
PROVISIONS APPLYING IN NEW JERSEY THAT THE
CALCULATOR IGNORES.

A program called the “Tenants’ Property Tax Rebate” is defined
by chapter 210 of 1981 NJ public law. The section of the law that
defines the size of the benefit appears in C.48:2-29.31 of NJ
Annotated Statutes. The program was started in 1976, and is still in
effect today. This program, which is not included in the calculator
due to lack of information, requires some landlords of rental
property to pass on property tax savings to their tenants. More
information on this program can be found on Google Drive at
“...\Google Drive\TaxLaw\StateByState\NJ\IncomeTax\Laws\NJ
INC CB Tenants' Rebate Summary.pdf”

A program known as the “Property Tax Reimbursement (Senior
Freeze) Program” is defined by chapter 348 of 1997 NJ public law.
The section of the law that defines the program appears in C. 54:4-
8.67 of NJ Annotated Statutes. The program allows some low-
income seniors to receive a reimbursement for increases in their
property taxes, starting in 1998 and still continuing today. This
program is still in effect, but it is not incorporated into the tax
calculator. More information can be found on Google Drive in the
file “NJ INC 2015 AS CB Senior Freeze”
A rebate known as the “NJ SAVER” is defined by chapter 63 of 1999 NJ public law. The section of the law that defines the program appears in C.54:4- 8.57 et al. of NJ Annotated Statutes. The program was in effect from 1999 through 2004. It gave property tax-paying homeowners a rebate equal to the product of their property value amount up to $45,000 multiplied by school tax rate for the municipality that the home is in. A taxpayer was allowed to take either the “NJ SAVER” or the “Homestead Rebate,” whichever was higher. Due to lack of information about school tax rates, the calculator does not incorporate the “NJ SAVER” rebate. See section four of “NJ INC 1999 SL CB” on Google Drive for more information.

201 – The \texttt{cb} and \texttt{xcb} variables are not used for circuit-breakers, but are instead used to store parameters used to compute a Louisiana tax applying 1975-1979 that is a complicated function of federal tax liability. See \texttt{taxtype = fedtab}.

202 – The \texttt{cb} and \texttt{xcb} variables are not used for circuit-breakers, but are instead used to store parameters used to compute a Louisiana alternative maximum tax applying 1980-1982 that is a complicated function of federal tax liability. See \texttt{xtaxtype = fedtab2}.

\texttt{cbage} Minimum age to qualify for circuit breaker credit (unless otherwise specified in \texttt{cbtype}).

\texttt{cbref} Is the circuit breaker credit refundable relative to the income tax? 
\texttt{0} – No. 
\texttt{1} – Yes. 
\texttt{2} – [Connecticut]. Circuit breaker credit for all ages is not refundable; circuit breaker credit for those at or above \texttt{cbage} is refundable (see \texttt{cbtype 4}).

\texttt{cbform} Is the circuit breaker credit administered through the income tax? This variable, in conjunction with the value chosen for \texttt{cbinclude} by the user, determines which circuit breaker credits will be computed by the calculator.

\texttt{0} – There is no circuit breaker credit.

\texttt{1} – Credit is a line item on the income tax form.
2 – Credit is on a separate form or application not associated with the income tax, and is not incorporated directly into the property tax bill calculation.

3 – Credit is incorporated directly into the property tax bill calculation. Note that in these cases, it will usually be necessary to look directly at the law to understand how the credit is calculated.

4 – [Connecticut 1997-present]. Circuit breaker credit for all ages is $cbform = 1$, circuit breaker credit for those at or above $cbage$ is $cbform = 3$ (see $cbtype$ 5).

5 – [Maryland 1981-present]. Circuit breaker credit for renters is $cbform$ 2, circuit breaker credit for homeowners is $cbform$ 3 (see $cbtype$ 14).

6 – [New Jersey]. Circuit breaker credit for renters is $cbform$ 1, circuit breaker credit for homeowners is $cbform$ 2. In New Jersey, there is also an optional property tax deduction or credit is taken directly on income tax form (same as $cbform1$) – see $cbtype$ = 17.

7 – [Vermont 1973-1996]. Circuit breaker is $cbform$ 1 for people aged 65 and over. Otherwise it is $cbform$ 2 (see $cbtype$ 23).

8 – [Vermont 2006-present]. Renter’s credit is $cbform$=1, homeowner’s credit is $cbform$=3.

9 – [North Dakota, 2007-present]. Renter’s credit coded into $cb$ variables is $cbform$=2. Property tax credit coded into $xcb$ variables is $cbform$=1 (but this credit is computed as part of $gencred$, so it applies regardless of the value of $cbinclude$).

$cbincdef$ Definition of income used to calculate circuit breaker credit (this income measure is called $cbincome$) in the program. Note when income is referenced in the descriptions below, the calculator actually uses the larger of the income variable from the input data set, or the sum of individual income components from the input data set, whichever is larger, in order to ensure that the broadest possible measure of income is being used.

0 – There is no circuit breaker credit.

1 – Broad measure of income (income) of both filer and spouse.

2 – [Arizona; Montana 1981-1983]. Broad measure of income (income) of both filer and spouse minus social security benefits.
3 – [Colorado, Iowa, Kansas 1997-2006, Maine 1990-present]. Broad measure of income (income) of both filer and spouse but capital losses are excluded (negative othcg1 and othcg2 set equal to zero).

4 – [Connecticut 1997-present]. Circuit breaker credit for all ages uses cbincdef 5, circuit breaker credit for those at or above cbage uses cbincdef 1 (see cbtype 5).


6 – [Idaho]. Broad measure of income (income) of both filer and spouse minus capital gains (ltcg1, ltcg2, othcg1, othcg2) and medical expenses (medexp).

7 – [Wisconsin]. Broad measure of income (income) of both filer and spouse minus cbincval1 for each dependent.

8 -- [Minnesota 1984-present]. Broad measure of income (income) minus the federal personal exemption amount if filer or spouse is aged 65 or over. In addition, for all taxpayers regardless of age, subtract the sum of the following: federal personal exemption amount times cbincval1 for first dependent; federal personal exemption amount times cbincval2 for second dependent; federal personal exemption amount times cbfloor3 for third dependent; federal personal exemption amount times cbfloor4 for fourth dependent; and federal personal exemption amount for the fifth dependent. There is no additional subtraction for dependents beyond five. Finally, after 1988, capital losses are excluded (negative othcg1 and othcg2 are set equal to zero).

9 – [Montana 1989–1996]. Broad measure of income (income) minus cbincval1 or percent cbincval2 of total retirement benefits (pension1, pension2, ssben1, ssben2), whichever is greater. Negative income is set equal to zero.

10 – [New Mexico, North Dakota, Idaho]. Broad measure of income (income) of both filer and spouse minus medical expenses (medexp).

11 – [South Dakota]. Broad measure of income (income) of both filer and spouse minus proptax up to maximum deduction cbincval1.

12 – [Wisconsin 1977-1978]. Broad measure of income (income) of both filer and spouse minus cbincval1 for every member of household aged 65 or above.
13 – [Pennsylvania 1999 - ]. Broad measure of income (income) minus 50% of social security benefits.

14 -- [Massachusetts 2001 - ]. Broad measure of income (income) of both filer and spouse, minus the total value of exemptions for dependents and the elderly allowed in the normal income tax (the provisions coded into ex_dep and ex_age). The variables cbincval1 and cbincval2 should be set to zero.

15 – [Kansas, 2007 – ]. Broad measure of income (income) minus 50% of social security benefits. In addition, capital losses are excluded (negative othcg1 and othcg2 set equal to zero). Starting in 2008, the credit that is computed using the variables starting with xcb is computed using a definition of income that includes 100% of social security benefits rather than 50%. See cbtype = 34.

16 – [West Virginia, 2007 - ]. For the elderly credit coded into the cb variables, federal adjusted gross income is used to calculate the credit. For the property tax credit available to people of all ages coded into the xcb variables, eligibility for the credit is based on federal AGI, and the percentage of income floor for computing the credit is computed based on federal adjusted gross income plus tax-exempt interest and untaxed social security benefits.

cbincval1  Dollar value involved in determination of income for circuit breaker credit. [Zero if not applicable].

cbincval2  Second value involved in determination of income for circuit breaker credit. [Zero if not applicable].

cbmaxhome  Maximum home value subject to circuit breaker property tax credit.

0 – Not applicable.

Any number larger than 0 – Maximum market value of home subject to circuit breaker credit. Unless otherwise noted in the documentation for cbtype, this means that only property taxes on the portion of the value of the home below cbmaxhome are eligible for the credit. In some cases, cbmaxhome has a different meaning, which is specified in the documentation for cbtype. For example, in Kansas and Michigan, if cbmaxhome > 0 if the value of the home is larger than cbmaxhome, then no property tax credit is allowed at all. Also note that in some cases, the circuit breaker instructions specify such a limit in terms of the “taxable” or “assessed” value of the home, which can be very different (and usually
much smaller) than the market (or “cash”) value of the home. In these cases, we do our best to code a value for cbmaxhome in terms of market value. So for example, in Michigan starting in 2012, people whose home has a taxable value greater than $135,000 are not eligible for the credit. According to section 211-27a of the Michigan Annotated Statutes, the taxable value of a home is usually the “state equalized valuation,” but http://michigan.gov/taxtrib/0,4677,7-187--126336--,00.html clarifies that the state equalized value is usually equal to the assessed value, which section 211-27a says is 50% of the “cash” (or market) value of the home. For this reason, we code a value for cbmaxhome that is twice the value reported on the tax forms (e.g., the form says the limit is $135,000 of taxable value, and we translate that into a cbmaxhome value of $270,000).

cbmaxrent   Maximum rent subject to circuit breaker property tax credit. [Zero if not applicable]

Circuit breaker variables that (usually) apply to those at or above cbage
Note that the meaning of any of these variables may change depending on the value of cbtype. If a variable is used for something different than its usual meaning, that will be specified in the documentation for cbtype.

cbrenteq   Usually, first percentage of rent that is considered to be equivalent to property tax. [Zero if not applicable]

cbmaxcr1   Usually, dollar value of maximum circuit breaker property tax credit. [Zero if not applicable]

cbmaxcr2   Usually, dollar value of second maximum circuit breaker property tax credit. [Zero if not applicable]

cbthresh1   Usually, first income threshold used in circuit breaker credit calculations.

cbthresh2   Usually, second income threshold used in circuit breaker credit calculations. [Zero if not applicable]

cbthresh3   Usually, third income threshold used in circuit breaker credit calculations. [Zero if not applicable]

cbthresh4   Usually, fourth income threshold used in circuit breaker credit calculations. [Zero if not applicable]

cbthresh5   Usually, fifth income threshold used in circuit breaker credit calculations. [Zero if not applicable]
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>cbpct1</td>
<td>Usually, first percentage of eligible property tax payments that may be taken as a circuit breaker credit. [Zero if not applicable]</td>
</tr>
<tr>
<td>cbpct2</td>
<td>Usually, second percentage eligible property tax payments that may be taken as a circuit breaker credit. [Zero if not applicable]</td>
</tr>
<tr>
<td>cbfloor1</td>
<td>Usually, first percentage of income (or fixed value) floor, below which property tax is not eligible to be taken as a circuit breaker credit. [Zero if not applicable]</td>
</tr>
<tr>
<td>cbfloor2</td>
<td>Usually, second percentage of income (or fixed value) floor, below which property tax is not eligible to be taken as a circuit breaker credit. [Zero if not applicable]</td>
</tr>
<tr>
<td>cbfloor3</td>
<td>Usually, third percentage of income (or fixed value) floor, below which property tax is not eligible to be taken as a circuit breaker credit. [Zero if not applicable]</td>
</tr>
</tbody>
</table>

Circuit breaker variables (usually) applying to those below `cbage`

Note that the meaning of any of these variables may change depending on the value of `cbtype`. If a variable is used for something different than its usual meaning, that will be specified in the documentation for `cbtype`.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>xcbrenteq</td>
<td>Usually, percentage of rent that is considered to be equivalent to property tax. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbmaxcr1</td>
<td>Usually, dollar value of maximum circuit breaker property tax credit. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbmaxcr2</td>
<td>Usually, dollar value of second maximum circuit breaker property tax credit. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbthresh1</td>
<td>Usually, first income threshold used in circuit breaker credit calculations. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbthresh2</td>
<td>Usually, second income threshold used in circuit breaker credit calculations. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbthresh3</td>
<td>Usually, third income threshold used in circuit breaker credit calculations. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbthresh4</td>
<td>Usually, fourth income threshold used in circuit breaker credit calculations. [Zero if not applicable]</td>
</tr>
<tr>
<td>xcbthresh5</td>
<td>Usually, fifth income threshold used in circuit breaker credit calculations. [Zero if not applicable]</td>
</tr>
</tbody>
</table>
[Zero if not applicable]

**xcbtpct1** Usually, first percentage of eligible property tax payments that may be taken as a circuit breaker credit. [Zero if not applicable]

**xcbpct2** Usually, second percentage eligible property tax payments that may be taken as a circuit breaker credit. [Zero if not applicable]

**xcbfloor1** Usually, first percentage of income floor, below which property tax is not eligible to be taken as a circuit breaker credit. [Zero if not applicable]

**xcbfloor2** Usually, second percentage of income floor, below which property tax is not eligible to be taken as a circuit breaker credit. [Zero if not applicable]

**LOCAL INCOME TAXES**
Local individual income tax estimates are only available for 1977 and later years, and only for the following states: Delaware, Indiana, Kentucky, Maryland, Michigan, Missouri, New York, Ohio, and Pennsylvania. A few other states (e.g., Alabama, Iowa, and New Jersey) had extremely small local individual income taxes during this period but are not modeled as such. The local individual income tax is approximated based on state and local revenue data from the Census of Governments (accessed using the Urban-Brookings Tax Policy Center State and Local Finance Data Query System <http://slfdqs.taxpolicycenter.org/>). As of the latest revision of the calculator, data was not available yet for 2014 or 2015, so for now the 2014 and 2015 local tax parameters are assumed to be the same as for 2013. In addition, data on state and local income tax revenues are not available for 2001 or 2003, so values for those years are imputed based on linear interpolations between adjacent years when data are available. The coding allows for three types of local income tax approximation: (1) a tax that is a percentage of state tax liability; (2) a tax that is a percentage of taxable income; and (3) a tax that is a percentage of earned income (the last is divided into two types depending on whether the local tax is deductible from the state tax). The tax rate for each type of tax is: (1) local income tax revenues as a percentage of state income tax revenues; (2) local income tax revenues as a percentage of state personal income; and (3) local income tax revenues as a percentage of state personal income, divided by 0.75 (to approximate earned income as a share of total personal income). The New York local income tax applies in New York City only, and is the case where this approximation is probably the least accurate, since NYC has a rather complicated income tax. In this case, our approach at least roughly matches the progressivity of the NYC tax (since it is treated as a percentage of the NY state income tax, which is progressive and has roughly similar features), and very roughly approximates the burden of the NYC tax multiplied by the probability that a randomly selected New Yorker is subject to it. (Note to research assistants working on updating these parameters: the background calculations to compute **localrate** for the most recent update are in the spreadsheet …\Dropbox\StateModel\LocalIncomeTax\LocalTaxParameters1977-2013.xlsx).
localtype  Type of local individual income tax.

0  -- None.

1  -- Local tax = \((localrate/100)*\max(0, taxes)\).
IN, MD, MI, NY. Here, \texttt{taxes} is final state tax liability before subtracting off circuit-breaker credits.

2 – Local tax = \((localrate/100)*(\text{state taxable income})\). Ohio. In this case, we compute \texttt{localrate} as local income tax revenues as a percentage of state personal income, and then multiply it by state taxable income (which in Ohio is AGI less exemptions) to compute local tax liability. Note that this is a likely to be bit off – since \texttt{localrate} is Ohio local income tax revenue divided by Ohio personal income, in a future revision we should adjust \texttt{localrate} to reflect the fact that Ohio taxable income is probably smaller than Ohio personal income. In addition, starting in 2007, municipalities in Ohio could choose from two options: (1) a tax that was a flat percentage of state taxable income; or (2) a tax that was a flat percentage of earned income. It appears about half of municipalities chose each option. For now, the calculator assumes that the local tax is a percentage of taxable income in all localities in Ohio.

3 – Local tax = \((localrate/100)*(\text{earned income})\), and local income tax is treated the same as state income taxes for purposes of deductibility from the state income tax.
MO, PA

4 – Local tax = \((localrate/100)*(\text{earned income})\), local income tax is deductible from state income tax, and state income tax is not deductible from the state income tax. KY.

localrate  Rate of local individual income tax.
IX. DATA SET WITH FEDERAL TAX LAW PARAMETERS
(IncTaxFed.csv)

All variables in IncTaxFed.csv have an "F" at the beginning of the variable name; any equivalent variable in IncTaxState.csv has the same name but with no "F" at the beginning (this does not apply to Filertype, which has an identical name in both data sets for purposes of merging SAS data sets in the calculator program). Cases where federal tax law variables have the same meaning and possible values as their counterparts in the state income tax data set are indicated with an asterisk (*) -- see the variable list for IncTaxState.csv for descriptions of these variables. Note that projections for future years are based on federal income tax indexing rules, current law as of July 2015 (including expiration of provisions that are scheduled to expire), and projections of CPI-U inflation for years through 2025 from Budget of the U.S. Government for Fiscal Year 2016 <http://www.gpo.gov/fdsys/pkg/BUDGET-2016-BUD/pdf/BUDGET-2016-BUD.pdf>, Table S-12 on p. 137. In cases where federal tax parameters are indexed for inflation, the projected future values are computed by formulas in the Excel spreadsheet using the values of the variables Finfcpiu and Fcpiu. It is important not to re-sort IncTaxFed.xlsx because that can scramble the Excel formulas.

YEAR AND FILING STATUS

Fedyear  Federal tax year
Note that starting in 1981, if 0.1 is appended to fedyear, then the associated data refers to the federal tax law that would have applied in that year if the most recent major federal tax reform had not been enacted. So for example, fedyear = 1987.1 refers to the federal tax law that would have applied in 1987 if the Tax Reform Act of 1986 had not been enacted. If 0.2 is appended to fedyear, that refers to the federal tax law that would have applied in that year if the most recent two major federal tax reforms had not been enacted, and if 0.3 is appended to fedyear that refers to the federal tax law that would have applied in that year if the most recent three major federal tax reforms had not been enacted. Federal tax reforms enacted in 1981, 1982 (changes to minimum tax and AMT), 1983 (social security), 1986, 1990, 1993, 1997, 2001, and 2003 are counted as major federal tax reforms. In general, this is done for the first three years after the tax reform is enacted. Check the federal tax parameter spreadsheet (IncTaxFed.xls) for details on when this is available.

Filertype  Filing status
s -- Single
m -- Married
h -- Head of household

Fedkey  Equals Fedyear*100 + (1 if Filertype="h", 2 if Filertype="m", 3 if Filertype="s").
TYPE OF TAX

Ftaxtype  Type of federal personal income tax

none -- No tax (prior to 1913), or no data available (after 2003).
fedinc -- Federal personal income tax in effect (1913 - present)

TREATMENT OF MARRIED COUPLES

Fmarded  Deduction for married couple when both work

0 -- None
1 -- 1982 federal credit, 5% credit rate
2 -- 1983 federal credit, 10% credit rate

How it works:

EI = earned income = wages and salaries plus self-employment income from schedule C or F

NEI = net earned income = EI - employee business expenses and deductible retirement contributions

LNEI = lower-earning spouse's NEI

Deduction = .05*min(LNEI, 30000)

Fmultbrk  Does federal income tax have multipe bracket structures for different filing statuses?

0 -- No (1913-1947)
1 -- Yes (1948-present)

EXCLUSIONS

Fcgexpct  *
Fdivexpct  *
Fdivexamt  *
Fintexpct  *
Fdexamt  *

Funemp  Federal treatment of unemployment insurance

ui = gross unemployment compensation from input data set.

Possible values:

0 -- Not taxable (before 1979)
1 -- 1979-81 treatment. UI in AGI =
min{.5*max[(AGI not including UI) + UI -E, 0], UI},
where E = 20000 (s, h) or 25000 (m)

2 -- 1982-86 treatment. Same as above, but E = 12000 (s, h), or
18000 (m), and social security benefits excluded from definition of
AGI used to calculate phase-out of exclusion.

3 -- UI is fully included in AGI (1987-2008, 2010 -)

4 – First $2,400 of UI is excluded from AGI, all UI above that
level is included in AGI (2009).

\textbf{Fssbentax} Method of taxing social security benefits:
In formulae below, AGI includes everything in AGI except social security
benefits.

\textbf{0} -- Social security benefits are 100% excluded

\textbf{1} – Method that applied 1984-1993.
Soc sec benefits included in AGI =
\min((Fssr1/100)*ssben, (Fssr1/100)*max(Fagi+(Fssr1/100)*ssben-Fssb1), 0))

\textbf{2} – Method applying 1994-present.
Soc sec benefits included in AGI =
\min((Fssr2/100)*ssben, 
(Fssr2/100)*max(Fagi+teint+(Fssr1/100)*ssben-Fssb2,0) +min((Fssr1/100)*ssben,(Fssr1/100)*min((Fssr2-Fssb1),
max(0,Fagi+teint+(Fssr1/100)*ssben-Fssb1))))

\textbf{3} – 100% of social security benefits included in AGI (this has never
applied).

\textbf{Fssb1} First income threshold used in social security benefit taxation calculation.
(For 1984-present, $25,000 for unmarried and $32,000 for married).

\textbf{Fssb2} Second income threshold used in social security benefit taxation
calculation. (For 1994-present, $34,000 for unmarried and $44,000 for
married). Only applicable if \textbf{Fssbentax} = 2.

\textbf{Fssr1} First percentage rate used in social security benefit taxation calculation.
(For 1984-present, 50%).
**Fssr2**  
Second percentage rate used in social security benefit taxation calculation.  
(For 1994-present, 85%). Only applicable if **Fssbentax** = 2.

**EXEMPTIONS**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fexpercap</td>
<td>*</td>
</tr>
<tr>
<td>Fexreturn</td>
<td>*</td>
</tr>
<tr>
<td>Fex_dep</td>
<td>*</td>
</tr>
<tr>
<td>Fex_age</td>
<td>Value of extra federal exemption for age or blindness.</td>
</tr>
<tr>
<td>Fpctex</td>
<td>*</td>
</tr>
</tbody>
</table>

**Fexlim**  
Federal phase-out of personal exemptions applicable 1987-present.  
0 -- Not applicable.  
1 -- Exemption phase-out of 1987-90 applies.  
2 -- Exemption phase-out of 1991-2009 or 2013 to present applies.  
3 -- Exemption phase-out same as 2 above, but amount of exemption lost is two-thirds of amount otherwise lost (applies 2006-7 under EGTRRA).  
4 -- Exemption phase-out same as 2 above, but amount of exemption lost is one-third of amount otherwise lost (applies 2008-9 under EGTRRA).

**Fminexlim**  
AGI threshold at which phase-out of personal exemptions begins. If **Fexlim** is set to zero, then **Fminexlim** will be ignored by the SAS code, and should be set to zero.

**Fexlimrate**  
Percentage rate used in personal exemption phase-out calculation  
Led FDTXBASE = federal taxable income,  
and EXEMPT = total value of exemptions before phase-out

5 -- Rate applicable from 1988-90.  
If fdtxbase > **Fminexlim**, tax increase from phase-out =  
\[
\min[0.28 \times \text{EXEMPT}, (\text{Fexlimrate}/100) \times (\text{FDTXBASE} - \text{Fminexlim})]
\]

0.0008 -- Rate applicable 1991-present.  
If AGI > **Fminexlim**, Allowable exemption =  
\[
\max[\text{exempt} - (\text{AGI} - \text{Fminexlim}) \times (\text{Fexlimrate}/100) \times \text{exempt}, 0]
\]

During 1991 through 2005 and 2013 - present, the federal income tax instructions present this as taxpayers losing 2% of the value of their personal exemptions for every $2500 by which AGI exceeded the threshold given in **Fminexlim**. The 0.0008 comes from \((.02/2500)\times100\% = 0.0008\). The rate at which exemptions are lost was effectively 2/3rd the normal rate in 2008-2007 and 1/3rd the normal rate in 2008-2009, but this is handled through the coding of **Fexlim** as 3 or 4, not by adjusting the value of **Fexlimrate**.
Note: if **Fexlim** is set to zero, then **Fexlimrate** will be ignored by the SAS code and should be set to zero.

**STANDARD DEDUCTION**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fminstded</td>
<td>*</td>
</tr>
<tr>
<td>Fmaxstded</td>
<td>*</td>
</tr>
<tr>
<td>Fminstded_d</td>
<td>*</td>
</tr>
<tr>
<td>Fmaxstded_d</td>
<td>*</td>
</tr>
<tr>
<td>Fminstded_a</td>
<td>*</td>
</tr>
<tr>
<td>Fmaxstded_a</td>
<td>Amount of increase in maximum standard deduction for each taxpayer or spouse aged 65 or over or blind (maximum of two increases). Applies 1987 and later years.</td>
</tr>
<tr>
<td>Fpctstded</td>
<td>*</td>
</tr>
<tr>
<td>Fzba</td>
<td>*</td>
</tr>
</tbody>
</table>

**ITEMIZED DEDUCTIONS**

Note: deductions for state and local property taxes and income taxes, and for casualty losses, were allowable continuously since 1913, and the calculator takes this into account. Variables are provided only for major itemized deductions that changed at some point.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fcharded</td>
<td>Deduction for charitable contributions.</td>
</tr>
<tr>
<td>0</td>
<td>No deduction for charitable contributions.</td>
</tr>
<tr>
<td>1</td>
<td>Charitable deductions are deductible, but only for itemizers when there is a standard deduction or zero bracket amount.</td>
</tr>
<tr>
<td>2</td>
<td>Charity is deductible for itemizers. For non-itemizers, deduction is 0.25*min(100,charity). (1982-83).</td>
</tr>
<tr>
<td>3</td>
<td>Charity is deductible for itemizers. For non-itemizers, deduction is 0.25*min(300,charity). (1984).</td>
</tr>
<tr>
<td>4</td>
<td>Charity is deductible for itemizers. For non-itemizers, deduction is 0.5*charity. (1985).</td>
</tr>
<tr>
<td>5</td>
<td>Charity is deductible for itemizers. For non-itemizers, charity is also fully deductible. (1986).</td>
</tr>
<tr>
<td>Fchlim</td>
<td>Maximum charitable deduction as a percentage of AGI.</td>
</tr>
<tr>
<td>The calculator now imposes this limit when it is binding. The calculator's detailed output files provide information on whether the limit was binding in the variable <strong>Fchlimbind</strong>. Note that the 50% of AGI limit for charitable deductions was temporarily suspended in 2005 for certain</td>
<td></td>
</tr>
</tbody>
</table>
donations. The calculator currently deals with this by not imposing any %
of AGI limit on charity if Fchlim is set to zero, as it is in 2005.

Fintded  *  

Fmedded Deduction for medical expenses, % of AGI floor 
0 -- No deduction is allowed (1913-1943)  
Number > 0 -- Percent of AGI floor (only expenses above the floor are
deductible) [Note: from 2013 – 2016 this percentage is temporarily
reduced to 7.5 if taxpayer or spouse is aged 65 or above – is hard-coded
into SAS in the MakeData macro. When updating the tax calculator, check
Internal Revenue Code Section 213
(https://www.law.cornell.edu/uscode/text/26/213) to see if this temporary
provision has been extended].

Fsaleded Are state and local sales taxes deductible?  
0 -- No deduction is allowed (1913-1943, 1987-2003)  
1 – Yes (1944-1986)  
2 – May choose between sales tax deduction and income tax deduction
(2004-2014). Note that this is one of those provisions that is set to expire
almost annually and often gets restored by last-minute legislation.

Fbusexded Are unreimbursed employee business expenses an itemized deduction? 
0 -- No, unreimbursed employee business expenses are an adjustment
(1913-86)  
1 -- Yes, unreimbursed employee business expenses are an itemized
deduction subject to 2% AGI floor along with miscellaneous deductions
(1987-present)

Fmovexded Are moving expenses an itemized deduction? 
0 -- No, moving expenses are an adjustment (1913-86, 1994-present)  
1 -- Yes, moving expenses are an itemized deduction (1987-93)

Fcasdedlim Deduction for casualty losses, % of AGI floor 
0 -- Casualty losses are an itemized deduction, and there is no % of AGI
floor 
Number > 0 -- Percent of AGI floor (only expenses above the floor are
deductible). Equals 10 from 1983-present

Fidphthresh AGI threshold where limitation of itemized deductions begins.
(This is part of the “Pease” limitation). Applicable 1991-2009 and 2013 - .
If itemized deductions are not limited, Fidphthresh should be set to zero.

Fidphrate Percentage phase-out rate applicable for itemized deductions (also known
Allowable itemized deductions = protected deductions +
EGTRRA gradually phased this out during 2006 – 2009. In 2006 and 2007, the amount of itemized deductions lost is reduced to two-thirds what it would be otherwise. This is handled by setting Fidphrate = 2. The SAS code is written so that when Fidphrate = 2, no more than (2/3)*80% of itemized deductions can be lost. In 2008 and 2009, the amount of itemized deductions lost is reduced to one-third of what it would be otherwise. This is handled by setting Fidphrate = 1. The SAS code similarly interprets this as meaning that the maximum loss of itemized deductions cannot exceed (1/3)*80%. The provision did not apply 2010-2012, and then was reinstated with Fidphrate = 3 and higher thresholds for Fidphthresh starting in 2013. Unprotected deductions equals total itemized deductions less protected deductions. Protected deductions include medical and dental expenses, investment interest, casualty and theft losses, and any gambling or casualty losses included in “other miscellaneous deductions.” Certain qualified charitable contributions (those made in cash or by check to organizations not subject to the 30% of AGI limit) that were made between August 27, 2005 and December 31, 2005 were also included in the list of “protected deductions,” as well as being exempted from the limitation of deductible contributions to 50 percent of AGI. This special treatment of charity in late 2005 for purposes of calculating the Pease limitation is not yet reflected in the tax calculator program.

BRACKETS AND RATES

Fbracknum *
Fb1-Fb55 *
Fr1-Fr55 *

INCOME AVERAGING

How it works (approximately):

Let avglaginc = Annual average of lagged taxable income (previous 4 years from 1964-1983, previous 3 years from 1984-86), and TI = taxable income

If TI - avglaginc > max[(Fincavg/100)*avglaginc, 3000],
then re-compute tax liability by applying the average tax rate that applies to the first 20% (25% starting in 1984) of the excess of TI over (1+(Fincavg/100))*avglaginc in the ordinary tax to all of that excess.
Notes: from 1970-78, it appears that taxpayers had to choose between income averaging and alternative capital gains tax computation -- they could not use both. Prior to 1970, there were some complicated adjustments to the income averaging computation involving capital gains, but these are currently ignored by the program since we are unlikely to have sufficient information to compute the effects of income averaging provisions before 1970 anyway (because panel data does not exist for those years). In 1981, taxpayers could use income averaging and the alternative capital gains computation at the same time, and this is incorporated into the program.

**Fincavg**

Does income averaging apply / percentage used in income averaging formula.

\( \theta \) -- Income averaging does not apply (1913-1963, 1987-present)

Number > \( \theta \) -- Percentage by which current taxable income must exceed lagged taxable income for income averaging to apply (33.3% from 1964-1969, 20% from 1979-1983, 40% from 1984-86)

**SPECIAL TAXES**

**Fsptx**

Type of special tax. For federal, this just includes alternative taxes on capital gains that involved only one tax rate (those with multiple rates required coding in the "extra" tax section)

\( cgmax1 \) -- Alternative maximum tax on capital gains. Pay smaller of regular tax, and regular tax recomputed without capital gains, plus \( sptxrate \) rate times capital gains.

\( cgmax2 \) -- Alternative maximum tax on capital gains, where any gains taxed below the maximum rate already continue to be taxed at those below-maximum rates. Any gains that would otherwise be taxed at a rate above \( sptxrate \) are taxed at \( sptxrate \).

\( cgmax3 \) -- Alternative maximum tax on capital gains that applied at the federal level 1972-78. Let \( TI = \) income, and \( T(.) \) be the ordinary tax function which is defined by the regular bracket and rate structure. It works as follows:

If \( LTCG \leq \$50K \):
\[
\text{tax liability} = T(TI-(1-(cgexpct/100))*ltcg) + (sptxrate/100)*(1-(cgexpct/100))*ltcg).
\]

If \( LTCG > \$50K \):
\[
\text{tax liability} = T(TI-(1-(cgexpct/100))*ltcg)
\]
\[ + \left( \frac{sptxrate}{100} \right) \left( 1 - \left( \frac{cgexpct}{100} \right) \right) sptxex \\
+ \left[ T(TI) - T(TI - \left( 1 - \left( \frac{cgexpct}{100} \right) \right) LTCG + \left( 1 - \left( \frac{cgexpct}{100} \right) \right) sptxex \right], \]

In this case, \( sptxex = 50000 \), and \( sptxrate = 50 \).

**Fsptxex**  
* 

**Fsptxrate**  
* 

### EXTRA FEDERAL INCOME TAX STRUCTURE

**Fxtaxtype**  
Type of extra federal tax  
Note: there is no “base” variable for the extra federal tax, since base is automatically defined by the value of **Fxtaxtype**.  

* **none** – No extra tax is applicable.  

* **paratax** – Parallel tax on some measure of income. In case of federal, this starts with gross income, then subtracts exclusions, deductions, and exemptions specified in rest of the variables for the tax. At the federal level, this applies to certain years between 1913-37 and 1943-45 when normal taxes and complicated surtaxes operated in tandem.

* **cgmax4** – Alternative maximum tax on capital gains with multiple brackets. It works like \( Fsptx = cgmax1 \) above, but with multiple brackets and rates applying to different amounts of capital gains. Maximum tax on amount of capital gains in second bracket is: \( \min[Fxr2*(LTCG-Fxb1), T(TI)-T(TI-.5Fxb1)] \), where \( T(.) \) is the ordinary tax function, \( TI \) is taxable income, and \( LTCG \) is long term capital gains.

* **cgmax5** – Reduced tax rates on capital gains, applicable at federal level 1997-2002. Essentially, capital gains that would have been taxed under the first tax bracket (1997-2001) or the first two brackets (2002-) in the regular tax are taxed at \( Fxr1 \) instead, and gains that would have been taxed in a higher bracket are taxed at \( Fxr2 \). The dollar amount of the dividing point between brackets is in \( Fxb2 \). Total tax liability = \( T(TI-LTCG)+\text{tax on capital gains} \), where \( T(.) \) is the ordinary tax function defined by brackets and rates, \( TI \) is taxable income, and \( LTCG \) is the measure of long-term gains subject to special treatment. Starting in 2001, \( Fxr1 \) was lower if the asset had been held more than five years – the calculator consistently assumes that \( ltcg \) represents gains from the longest-term category. In addition, the 1997 legislation specified that assets bought in 2001 and later years and then subsequently held for five years would eventually be taxed at 18%, rather than the 20% reflected in \( Fxr2 \). The
2003 act obviated this feature before it began to apply, so we use the 20% top rate through 2002.

cgmax6 – 2003 – 2012. Same as cgmax5, but qualified dividends are now taxed like long-term capital gains.

cgmax7 – 2013 -. Reduced tax rates on capital gains and qualified dividends applicable at the federal level from 2013 on. This is very similar to cgmax6 except that it allows for an additional tax rate and an additional bracket threshold for the taxation of capital gains and qualified dividends. Capital gains and qualified dividends that would have been taxed at a rate of Fr2 or below if it were ordinary income is taxed at a rate of Fxr1 instead. Capital gains and qualified dividends that would have been taxed at a rate of Fr3, Fr4, Fr5, or Fr6 if it were ordinary income is taxed at a rate of Fxr2 instead. Capital gains and qualified dividends that would have been taxed at a rate of Fr7 if it were ordinary income is taxed at a rate of Fxr3 instead. Fxb1 equals zero, Fxb2 is the level of taxable income below which capital gains and qualified dividends are subject to a tax rate of Fxr1 (so Fxb2 should equal Fb3), and Fxb3 is the level of taxable income below which capital gains and qualified dividends are subject to a tax rate of Fxr2 (so Fxb3 should equal Fb7).

\[
\begin{align*}
\text{Fxgexpct} & \quad * \\
\text{Fxdivexpct} & \quad * \\
\text{Fxexreturn} & \quad * \\
\text{Fxex_dep} & \quad * \\
\text{Fxpetex} & \quad * \\
\text{Fxmaxstded} & \quad * \\
\text{Fxptstded} & \quad * \\
\text{Fxcred_dep} & \quad * \\
\text{Fxintded} & \quad * \\
\text{Fxbracknum} & \quad * \\
\text{Fxb1-Fxb3} & \quad * \\
\text{Fxr1-Fxr3} & \quad * \\
\end{align*}
\]

(Note: if Fxintded=1, then all other itemized deductions are the same as in the ordinary tax)

MAXIMUM TAX ON EARNED INCOME

This was also called the “maximum tax on personal service income” in some years. It was applicable 1971-1981. How it works:

Before any adjustment for alternative capital gains computation:
EI (Earned income) = wages, salaries, Sch. C self-employment income, and 30% of net profits of a business where taxpayer contributed both capital and labor (which could include Sch. C, but need to check). Starting 1977, pension income becomes included in EI. Currently, calculator includes in EI for the purposes of this provision wages and salaries, all Sch. C self-employment income, and pension benefits where applicable. The 30% provision is currently ignored.

ED (Employment deductions) = employee business expenses and moving expenses.

ENI (Earned net income) = EI - ED

ELTCG = excluded long-term capital gains (50% excluded through 1978, 60% from 1979-86).

TPI = Tax preference items

1969-1975: TPI = ELTCG + excess investment interest + accelerated depreciation on low-income rental housing, real property, or personal property subject to a net lease + amortization of pollution control facilities or railroad rolling stock + stock options + bad debt reserves + depletion

1976: TPI = Same as above, plus "adjusted itemized deductions between 60% and 100% of AGI" are also a tax preference. Adjusted itemized deductions = total itemized deductions less medical & dental expenses and casualty losses.

1977-78: same as above, but $30,000 exemption removed, and pension income added to EI. Also, in 1978 only, excluded capital gains are no longer a tax preference item for purposes of the maximum tax.

1979-81: TPI = Same as 1978, except adjusted itemized deductions now exclude state and local taxes as well.

TPIEX = exclusion for tax preference items ($30,000 1971-76, $0 1977-81)

ETI = Earned taxable income = \[(ENI / AGI) * TI\] - (TPI - TPIEX)

TAX(.) = Normal tax rate bracket structure

MAXTAX(.) = Normal tax rate and bracket structure adjusted to set rates above the maximum to the maximum rate (60% in 1971, 50% after that, contained in $F_{maxeirate}$).
TOI (tax on other income) = TAX(TI) - TAX(ETI).

OMAXTAXLIAB (ordinary maximum tax liability)  
= MAXTAX(ETI) + TOI

Taking alternative capital gains computation into account:  
Alternative capital gains computation applied through 1978 and in 1981.  
See FspTx and Fxtaxtype for details on that.

ATCG = alternative tax on capital gains (note that 1972-78, ATCG is just  
the tax on the first $50,000 of LTCG before exclusion)

MAXTAXLIAB = Min{OMAXTAXLIAB, OMAXTAXLIAB -  
[TAX(TI) - TAX(TI - ELTCG)] + ATCG}

The maximum tax calculation is actually a lot more complicated than  
described above in 1981, because of complicated interactions with the  
alternative capital gains computation and the rate reduction credit.  See  
calculator SAS code for details.

Fmaxetypetype  Type of maximum tax on earned income  
0 -- None (1913-1970, 1982-present)  
1 -- With alternative capital gains tax calculation and $30,000 preference  
exemption (1971-1975)  
2 -- Same as 1, but with itemized deduction limitation (1976)  
3 -- Same as 2, but pension benefits count as earned income, and $30,000  
exemption for preference items removed (1977-78).  Excluded capital  
gains no longer a tax preference item starting in 1978.  
4 -- Same as 4, but alternative capital gains tax calculation is only relevant  
in 1981, and excluded capital gains and state and local taxes are no longer  
a preference item (1979-81)

Fmaxeratetype  Maximum tax rate on earned income (60% in 1971, 50% 1972-81)

MINIMUM TAX (A.K.A. "ADDITIONAL TAX FOR TAX PREFERENCES")


How it works:  
Minimum tax =  
(Fmintaxraterate/100)*max(0, TPI – max($10,000, .5*income tax after credits))  
- unused credits for elderly, child care, political contributions, and energy  
TPI = tax preference items, defined below.

Fmintaxtypetype  Type of minimum tax. This is a tax on "tax preference items" (TPI).
Definition of TPI includes:

0 -- 1913-1969, 1983-present: no minimum tax

1 -- 1970-1975: TPI = excluded LTCG + excess investment interest + accelerated depreciation on low-income rental housing, real property, or personal property subject to a net lease + amortization of pollution control facilities or railroad rolling stock + stock options + bad debt reserves + depletion

2 -- 1976-78: = Same as above, plus "adjusted itemized deductions between 60% and 100% of AGI" are also a tax preference. Adjusted itemized deductions = total itemized deductions less medical & dental expenses and casualty losses.

3 -- 1979-82 = Same as above, minus excluded LTCG and preference itemized deductions (which are now in the AMT)

Fmintaxrate Percentage rate applied to tax preference income
0 -- 1913-1969, 1983-present
10 -- 1970-75
15 -- 1975-82

ALTERNATIVE MINIMUM TAX (AMT)
Calculator involves some approximations in calculating the AMT. For example, complicated interactions with credits are ignored. AMT is computed by subtracting ordinary tax liability (before credits) from tentative alternative minimum tax.
Adjustments for things like the foreign tax credit are ignored. From its inception in 1979, the AMT could affect whether itemizing was advantageous or not, so from then on, itemization status for those potentially subject to the AMT is based on tax minimization rather than comparison between itemized deductions and standard deductions. Also note that it was possible for taxpayers subject to the alternative minimum tax to face a negative marginal tax rate on income. This would occur when tax credits (other than the foreign tax credit) were equal to or larger than ordinary tax liability, and the marginal rate in the AMT was below the marginal rate in the ordinary tax.

Famtttype Type of alternative minimum tax.
Each value represents a different method for calculating the base for AMT. The descriptions of how the AMT works offered below are approximations reflecting the limited array of information supplied in the input data set. The different possible values for Famtttype do not include changes in rates or exemptions, which are coded in separate variables (see below).
0 -- No AMT (1913-1978)

1 -- AMT base applicable in 1979-80, 1982.
AMTI (AMT taxable income) = AGI - exemptions - (deductions including ZBA) + ADJITEM + excluded capital gains.
ADJITEM = itemized deductions except medical, casualty, and tax, in excess of 60% of (AGI - allowable deductions).
TAMT = Bracket and rate schedule applied to (AMTI – Famtex).
AMT (AMT tax liability) = \( \max(0, TAMT - \text{income tax after credits} - \text{mintax}) \)

2 -- AMT base applicable in 1981.
AMTI is the same as in 1. Rates change. TAMT is now the minimum of TAMT under the old rates, or TAMT under the new rates but computed on (AMTI - excluded capital gains), plus a 20% tax on excluded capital gains. Thus the AMT may use either 1980 brackets or 1981 brackets under different circumstances (see above). Since 1981 brackets are the same as 1980 but with the top bracket lopped off, the 1980 brackets are coded in for 1981, and program appropriately accounts for this.

AMTI (AMT taxable income) = AGI - (allowable itemized deductions) + (excluded capital gains + dividend exclusion + other preference items). Allowable itemized deductions that we can recover = charity + interest + medical(>10% of AGI, normally 5%) + casualty.
TAMT = Bracket and rate schedule applied to (AMTI – Famtex).
AMT = \( \max(0, TAMT - \text{income tax after credits}) \)

4 -- AMT base applicable in 1987-90.
AMTI = TI + (standard deduction or disallowed itemized deductions) + (personal exemptions after phase-out) + (capital gain portion of contributions of appreciated property) + (adjustment to net operating loss deduction) + (other adjustments and tax preference items) Disallowed itemized deductions = taxes + (medical expenses between 7.5% of AGI and 10% of AGI) + miscellaneous TAMT = Bracket and rate schedule applied to [AMTI - (Famtex after phase-out)] AMT = \( \max(TAMT - \text{income tax before credits}, 0) \)

5 -- AMT base applicable in 1991-92.
Same as 4, except that itemized deductions lost to limitation are now subtracted from alternative minimum taxable income. In addition, capital gains on charitable contributions of appreciated tangible personal property were temporarily removed from AMT base for 1991 and 1992, but this change is currently ignored by the calculator. If a gift of appreciated assets is specified in the input data set in the \textit{charcg} variable, it is assumed to be
a gift of intangible property, and thus still subject to AMT in these years. So in effect, Famtttype=5 is the same as Famtttype=4 for purposes of the calculator.

6 -- AMT base applicable in 1993-96.
Same as 5, but capital gain on all charitable contributions now permanently removed from AMT base, which is reflected in the calculator. Also, itemized deductions lost to the limitation of itemized deductions for high-income households are now subtracted from AMTI (to avoid counting itemized deductions that are not actually deductible under the ordinary tax as preference items for the AMT). It appears from the tax forms that this last feature was not taken into account by the AMT in 1991-92, although this seems like such an obvious problem that I may just be missing how they fixed it in those years. There is also now an adjustment for carryovers of charitable contributions that exceed the 50% of AGI limit (to adjust for a different definition of AGI used by the AMT). This feature not taken into account by calculator.

7 -- AMT base applicable 1997-present.
Same as 6, but now TAMT = TAMT(AMTI - LTCG) + Tax on capital gains. AMT = TAMT - income tax before credits Starting in 2000, AMT is added to tax liability before credits, so that credits can now offset AMT liability.

Famtext AMT exemption amount
Famtexth AMT exemption phase-out threshold
Famtextrate Cents of exemption lost per $ AMTI above threshold
Famtb1 bottom of 1st AMT bracket
Famtb2 bottom of 2nd AMT bracket
Famtb3 bottom of 3rd AMT bracket
Famtr1 1st AMT rate (%)
Famtr2 2nd AMT rate (%)
Famtr3 3rd AMT rate (%)
Famtbrkn Number of brackets for AMT

GENERAL CREDITS

Ferpercap *

CHILD TAX CREDIT
How it works:

If AGI < Fkidcthresh, then credit = Fkide*kids.
If AGI > $F{\text{idc threshold}}$, then credit
= $\max[0, F{\text{kids}}*\text{kids} - (F{\text{crate}}/100)*(\text{AGI}-F{\text{idc threshold}})]$.

Child credit is non-refundable through 2000. Starting in 2001:

If <3 kids, refundable child credit = $\min\{F{\text{crate}}*(\text{EI} - F{\text{crefinc}}), \max[0, F{\text{kids}} - (\text{income tax after other non-refundable credits})]\}$

If 3 or more kids, refundable child credit = $\min\{\max[F{\text{crate}}*(\text{EI} - F{\text{crefinc}}), (\text{soc sec and medicare taxes} - \text{EIC})], \max[0, F{\text{kids}} - (\text{income tax after other non-refundable credits})]\}$

$F{\text{kids}}$ Amount of child tax credit per child

$F{\text{idc threshold}}$ AGI threshold where phase-out of child tax credit begins

$F{\text{crate}}$ Percentage phase-out rate, percent. Credit is reduced by (F{\text{crate}}/100) for every dollar of AGI above threshold.

$F{\text{crefinc}}$ Income threshold above which child tax credit is refundable

$F{\text{crate}}$ Percentage of earned income above F{\text{crefinc}} that becomes refundable child credit.

EARNED INCOME CREDIT
How it works:

Modified adjusted gross income (MAGI) = AGI (+ teint through year 1999)

Earned income (EI) is essentially wages and salaries plus self-employment income.

EIC(.) is the earned income credit as a function of income, defined by bend points and phase-in rates coded below.

If MAGI<=2nd kink, then EIC = EIC(EI)

If MAGI>2nd kink, then EIC = $\min[EIC(EI), EIC(\text{AGI})]$

$F{\text{eic phin 0}}$ EIC phase-in rate, %, 0 kids

$F{\text{eic phin 1}}$ EIC phase-in rate, %, 1 kid

$F{\text{eic phin 2}}$ EIC phase-in rate, %, 2 or more kids
Feicphin3 EIC phase-in rate, %, 3 or more kids. If set to zero, Feicphin2 is used. Becomes relevant starting in 2009.

Feic1bend0 EIC 1st bend point, 0 kids
Feic1bend1 EIC 1st bend point, 1 kid
Feic1bend2 EIC 1st bend point, 2 or more kids
Feic2bend0 EIC 2nd bend point, 0 kids
Feic2bend1 EIC 2nd bend point, 1 kid
Feic2bend2 EIC 2nd bend point, 2 or more kids
Feicphout0 EIC phase-out rate, %, 0 kids
Feicphout1 EIC phase-out rate, %, 1 kid
Feicphout2 EIC phase-out rate, %, 2 or more kids
Feiclim0 Maximum MAGI to be eligible for EIC, 0 kids
Feiclim1 Maximum MAGI to be eligible for EIC, 1 kid
Feiclim2 Maximum MAGI to be eligible for EIC, 2 kids
Feiclim3 Maximum MAGI to be eligible for EIC, 3 kids (if set to zero, Feiclim2 is used). Becomes relevant starting in 2009.

Feicilim Maximum investment income allowed before taxpayer is disqualified from EIC (begins in 1996). For purposes of the tax calculator, investment income is defined as: \[\text{int1} + \text{int2} + \text{teint1} + \text{teint2} + \text{div1} + \text{div2} + \text{ltcg1} + \text{ltcg2} + \max(\text{rentinc1},0) + \max(\text{rentinc2},0)\]. The definition of investment income used in federal law is actually slightly more complicated than this, but this is the closest we can get with the available input variables.

**SOCIAL SECURITY PAYROLL TAX**
Information on social security payroll tax liability is currently only used to calculate itemized deductions for the few states that allow a deduction for the employee portion of payroll taxes. Note that taxpayers in the phase-in range for taxation of social security benefits could face very high marginal tax rates. For instance, over a certain part of the phase-in range in recent years, the effective marginal tax rate is 1.85 times the ordinary marginal tax rate.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fssrate</td>
<td>Federal social security (OASDI) payroll tax rate, combined employer-employee. (%)</td>
</tr>
<tr>
<td>Fsscap</td>
<td>Maximum taxable earnings for OASDI payroll tax. Projections for future years are the intermediate projections from the <em>Annual Report of the Board of Trustees of the Federal Old-age and Survivors Insurance and Federal Disability Insurance Trust Funds</em>. Projections in the current version are from the 2016 Trustees’ report, available at <a href="https://www.ssa.gov/oact/TR/2016/tr2016.pdf">https://www.ssa.gov/oact/TR/2016/tr2016.pdf</a>. Values of Fsscap through 2025 are from Table V.C1 from that publication, from the column labeled “Contribution and Benefit Base.” Values of Fsscap for 1975 through 2014 are from the “Historical data” rows of that table, and values for 2015 through 2025 are from the “Intermediate” rows of that table. The figures for 2026 and 2027 are based on indexing rules laid out in 42 USCS § 430 of the U.S. Code (which can be found on Lexis-Nexis), together with projections from the 2016 Social Security Trustees report tables V.C1 and V.B1. So for example, the 2026 value of Fsscap is determined multiplying the 1992 value of Fsscap ($62,600) by the ratio of the intermediate projected average wage index in 2025 to its value in 1992 (which was $22,935.42), and then rounding to the nearest multiple $300. Table V.C1 indicates that the average wage index in 2025 is $79,668.95 and then Table V.B1 indicates that the intermediate projection of the annual growth rate in the “average annual wage in covered employment” from 2025 through 2030 is 3.89 percent. So to find the value of Fsscap for 2026 compute ($71,668.95/$22,935.42)<em>$62,600 and round to the nearest multiple $300, which gives you $195,600. To find the value of Fsscap for 2027, compute ($71,668.95</em>1.0389/$22,935.42)*$62,600 and round to the nearest multiple of $300 to get $203,100.</td>
</tr>
<tr>
<td>Fhirate</td>
<td>Federal hospital insurance (Medicare) payroll tax rate, combined employer-employee. (%). Note that Fhirate does not include the new 0.9 percent HI tax on high-income people that was adopted as part of the Affordable Care Act – the parameters of that tax are coded into the variables Fhirate2 and Fhithresh2 below.</td>
</tr>
<tr>
<td>Fhicap</td>
<td>Maximum taxable earnings for HI. Zero means no limit.</td>
</tr>
<tr>
<td>FssrateSE</td>
<td>Federal OASDI payroll tax rate for self-employed</td>
</tr>
<tr>
<td>FhirateSE</td>
<td>Federal HI payroll tax rate for self-employed. Note that FhirateSE does not include the new ACA Additional Medicare Tax (this is stored in Fhirate2 instead).</td>
</tr>
<tr>
<td>Fhirate2</td>
<td>Tax rate (in percentage points) for the additional federal HI tax applying to</td>
</tr>
</tbody>
</table>
the portion of wages, salaries, and self-employment income of an unmarried taxpayer or married couple that exceeds the threshold specified in \( \text{Fhithresh2} \), as a result of the Patient Protection and Affordable Care Act of 2010.

**Fhithresh2** The portion of an unmarried taxpayer or married couple’s wage and salary and self-employment income that exceeds the threshold defined in \( \text{Fhithresh2} \) is subject to an HI tax at a rate of \( \text{Fhirate2} \) percent, as a result of the Patient Protection and Affordable Care Act of 2010.

**Fhirate3** Tax rate (in percentage points) for the additional federal HI tax applying to net investment income received by an unmarried taxpayer or married couple with modified AGI exceeding the threshold specified in \( \text{Fhithresh3} \), as a result of the Patient Protection and Affordable Care Act of 2010. “Net investment income” is defined to include most forms of capital income included on the personal income tax return, such as capital gains, dividends, royalties, and rents, as well as business income from pass-through entities when the business is a “passive activity” of the taxpayer (calculator currently assumes all partnership and S-corporation income is “passive”). Modified AGI is defined as federal AGI plus net excluded foreign earned income. The tax rate \( \text{Fhirate3} \) is applied to a base equal to the smaller of net investment income or the excess of modified AGI over the threshold amount in \( \text{Fhithresh3} \).

**Fhithresh3** The threshold for modified AGI above which an unmarried taxpayer or married couple is subject to HI tax on net investment income as a result of the Patient Protection and Affordable Care Act of 2010.

**CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES**

In general, deduction, or expenditures eligible for credit, was limited to the earned income of the lower-earning spouse. Note that in cases where the maximum allowable credit was a step function of income, the calculator computes an approximation based on a linear phase-out.

**Fkcaretype** Type of provision for child and dependent care expenses

\[
\theta = \text{none (prior to 1954)}
\]

\[
\ell = \text{Itemized deduction (1954-1963). Maximum deduction was $600. For married couple, if AGI > $4,500, deduction reduced by $1 for each $1 of AGI above $4,500.}
\]

\[
2 = \text{Itemized deduction (1964-1971). Maximum deduction was $600 for one child or $900 for two or more. The deduction is phased out with}
\]
income for married couples only; for single parents, there was no phase-out. For married couples, the full deduction is allowed if AGI<$6,000; deduction was then reduced by $1 for each $1 of AGI above $6,000.

3 = Itemized deduction (1972-1975). Maximum deduction was $2400 for one child, $3600 for 2, or $4800 for 3 or more. Deduction is phased out with income for all filing statuses. Full deduction available if AGI<$18,000; deduction reduced by 50 cents for each dollar of AGI above $18,000.

4 = Flat rate credit (1976-1981). Maximum eligible expenditures $2,000 for 1 kid, $4,000 for two or more. Credit rate is 20%.

5 = Flat rate credit (1982). Same as above, but maximum eligible expenditures increased to $2,400 and $4,800.

6 = Graduated rate credit (1983-2002). Same as above, but credit rate ranged from 30% for AGI below $10,000, to 20% for AGI above $28,000. Calculator approximates the phase-down of the credit rate with a smooth function. From 1987 through 1997, the amount of the credit was limited to be no larger than the amount by which federal tax liability before credits exceeded tentative alternative minimum tax. From 1998 through 2001, the credit was limited to be no larger than federal tax liability before credits. In 2002 and later years, the credit was limited to be no larger than the sum of federal tax liability before credits and AMT. The limitations are implemented in the part of the SAS code where final federal tax liability (taxf) is calculated, and do not affect the value of Fkcarecred, which is the gross credit before limitation. (The foreign tax credit also plays some role in the limitation but we ignore this).

7 = Graduated rate credit (2003-?). Maximum eligible expenditures rise to $3,000 for 1 kid and $6,000 for two or more kids. Credit rate now ranges from 35% for AGI below $15,000, to 20% for AGI above $43,000. Calculator approximates the phase-down of the credit rate with a smooth function. The credit is limited to be no larger than the sum of federal tax liability before credits and AMT. This limitation is implemented in the part of the SAS code where final federal tax liability (taxf) is calculated, and does not affect the value of Fkcarecred, which is the gross credit before limitation. (The foreign tax credit also plays some role in the limitation but we ignore this).

CREDIT FOR ELDERLY AND DISABLED (A.K.A. RETIREMENT INCOME CREDIT)
Minimum age for eligibility is assumed to be 65 throughout. In some years, people below age 65 who had government employee pension income could also receive this credit -- we ignore this.

**Feldctype**  Type of federal credit for elderly and disabled

1 -- Non-refundable credit = (Feldcrate/100)*\{min\{pen+div+int+rent, max\{0, Feldcbase - nontaxssben - max\{0, EI - Feldcex\}\}\} -- separate calculation for each spouse. EI is earned income.

2 -- Same as 1, but half of labor income between Feldcex and Feldcex2 is excluded

3 -- Same as 2, but if over 65, spouses have the option of calculating separately using Feldcbase, or using Feldbase2, from which is subtracted the sum of their social security benefits and each spouse's labor income over his or her own exclusion.

4 -- If >= 65, non-refundable credit = (Feldcrate/100)*max\{0, Feldcbase - nontaxssben - .5*max\{0, AGI - Feldlcex\}\}. For joint returns: pool incomes, do a single calculation. Feldcbase applies if only one spouse >= 65, Feldcbase2 applies if both are >= 65.

**Feldcbase** "Base" (maximum amount of retirement income to which federal elderly credit can apply)

**Feldcbase2** 2nd "base" for calculating federal elderly credit

**Feldcrate**  % rate used in calculation of federal elderly credit

**Feldcex**  Exclusion for labor income or AGI used in calculation of federal elderly credit.

**Feldcex2** 2nd exclusion for labor income or AGI used in calculation of federal elderly credit.

**Feldcagefree**  If Feldcagefree>0, then people older than Feldcagefree have all labor income excluded from calculation of federal elderly credit

**MAKING WORK PAY TAX CREDIT**

How it works: this is a refundable credit for each of taxpayer and spouse. For each, the credit is **Fmwprate** percent of earned income, up to a maximum credit of **Fmwpcmax**. For those with AGI above **Fmwptcphash**, the credit is reduced by **Fmwpcphase** percent of the amount by which AGI exceeds **Fmwptcphash**, until it is completely phased out. Earned income is defined the same as for the earned income credit. There is also a refundable credit equal to **Fercred** that is given to each of taxpayer and spouse that
receives social security benefits, railroad retirement benefits, SSI benefits, or veteran benefits. The making work pay credit is reduced by the amount of any Fercred payment. Since we have limited information, we give the credit to taxpayers or spouses that have ssben > 0 or are aged 65 or above. The making work pay credit only applies in 2009 and 2010, and Fercred only applies in 2009.

Fmwpcrate Phase-in rate for “making work pay” tax credit.

Fmwpcmax Maximum allowable “making work pay” credit. (For married returns, this is the maximum amount per spouse).

Fmwpcthresh AGI threshold above which the “making work pay” credit is phased out.

Fmwpcphase Phase-out rate for “making work pay” credit (percent).

Fercred Amount of “Economic Recovery Payment” to recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits, applicable in 2009. Due to limited information, the calculator only grants this to those aged 65 and above or with positive value for ssben.

FEDERAL NON-ITEMIZER DEDUCTION FOR PROPERTY TAXES

Fnipropmax Maximum allowable non-itemizer deduction for property taxes. Applies in 2008 and 2009. Non-itemizers are allowed a deduction for property taxes equal to min(proptax, Fnipropmax).

INFLATION DATA FOR PROJECTING FUTURE FEDERAL TAX PARAMETERS

Finfcpiu Projected CPI-U inflation rate used to index federal tax parameters. Section 1 of the Internal Revenue Code (26 U.S. Code Section 1), specifies that the inflation rate used to index a given year’s tax parameters is the percentage change in the average Consumer Price Index for all urban consumers (CPI-U) over “the 12-month period ending on August 31 of each year.” So for example, the percentage change in the 2017 federal parameters relative to the 2016 federal parameters will be based on the percentage change in the CPI-U from the 3rd quarter of 2015 to the 3rd quarter of 2016. Our projections of inflation rates for future years are based on the latest available baseline forecast by the Congressional Budget Office (which at the time of writing is January 2016, available at: https://www.cbo.gov/sites/default/files/51135-2016-01-Economic%20Projections.xlsx). This variable is set to zero in prior years when projections are not needed (because we know the
actual value of the parameter that ended up applying). The inflation rate is recorded in decimal terms (e.g., a 2.3 percent inflation rate is recorded as 0.023).

**Fcpiu**  
CPI-U index normalized so that it equals one in the most recent year for which the actual values of inflation-adjusted federal tax parameters are known. This is computed from Finfcpiu using an Excel formula in the IncTaxFed.xlsx spreadsheet.

**SOME MAJOR FEATURES OF FEDERAL LAW INCORPORATED INTO THE SAS CODE FOR THE TAX CALCULATOR, BUT NOT REFLECTED IN FEDERAL TAX PARAMETER DATA SET**

- Federal earned income credit, 1924-31 and 1934-43. This worked as follows.
  - Key variables:
    - Earned income (EI) = earned income (wages and salaries plus labor compensation portion of business and farm income).
    - Net income (NI) = total gross income minus itemized deductions.
    - Exemptions (EX) = total value of personal exemptions and dependent exemptions.
    - Deductions (DED) = itemized deductions "properly allocable to or chargeable against earned income," which mattered 1934-43. It is unclear what this means. Currently, calculator assumes these deductions include unreimbursed employee business expenses, and state income taxes times labor income as a share of total gross income. The law provides no guidance, so we need to find the IRS regulation regarding this issue in the IRS Bulletin circa 1934.
    - Earned Net Income (ENI):
      - 1924: If NI <= $5,000, then ENI = NI. Else if EI > $5,000 then ENI = min[10000, max(5000, EI)].
      - 1925-27: If NI <= $5,000, then ENI = NI. Else if EI > $5,000 then ENI = min[20000, max(5000, EI)].
      - 1928-31: If NI <= $5,000, then ENI = NI. Else if EI > $5,000 then ENI = min[30000, max(5000, EI)].
      - 1934-43: If NI <= $3,000, then ENI = NI. Else if NI > $3,000 then ENI = min[14000, max(3000, EI-DED)].
  - How it worked:
    - 1924: Credit against tax = .25*min[NT(ENI-EX), NT(NI-EX)], where NT(.) is the “normal” tax function (graduated rates of 2%, 4%, and 6%).
    - 1925-31: Credit against tax = .25*min[NT(ENI-EX) + ST(ENI), NT(NI-EX) + ST(NI-EX)], where NT(.) it the “normal” tax function and ST(.) is the “surtax” tax function.
    - 1934-43: Credit against taxable income used to compute “normal” tax only = .1*min(ENI, NI).
Issues:

- “Earned income” was defined to include wages and salaries plus labor portion of any sole-proprietorship, farm, or partnership income. In cases where both capital and labor were contributed, the labor portion would be considered not more than 20% of the net profit from the taxpayer’s share of the trade or business. The calculator currently treats all sole-proprietorship and farm net income as labor compensation, and does not count any partnership income as such.

- 1940 “Defense tax” = 0.1*min(max(fdtxliab_bc,0),max(Fti+Fexempt-fdtxliab_bc,0)), where fdtxliab_bc is federal tax liability, Fti is federal taxable income, and Fexempt is the value of federal personal exemptions.

- 1943 “Victory Tax” and tax forgiveness.
  - Victory tax. In 1943, there was a one-year temporary “victory tax” that worked as followed. Victory tax taxable income was essentially gross income not including capital gains, less an exemption of $624 for an individual return or $1,248 for a joint return. Certain forms of U.S. federal government bond interest income were also exempt from the victory tax, but the calculator does not take this into account. Victory tax liability before credits (VicTax_bc) was then 5% of victory tax taxable income. A credit was then allowed against victory tax liability. The credit for single was min((0.25+.02*deps)*VicTax_bc, 500+100*deps). The credit for head of household was min((0.4+.02*(deps-1))*VicTax_bc, 1000+100*(deps-1)). The credit for married couples was min((0.40+.02*deps)*VicTax_bc, 1000+100*deps). Victory tax was further limited to be no greater than 0.9(net income) – income tax other than victory tax.
  - Tax forgiveness. Withholding of income taxes on wages began at a 5% rate on January 1, 1943, and at a 20% rate on July 1, 1943. This created transition problems in both 1943 and 1944. In 1943, people had to pay their full 1942 tax bills, and then also had to pay withholding tax on their 1943 incomes. In 1944, people would have to pay the portion of their 1943 tax liabilities that had not already been paid in 1943 (a substantial portion, since full withholding did not start until mid-year 1943), and would concurrently have to pay withholding taxes on their 1944 incomes. To address this situation, the 1943 tax form (filed in spring 1944) allowed a refund of 75% of the smaller of 1942 or 1943 taxes, whichever was smaller (there was a 100% refund if the smaller of the two tax liabilities was less than 50%). In general, 1942 tax liability was usually smaller. Tax provisions were identical in 1942 and 1943, except that the victory tax and the medical and dental expense deduction applied in 1943 but not in 1942. To address this situation, for 1943 the tax calculator computes a 1942 tax liability assuming income and deductions were the same in 1943 as in 1942. It then reduces 1943 tax liability by 75% of the 1942 liability. This is done in a lump-sum fashion, so that it does not affect any marginal tax rate calculations.
1944-63 limitation on maximum effective federal average tax rate on federal taxable income. Rate limit was:
1944-45: 90% of net income
1946-47: 85.5% of net income
1948-49: 77% of net income
1950: 87% of net income
1951: 87.2% of net income
1952-53: 88% of net income
1954-64: 87% of taxable income

Credit for dividends, 1954-1964
div = dividend income; Fdivexamt = dividend exclusion; Fti = federal taxable income. Credit is non-refundable.
1954: credit applied to dividends received after July 31, 1954. This is approximated by multiplying dividend income for the year by (5/12).
credit = min(.04*max(0,(5/12)*div – Fdivexamt), .02*Fti)
1955-63: credit = min(.04*max(0,div – Fdivexamt), .04*Fti)
1964: credit = min(.02*max(0,div – Fdivexamt), .02*Fti)

Federal rules for allocation of deductions and exemptions prior to 1948
Adult exemptions for whole return can be divided in any way they choose; adult per capita exemptions and age exemptions must go to the adult to whom they relate; and dependent exemptions must be taken by the adult providing over half of support.
From 1944-1947, separate filers could each get a $500 standard deduction (same as for singles). If one spouse itemized, both had to itemize.
Each spouse claimed his or her own itemized deductions. So for instance, state taxes paid by each spouse were claimed by that spouse, charitable contributions made by a particular spouse were taken as deductions by that spouse, etc.

Basic credit = min(net income tax liability, $600) if single or head of household, or min(net income tax liability, $1200) if married. “Net income tax liability” equals “regular tax liability” plus AMT minus nonrefundable credits (not including this one or the child credit).
The minimum basic credit is $300 if the taxpayer has either (1) “qualifying income” of at least $3,000, or (2) has both a net income tax liability of at least $1 and gross income greater than the basic standard deduction plus one personal exemption (or two personal exemptions if married).
If the taxpayer qualifies for any basic credit at all, then there is an additional $300 of credit for each child that qualifies for a child tax credit.
The overall credit is phased out above a threshold of $75,000 (or $150,000 if married). Subtract 5% of the amount by which AGI exceeds the threshold, until the credit is completely phased out.
X. DESCRIPTION OF RECENT CHANGES TO THE TAX CALCULATOR

This section describes changes implemented since December 2006.

December 2006

- An optional feature that roughly approximates local income tax liability for 1977-2004 was added.

- The optional deduction for state sales taxes was incorporated into the calculator at the federal level. Some states have begun to allow a similar deduction, but the calculator does not yet reflect this unless those states also allow a deduction for state income taxes.

February 2007

- Calculation of federal self-employment tax was corrected (thanks to Brad Heim).

- Calculation of Rhode Island earned income credit for recent years was corrected.

May 2007

- The date at which social security benefits became exempt in Georgia was corrected to 1988 (thanks to Jon Rork).

- The date at which social security benefits became subject to tax in Wisconsin was corrected to 1986 (thanks to Inna Shapiro and Dan Feenberg).

July 2007

- The treatment of medical expenses in AMT for 1991 and later years was corrected.

- The circuit-breaker credit calculation for \( cbinedef = 13 \), which applied in Maine 1989-2004, was corrected (thanks to Hui Shan).

- Computation of the circuit-breaker credit for \( cbtype = 22 \), which applied in Utah 1982-present, was corrected (thanks to Hui Shan).

September 2007

- The 2006 and 2007 federal income tax parameters were updated.

December 2007 - January 2008

- The method for determining federal and state itemization status was completely overhauled. There are many states where state itemization status is in some way
constrained by federal itemization status. For example, in some states, taxpayers are required to choose the same state itemization status as on the federal return. In these states, the choice of federal itemization status can have important consequences for state tax liability, and these consequences should be taken into account in the federal itemization decision. Similar issues arise in states where the state AMT (mintaxtype>0). The constraints on state itemization status were formerly ignored by the calculator, but information on these constraints is now included in the state variable itemiz, and the constraints are now imposed in the calculator. Given these complications, in order to accurately characterize optimal itemization status and marginal tax rates, and to avoid marginal tax rate notches, the tax calculator now always picks the combination of federal and state itemization statuses that minimizes combined federal-state tax liability, taking any constraints imposed on state itemization by federal itemization status into account. (Formerly, the program chose the federal itemization status that minimized federal tax liability, and the state itemization status that minimized state tax liability, without taking into account the impact of each decision on combined federal-state liability). Another change, intended to avoid “notches” that produce extreme values of marginal tax rates, is that now adding an increment to calculate marginal tax rates is not allowed to change itemization status. After adding the marginal tax rate increment, itemization status at each iteration is held at the same value it had in the corresponding iteration from before adding the marginal tax rate increment. See discussion of "itemization status" in section IV above for further details.

- In cases where variables calculated for the federal income tax affect state tax liability and vice versa, the number of iterations of the calculator used to compute federal and state tax liabilities was increased from three to four. As before, the marginal rate calculation repeats the complete set of (now four) iterations again after adding an increment to an input variable chosen by the user. I also expanded the set of conditions under which all four iterations are run. For example, cases where state itemization status is constrained by federal itemization status now lead to all four iterations.

- I inserted code directly into the program for translating SOI state codes into two-letter state postal abbreviations and vice versa, obviating the need for the old external file StateCross.dat.

- 2008 federal income tax parameters were updated. In addition, the AMT patch is now assumed to apply in 2007 but not in later years.

- The documentation has been edited in various places to improve clarity.

- The code for allocating state credits, minimum taxes, and itemized deductions across spouses who are filing separate state returns has been edited remove a bug that could cause very high marginal rates in rare cases.

- I corrected errors in the code for calculating the Wisconsin and Minnesota AMTs.
I corrected the code for \texttt{lowtype} = 12 to compute the credit as a percentage of tax liability \textit{before} minimum taxes (which is generally how it is computed). I also edited the code disallow the credit altogether in California if the taxpayer is subject to the state AMT (this is specifically written into the CA law). This corrects some rare illegitimate marginal rate notches.

I modified the code for the federal earned income tax credit to disallow the credit for taxpayers with investment income above the allowable threshold (this feature was introduced into federal law starting in 1996).

Kentucky had incorrectly been recorded as allowing an itemized deduction for state income taxes from 1985-2000, based on faulty information from \textit{All States Tax Handbook}. A review of tax forms and the annotated statutes indicate that state income taxes were not deductible in Kentucky during this period -- only local income taxes were deductible. This has now been corrected.

In Louisiana from 2000-2002, taxpayers were only allowed to deduct a fraction of their itemized deductions. In 2000 and 2001, taxpayers were effectively allowed to take a deduction equal to a standard deduction plus 50\% of "excess itemized deductions" (the amount by which federal itemized deductions exceeded the federal standard deduction). In 2002, taxpayers were allowed a deduction equal to a standard deduction plus 57.5\% of excess itemized deductions. This feature is now incorporated in the tax calculator via the \texttt{itemlim} variable. Itemized deductions were eliminated in Louisiana starting in 2003, but this had already been reflected in the calculator.

I modified the code for state itemized deductions starting in 2004 to allow the federal deduction for state sales taxes in cases where the state already allowed a deduction for state income taxes (which is generally accurate), but to disallow state itemized deductions for state sales taxes otherwise (which is not always accurate). We know that in fact, some states with income taxes that did not allow state income taxes to be deducted did start to allow deductions for state sales taxes in 2004, but only if required one to choose the sales tax deduction on the federal return as well. The calculator currently ignores those situations because dealing with them appropriately would greatly increase the complexity and running time of the program, but would probably have little impact on accuracy. See documentation for \texttt{sitded} above for further discussion.

I corrected the alternative maximum tax calculation that applied in North Dakota 1981-2000 (\texttt{sptx} = \texttt{maxptfd}). This tax was a percentage of federal tax liability. The ND law specified the measure of federal tax liability used to compute this tax should include the alternative minimum tax, and the program has now been adjusted to reflect this.

I added the Vermont alternative minimum tax that applied in 2001 only.
- I removed the two-earner couple deduction from the Minnesota state income tax for 1982-84. The historical notes to section 290.01 in the 1989 Minnesota Annotated Statutes make clear that this deduction was explicitly disallowed in 1982-84, and then was allowed starting in 1985.

- The code for determining federal itemization status was changed to take the non-itemizer charitable deduction into account. I also changed the variable `Fcharded` so that it takes on different values for different types of federal non-itemizer deduction.

- I added state charitable deductions for non-itemizers (see `charded`). The data regarding which states allowed non-itemizer deductions currently follows `Taxsim` (thanks to Dan Feenberg and Inna Shapiro).

- The code for the itemized deduction credit in Wisconsin was corrected to apply only to itemized deductions to the extent that they exceed the Wisconsin standard deduction.

- I changed code for `xtaxtype = agicred` so that the credit is computed as a percentage of tax liability before minimum taxes in California. Similarly, I changed the code for `miscextype = 13` so that the credit is computed as a percentage of tax liability before minimum taxes in California. Both changes more accurately reflect the law, and also remove illegitimate marginal rate notches in rare situations.

- The true income range over which the Georgia low income credit (`lowtype=2, 1971-1986`) was phased out was so narrow that it led to marginal tax rates over 100%. The phase-out range has now been replaced with a "cliff" (the credit is eliminated if income goes above the threshold), because that way the "reverseMTR" feature of the tax calculator can now suppress the resulting marginal tax rate notch.

- I changed the code to only subtract positive amounts of federal income tax liability from state income when such a deduction is allowed, which is generally the rule.

- I removed the federal income tax deduction from "normal" North Dakota tax calculation for 2001 and later years (it is still present in the optional "extra" tax calculation).

- I coded in the maximum tax on personal service income that applied in New York from 1978 through 1986.

- Corrected the code for the 1979-1982 federal alternative minimum tax to define federal alternative minimum taxable income as federal taxable income minus the federal zero bracket amount, plus tax preference items. Formerly, the subtraction of federal zero bracket amount was incorrectly omitted. In addition, previously federal AGI less exemptions and the larger of itemized deductions and standard deductions
was used in place of taxable income -- this caused problems when calculations
required calculating tax liability under both itemization statuses.

February 2008

- Corrected federal income averaging for 1984-86 to apply the average tax rate on the
  first 25% (rather than 20%) of the excess of taxable income over 140% of \texttt{avglaginc}
to all of that excess taxable income. The change from 20% to 25% occurred in 1984,
but had not previously been incorporated into the calculator data. This percentage is
directly in the SAS code, not part of the federal parameter data.

- Modified the code for federal income averaging in 1981 to allow taxpayers to take
  advantage of income averaging and the alternative capital gains computation at the
  same time.

- Added three variables to the input data set: \texttt{blind}, \texttt{psincome} and \texttt{psded}. The \texttt{blind}
  variable indicates whether the taxpayer and/or spouse are blind, and is used to
  calculate federal exemptions or federal additional standard deductions allowable to
  such taxpayers. The calculator does not yet model state tax treatment of blindness.
The \texttt{psincome} and \texttt{psded} variables are included to allow for more accurate
  computations of the federal maximum tax on personal service income (earned
  income) that applied at the federal level 1971-1981. The information necessary to
  compute these two variables is generally available in IRS statistics of income data
  from those years.

- Changed code to allow the \texttt{oamtadj} in the input data set, which was not otherwise
  being used in 1981, to store the value of capital gains realized in 1981 after June 9th
  (which are subject to a maximum rate of 20% that year).

- When computing the second-earner deduction that applied at the federal level 1982-
  86, the calculator now assumes all business expenses are associated with the higher-
  earning spouse. This makes it easier to back out earned income of spouse from data
  that provides information on the amount of the second-earner deduction, while
  keeping the second-earner deduction computed by the calculator consistent with what
  is in the data.

- Modified the NY maximum tax on personal service income to make use of the
  \texttt{psincome} and \texttt{psded} variables, when available.

March 2008

- Modified the calculator so that if \texttt{incrementquantity} = 0, the calculator will not go
  through the iterations required to calculate marginal income tax rates.
• Modified the fedyear variable so that it is possible to apply federal tax law that would have applied in the absence of recent major tax reforms in certain years starting with 1981.

• Fixed the code for implementing taxnodetail, which is used when the taxpayer input data does not provide information on how state and local tax deductions are divided up among different types of taxes. Previously, whenever taxnodetail was greater than zero, the calculator would produce nonsensical marginal rates. This problem has been corrected. Correcting it required, among other things, running two extra iterations of the tax calculator when taxnodetail > 0. I tested the new code on the 1979-1990 public use tax panel, by running the calculator once on the data with proptax and salestax set to their values in the original data and taxnodetail set to zero, then and once where taxnodetail was set equal to proptax + salestax + (taxs from the first run of the calculator). Marginal tax rates and tax liabilities were identical in the two runs.

• Changed the calculator code to start imposing limits on charitable deductions as a percentage of AGI at both the federal and state levels. Also added two variables to the detailed output data set, Fchlimbind and chlimbind, which indicate whether the limit was binding.

• Changed the SAS code for the California AMT to reflect the fact that built-in capital gains on charitable donations of appreciated assets are no longer included in the AMT base starting in 2002.

• In 1991-92, only built-in capital gains on charitable donations of intangible property (e.g., stocks) were subject to the federal AMT. Previously, the calculator did not include charcg in the federal AMT base in 1991-92, essentially assuming that such gifts were tangible property. This has now been changed, so that charcg is assumed to be intangible property, and thus subject to AMT in those years.

• Made minor corrections to the computation of the "adjusted itemized deductions" preference in the computation of federal maximum tax, minimum tax, and AMT 1976-82.

• Removed excluded capital gains as a tax preference item for purposes of calculating the federal maximum tax on personal service income in 1978.

• Added federal zero bracket amount to detailed output data set

• Corrected the AMT treatment of medical expenses 1987-90. Only medical expenses less than 10% of AGI are disallowed by the AMT in these years; calculator had previously incorrectly disallowed all medical expenses in the AMT during those years.
• For long-term capital gains realized in 1981, modified the code to calculate the marginal rate assuming gains were realized after June 9 in all cases.

• Changed AMT calculation for 1981 to only apply 20% rate to capital gains realized after June 9, 1981 when information on that is available.

• From 1983-1986, the deduction for second earner income was 10% of spouse's income up to $30,000. The calculator data previously had 5% in these years. This has now been corrected.

• Changed the code for the 1981 federal rate reduction credit. Previously, it was coded as a 0.0125 percentage point reduction in each tax rate. But in fact, it was a credit equal to 0.0125% of tax liability, and the rates were left intact at the same levels as in 1980. In addition to this being a different size tax reduction, the fact that the rates were left intact is important for purposes of computing the maximum tax on personal service income and income averaging. In the case of income averaging, the credit is effectively recomputed as 0.0125% of income averaging tax liability. In the alternative capital gains computation, the credit is 0.0125% of tax liability computed on taxable income excluding post-June 9 capital gains. The application of the rate reduction credit is very complicated in the maximum tax on personal service income - see SAS code for details.

• Revised the code for the maximum tax on personal service income in 1981 to properly account for the alternative capital gains computation and the rate reduction credit.

• Corrected the federal AMT calculation to subtract itemized deductions lost to limitation from alternative minimum taxable income in the years 1991-1992.

May 2008

• Removed the 50% of AGI limitation for charitable deduction for fedyear=2005.

• Fixed casualty loss deduction to disallow $100 of losses (in addition to 10% of AGI, where applicable).

• Created coding scheme for new extra dependent exemption in Alabama starting in 2007 (see lowtype = 24).

• Modified code for Arkansas low-income tax table to reflect changes implemented in 2007 (see xtaxtype = lowtab2).
July 2008

- Corrected Maryland circuit breaker credit calculation to remove the age restriction for homeowners starting in 1979 (the age restriction continues to apply to renters).

- Corrected value of **conform** to equal 2 in Maryland since 1967 (now **othadsaf** = 1, after **othadj saf** replaced **conform**).

- Corrected the Montana standard deduction for head of household for all years from 1985 on, and corrected the standard deduction parameters to include the minimum standard deduction that was introduced in 1996.


- Corrected **miscextype** and **miscexamt** for Massachusetts, 1984-86.

- Corrected **ex_dep** for Massachusetts, 1979.

- Corrected values of **reph1** and **reph2** for heads of household in New Mexico 1985-86.

- Corrected **xbracknum** for New York in 1980 (number of brackets for state maximum tax on personal service income).

August 2008

- Corrected tax rates in Massachusetts, 1985 (7.5% surtax was still in effect).

- Corrected Montana standard deduction for 1981.


- Corrected Illinois earned income credit to make it refundable starting in 2003.

- Corrected value for **itemiz** in Maryland for 1987.

- Corrected values of various circuit breaker variables for Maryland 1979-89.


- Corrected some details of Maine minimum tax starting in 2003, and added new code for it. See **mintaxtype** = 9.
• Corrected federal income tax deductibility for South Carolina 1985 and 1986.

• Added retirement income credit (that was a percentage of the federal version) in Nebraska 1981-85.

• For Tennessee, corrected values of exreturn and retex variables in 1986, and corrected values of retex variables for 1979.

September 2008

• Created new code for Kentucky family size credit instituted in 2005 (see xtaxtype = liabcred2).

• Corrected phase-out income range for New York household credit from 1986 on.

• Corrected phase-out income range for New York child care expense credit from 2001 on.

• The descriptions of miscextype=15 and miscextype=16 had been reversed in the documentation. Also miscextype=12 and miscextype=15 had been miscoded in the SAS code. These problems have been corrected. (Affected KS, IN, and VA).

• Created new code for new “Empire State Child Credit” in NY. This is a child credit that is a function of the federal credit, instituted in 2006. See sptx = kidcred.

• Created new code for phase-out of the benefits of marginal tax rates below the top rate. This was instituted in NY starting in 2006. (See sptx2 = surtax).

• Created new code for NM low-income exemption that was instituted in 2006. See xtaxtype = lowexempt.

• Created code for new VA EITC, instituted starting in 2006. See eicystypestate = 7.

• Updated state tax parameter data through 2007.

January – February 2009


• Modified IncTaxCalc.sas to allow it to send SAS log file to an external file, IncTaxCalc.log, which is saved in the outputpath directory specified by the user.

• Corrected a mistake in the code for the 1940 federal “defense” tax.

- Fixed SAS code for state income taxes that are a percentage of federal tax liability, to allow for refundable tax credits where appropriate.

- Corrected an error in the calculation of Vermont’s “special tax limitation schedule” (sptx = “vtmax”), 1969-73. The error had been introduced in the January 2008 edits, which had allowed for situations where state law limits choice of state itemization status in some way that depends on federal itemization status.

- Modified computation of Arkansas low-income tax table (xtaxtype = lowtab1) 1973-1990, in order to reduce likelihood of large marginal tax rate notches.

- Corrected 1948-1969 federal alternative capital gains tax calculation to remove effects of special rate reduction credit that only applied in 1981.

- Corrected federal dividend credit calculation for 1954-57 so that when alternative capital gains tax calculation applies, credit cannot exceed 4% (or 2% in 1954) of taxable income excluding capital gains. Note that in 1958-1964, this provision was removed from the law, so that the maximum credit was once again 4% (or 2% in 1964) of taxable income. In cases where the taxpayer had large capital gains but zero or negative taxable income aside from capital gains, this could lead to small negative marginal tax rates on non-capital gains income, and small positive marginal tax rates on itemized deductions. Those odd marginal tax rates are a legitimate outcome of the tax law.

- Corrected SAS code for calculation of federal retirement income credit 1965-1975 (Feldcred=3). The method for calculating the phase-out of the credit for married couples had been slightly off.

- Modified the reverseMTR option so that it addresses notches in mtrfns. The program now recalculates marginal tax rate after subtracting an increment from mtrvar not only when overall marginal tax rate (mtr) exceeds the value of checkMTR, but also when federal marginal tax rate calculated setting state income tax to zero (mtrfns) exceeds the value of checkMTR. It then chooses the set of marginal rates that minimizes the maximum of the absolute values of mtr and mtrfns.


**May 2009**

- Replaced the old state tax conform variable with a new variable othadjsaf. Both variables serve the similar purpose (indicating whether a state income tax generally
allows similar adjustments to the federal income tax), the change just simplifies the coding scheme and renames the variable.

**June – August 2009**

- Updated calculator to reflect changes in federal income tax up through June of 2009.
- Changed coding scheme for Connecticut exemption phase-out (1992 – present) to remove it from the bracket and rate structure ($b1$-$b26$ and $r1$-$r26$) and hard code it using $\text{exlim} = 3$.
- Made minor correction to calculation of alternative tax on capital gains in Hawaii 1991-1998 and 2002-present (see $\text{sptx} = \text{cgmax2}$).
- Corrected the standard deduction for married couples filing separately in Iowa for 1979 – present (see $\text{mardedtype} = 9$).
- Corrected Louisiana credit for child and dependent care expenses 1986 – present (see $\text{kidcaretype} = 15$ and $\text{kidcaretype} = 16$).
- Incorporated Maryland child care credit that began in 2000 but which we had previously missed (see $\text{kidcaretype} = 28$).
- For Massachusetts 1996 – present, made major correction to taxation of $\text{othcg}$, and minor corrections to taxation of dividends, interest, and $\text{ltcg}$. See $\text{sptx} = \text{diothcgtax}$, $\text{masstax}$; and $\text{sptx2} = \text{ltcgtax}$.
- Modified code for $\text{cgexpct}$ so that if $\text{cgexpct} = 100$, then it applies to $\text{ltcg} + \text{othcg}$, not just $\text{ltcg}$. This is generally correct.
- Made a minor correction to the calculation of the Missouri pension exclusion for married couples, 1997 – present.
- Corrected federal deduction for child care expenses 1972-75 so that phase-out applies to all filing statuses, not just married.
- Corrected calculation of deduction for child care expenses in Montana, 1955-present.
• Incorporated new two-earner couple deduction that was introduced in North Dakota starting in 2007 (see mardedtype = 10).


• Coded in non-itemizer charitable deduction that applied in Colorado 2001 and 2006-2008 (see charded = 5).

• Coded in “credit for general income tax” for Hawaii, 2007 (see xtaxtype = lowered).

• Corrected refundability of IL EIC for 2003-2006 (see eictypestate = 8).

• Corrected Iowa “alternative tax computation” (xtaxtype = maxtax) so that it does not apply to single filers, only married and head of household, 1988-2008. Corrected treatment of separate filers by this Iowa alternative tax, 1988-2008. Corrected no-tax floor (lowtype = 14) to apply in Iowa for all filing statuses 1988-2008.

• Made a variety of corrections to property tax credit for Maryland, 1979-present.

• Incorporated a new Montana property tax credit (introduced in 2007) into the code for cbtype = 6.

• Incorporated non-refundable credit for 5% of property tax in Illinois income tax, 1991–present (see cbtype = 8).

• Corrected income thresholds for eligibility for Oklahoma sales tax credit starting in 2005, and parameterized the thresholds (see miscextype = 8 and sptx = misc8).

• Corrected retirement income exclusions in Utah, 1987-2007, to include taxable social security benefits in the measure of retirement income. Also corrected the phase-out calculation for these exclusions so that the income measure used to compute the phase-out included tax-exempt interest starting in 1994. See retextype = 17 and miscextype = 5 and 6.

• Made various minor corrections to calculation of Virginia age deductions (retextype = 18 and miscextype = 17), 2004-2007.

• Minor corrections to calculation of exclusion of labor income for low-income taxpayers, MD 1989-1997 (see lowtype = 10).

• Made minor correction to tax rates in Colorado 1979-1981.

• Various corrections to Minnesota circuit breaker credit, 1975-present. See cbtype = 16 and cbtype 29 through 32.


• Corrected timing of introduction of NY retirement income exclusion (it started in 1982, not 1981).


• Ohio, 1983-1988, allowed choice between extra $350 per capita exemption or $20 per capita credit. Calculator previously assumed everyone took exemption. See \texttt{lowtype}=27.

• Corrected brackets and rates used to compute credit for married couples in Ohio 1984-1988 (\texttt{mardedtype} = 7).

• Corrected values of \texttt{cbthresh1} and \texttt{cbthresh2} in OK 1979 and 1984-1987.

• Corrected values of \texttt{xexpercap} and \texttt{xex_age} in OK 1982-2005.

• Corrected value of \texttt{pctfeldcr} in OR 1987-1988.

• Coded in “alternative flat tax” introduced in RI in 2006 (see \texttt{sptx} = maxtax).

• Corrected value of \texttt{xcbthresh1} in ME 2006.

• Corrected value of \texttt{kc1} in GA 1980-86.


• Corrected value of \texttt{r1} in Idaho 1979.

• Corrected value of \texttt{xcbmaxcr2} in Indiana 1998.

• Corrected tax rates in Iowa, 1989.

• Corrected values of \texttt{kc2} and \texttt{kc4} in Iowa, 1990-1992.

• Corrected value of \texttt{cbage} in Iowa, 1992.

• Corrected value of \textbf{exreturn} in NH, 1997-1998.
• Corrected value of \textbf{kc5} in NY 1997-1998.
• Corrected Ohio child care credit 1993-1996.
• Ohio 1996-1998: addressed the fact that personal exemptions were larger for dependents than for taxpayer and spouse in these years by coding the extra exemption amount for dependents into \textbf{ex\_dep}.
• In CT, corrected \textbf{xcbthresh2} for singles in 2007.
• In DC, corrected \textbf{r3} in 2005.
• In NE, corrected \textbf{xosa1st} 1993-present.
• In NM, coded in 2005 income tax rebate (see \textbf{xtaxtype} = nmrebate).
• Corrected code for choosing between property tax deduction and credit in NJ (see \textbf{cbtype} = 17) so that the choice is held constant when adding increment to calculate marginal tax rates (in order to avoid marginal tax rate notches).
• Coding scheme for Vermont circuit-breaker (1973-present) was re-organized, and various corrections were made. See revised documentation for \textbf{cbtype} = 23.
• Coding scheme for North Dakota circuit-breaker (1973-present) was re-organized, and the new property tax credit added in 2007 was coded in. See \textbf{cbtype} = 33.
• Made various corrections to Wyoming circuit-breaker credits, 1975-present. See \textbf{cbtype} = 25.
• Revised the coding scheme for Arkansas low income tax tables, 1991-present (see \textbf{xtaxtype} = lowtab2 and lowtab3). The tax calculator now more accurately
characterizes how these special tables work, including the non-linear aspects, and reflects the changes enacted in 2007.


- Revised code for Kentucky Family Size Tax Credit (xtaxtype = liabcred2) to correct treatment of married couples filing separately.

- Modified code for low-income credits in Pennsylvania and California to eliminate smoothing of the phase-out of the credit. This avoids extremely high marginal tax rates as long as reverseMTR is set equal to 1. See lowtype=12.

- Changed exclusion for capital gains (cgexpct) to from 60% to 0% in Arizona, 1987 and 1988. Arizona Session Laws of 1988, Chapter 271, amending sections 43-104, 43-1021, and 43-1022 make clear that references to the Internal Revenue Code had already been updated to reflect TRA86 in 1987, and that nothing in 43-1021 or 43-1022 undid the elimination of the 60% exclusion.


- Changed capital gains exclusion (cgexpct) for Kentucky in 1990 from 60% to 0%. 1990 Kentucky session laws Chapter 476 makes clear that references to the federal Internal Revenue Code were updated from 1985 IRC to 1989 IRC effective for tax years beginning in 1990; this is the change that eliminated the 60% exclusion (this is also consistent with All States Tax Handbook’s interpretation).

- Corrected coding of Iowa alternative minimum tax. Previously, a coding error was causing the Iowa AMT not to apply 1982-1987, and that has been corrected. A variety of other details of the Iowa AMT calculation were also corrected for years 1982-present. Among other things, the itemization decision in Iowa is now deferred until all other aspects of the Iowa income tax are calculated, after a tentative value of taxes is computed. This allows the Iowa AMT to be appropriately factored into the decision about whether to itemize deductions on the state return. In addition code for the 1987 Iowa AMT has been corrected so that tax preference items are computed based on 1986 federal law, there is no phase-out of the exemption, and the exemption for separate filers is half of that for joint returns (see 1990 Iowa Annotated Statutes, historical notes to Section 422.5, pp. 71-72).

- Corrected computation of application of unused credits against “extra tax” for separate filing spouse in computation of StaxAX.

- Corrected computation of non-refundable state earned income credits in the case of married couples filing separate state returns.
- Revised code for mintaxtype=5 to allow state itemization choice to be independent of choice on federal return, where appropriate, and to account correctly for the fact that state income tax is not deductible from itself, where appropriate.

- Coded in “additional tax on unearned income” applying in New York 1987-1988 (see sptx = ueitax).

- Modified code for mintaxtype=1 and mintaxtype=2 (minimum taxes applying in NY and CA in various years) to allow for the fact that state excluded capital gains could be different than federal, and to remove state income taxes from the computation, and to allow for the fact that NY tax after credits is subtracted from tax preference items in the calculation.

- Revised code so that whenever mintaxtype > 0, everything is computed under both federal itemization statuses, and the federal itemization status that minimizes combined federal and state tax liability is chosen. (Previously, this was only done if itemiz>1 or mintaxtype=5, or if there was positive federal minimum tax or AMT liability). This addresses a number of states where the state AMT can vary depending on federal itemization status.

- Corrected computation of West Virginia alternative minimum tax, 1983-present. It is 25% of federal AMT less ordinary WV tax liability, not 25% of federal tentative alternative minimum tax less ordinary WV tax liability. See mintaxtype=10.


- Corrected measure of income used to compute Massachusetts low-income exemptions and credits to include dividends, interest, and capital gains, all years.

- Modified SAS code for Massachusetts in all years to allow value of exemption not used to offset ordinary tax to be used against taxes on interest, dividends, and capital gains.

- Corrected value of cgexpct for DC 1970-1975 (it had been 100, and should have been 50).

- Overhauled the coding scheme for the income tax in Louisiana, 1975-1982. See taxtype = fedtab, and xtaxtype = fedtab2. During 1975-1979, Louisiana personal income tax was based on tables published in the law, and during 1980-1982 the tables served as an alternative maximum tax. The calculator now uses an approximation to the published tables based on a spline regression to compute these taxes. Before, we used the ordinary tax on taxable income that was still laid out in the Louisiana code during this period, but the tables superseded the ordinary tax 1975-1979, and served as an alternative (limit) to that ordinary tax 1980-1982. The calculator now
accurately captures this, although as noted above we’ve approximated the tax laid out in the tables.

- Changed code for `localtype`=1 to multiply local tax rate by `max(0, taxes)` instead of `taxs`.

- Corrected capital gains exclusion in North Dakota 1979-1980, changing it from 60% to 50%. ND Annotated Statutes Section 57-38-01 on definitions freezes references to the Internal Revenue Code as of a certain date, and governed the capital gains exclusion. ND session laws 1979, Chapter 602, makes clear that North Dakota did not adopt the federal change of capital gains exclusion from 50% to 60%, and ND session laws 1981 Ch. 594 Sec. 2 makes clear that the 60% exclusion begins to apply in 1981.

- Corrected a typo in the code for `sptx = cgexmax2` which was causing the capital gains exclusion in Vermont to be too large.

- Corrected a problem in marginal tax rate calculations in 1981. Previously, due to a typo in the SAS code, if `oamtadj` was greater than zero in 1981, then when marginal tax rates were calculated, an increment was added to `oamtadj` regardless of whether the marginal rate on capital gains was being computed (an increment should have been added to `oamtadj` only if the marginal rate on capital gains was being computed).

**July-August 2011**

- Set age exemption (`ex_age`) to zero in New Mexico 1933-1960 and in North Dakota 1942-1944. (Thanks to Karen Conway).

- Modified SAS code to deal appropriately with how the 2011 temporary social security tax cut applies to the self-employed.

- Corrected value of `xr4` for head of household filers in Vermont, 2006-2007 (this was a typo that had no effect on the tax calculations).

- Updated federal and state tax parameter data through 2010.

**February-April 2012**

- Corrected the timing of the introduction of the pension exclusion in Maryland (stored in `retex` variables) to start in 1965 rather than 1967. See 1965 Maryland income tax code section 281(v). Thanks to Karen Conway and Jon Rork.

(which exempted pension income based on contributions made before 8/1/1969 and began to apply in 1971), and then after enactment of P.A. 77-2062 which began to apply in 1972. Thanks to Karen Conway and Jon Rork.

- Corrected the pension exclusion in Ohio in 1972, based on historical notes to Section 5747.01 of the 1973 Ohio Annotated Statutes that indicate that the exclusion of pensions up to $4,000 began to apply in taxable year 1972 rather than 1973.

- Corrected the pension exclusion in Colorado between 1974 and 1979 (based on section 39-22-110 of the 1981 Colorado Cumulative Supplement to the Annotated Statutes). Maximum pension exclusion amounts for 1975 through 1979 had inadvertently been shifted to one year earlier than the correct years.

**August 2013**

- Corrected values of propded and saleded in Wisconsin from 1979 through 1985 to reflect the fact that itemized deductions for taxes were disallowed in these years (I had previously thought only income tax deductions were disallowed). See 1979 Wisconsin Session Laws, Chapter 1, Section 11.

- Incorporated a credit for property taxes and rent that has applied in Wisconsin since 1978, See documentation for sptx = pcwi78 and sptx = pcwi.

**November 2013**

- Added variables qdiv1 and qdiv2 to the input data set to record qualified dividends, and modified the SAS code so that only qualified dividends are taxed at special low rates at the federal level starting in 2003 (previously, the calculator was subjecting all dividends to those special low federal tax rates).

**August-October 2014**

- Updated New York calculations for sptxex2 (2009 and on) and eictypestate (96 forward).

- New York: fixed itemized deduction limitation.

- West Virginia: moved the $8,000 exemption available to each elderly person from the ex_age variable to the retex variables, which allows a more accurate calculation of the allowable exemption. See retextype = 22.

- Rhode Island: phase outs for exemptions and standard deductions (2010 forward)

- Minnesota: phase out of exemption (2011)

- Wisconsin: updated property tax credits
- Arizona: fix family credit to account for spouse and maximum credit.
- Vermont: Fixed sitded so it would be capped. Now sitded can be 0, 1, or greater than 1 (which is the cap).
- Federal: updated SAS code to allow a third rate at 20% for capital gains.
- Indiana: added automatic refund for 2012.
- Many other changes that I have not yet had time to summarize here.

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**July 2015**

- Added depind, taxfiler, incomealt, and wgt to set of variables included in input data set containing taxpayer characteristics.
- Modified coding of Colorado child care credit from 1997 through 2014, correcting errors in the formula for 1998 and 1999, and making the approximation of the phase-out slightly more accurate in other years.
- Created sptx = cgexar for a new kind of capital gains exclusion applying in Arkansas starting in 2014.
- Corrected tax brackets for singles in Georgia for 2013.
- Modified SAS code to account for the fact that state child care credits in OK are multiplied by ratio of state to federal AGI.
- Modified code for state child care credits so that phase-outs are based on measure of income defined in kcincome.
- Corrected value of kcincome for NE, 1989 – present.
- Modified calculation of federal tax liability (taxf) to take into account certain limitations on the credit for child and dependent care expenses, including the following. From 1987 through 1997, the amount of the credit was limited to be no larger than the amount by which federal tax liability before credits exceeded tentative alternative minimum tax. From 1998 through 2001, the credit was limited to be no larger than federal tax liability before credits. In 2002, the credit was limited to be no larger than the sum of federal tax liability before credits and AMT. The limitations
are implemented in the part of the SAS code where final federal tax liability (taxf) is calculated.

- Modified calculation of state child care credits to take into account kcfedlimit.

- Modified the Oregon working families child care credit (kidcaretype=26) to limit it to taxpayers with capital income less than xb5, and filled in values of xb5 for 1997-present.

- Renumbered value of kidcaretype in MN and WI in most recent years to be 30 and 8, respectively.

- Fixed errors in the SAS code for MN child care credits (kidcaretype = 19 and 30). Previously the limitation on the maximum allowable credit was not being implemented in kidcaretype = 19, and there were a number of errors in kidcaretype = 30 (which only began to apply in 2013).

- Corrected SAS code for exlim = 5.

- Incorporated personal exemption phase-out applying in Hawaii from 2009 – present (exlim = 5) in state parameters worksheet, and modified SAS code for exlim = 5 to handle Hawaii’s 2009 version of this.

- Corrected value of kc2 in Hawaii to be 15 rather than 12 in 2013.

- Modified SAS code, documentation, and state tax parameters database to allow for the fact that the income threshold at which the phase-out of the Iowa AMT exemption begins became decoupled from the federal threshold starting in 2013. See mintaxtype = 7.

- Corrected the values of circuit breaker variables in Illinois for 2013.

- Corrected computation of Wyoming property tax credits to account for the fact that starting in 2008, the tax credit for elderly was reduced by the amount of the property tax credit for all ages.

- Corrected computation of West Virginia property tax credits in 2012 and 2013 to incorporate new income limits imposed in 2012, and subtraction of elderly property tax credit from property taxes in the formula for the homestead excess property tax credit.

- Changed cbage to 0 in Indiana in all years since 1982 (this does not affect anything since the credit it applied to was eliminated in 1982).

- Corrected value of maxstded for 2013 from 7000 to 7500.
• Corrected value of \texttt{b4} in Wisconsin in 2013 for heads of household and singles (changed it from 236,000 to 236,600).

• Modified coding scheme for circuit-breaker property tax credit in Vermont (\texttt{cbtype} = 23) to allow for maximum renter’s rebate credit amount implemented starting in 2012.

• Corrected values for \texttt{cbpct1} and \texttt{xcbpct1} in Maine for 2013 (was 100, should be 40).

• Corrected value of \texttt{sptxex} for MI in 2012 and 2013 (was 40000, should be 20000).

• Changed the value of \texttt{cbthresh3} in MN to more accurately approximate the phase-out of the MN circuit breaker credit.

• Corrected the values of \texttt{cbmaxcr2} for 2013 h and s from “11100” to “1100.”

• Corrected the values for \texttt{retex}, \texttt{retph1}, \texttt{retph2}, and \texttt{b2-b7} in 2013 for Montana to account for indexing for inflation.

• Corrected the value of \texttt{expercap} in Ohio for 2011-2013 for single and head of household (it was off by $50 or $100 depending on the year).

• Moved the low-income credit applying in Ohio 2005 – present from \texttt{lowtype} = 2 to \texttt{miscextype} = 23, to make room in the low variables for an increase in the personal exemption for lower-income taxpayers that began to apply in 2014 (see lowtype = Summer 2016

• Corrected value of \texttt{retex} for Wisconsin for married couples, increasing it from 5000 to 10000, for the years 2009-2015.

• Corrected the value of \texttt{idphthresh} for head of household in California in 2014.

• Corrected the value of \texttt{itemiz}, changing its value from 2 to 4, in Vermont for 2009 and later years.

• Modified retirement income credit for people under age 65 in Utah applying since 2008 (\texttt{miscextype} = 20) to account for the fact that people are only eligible if they were born before 1953.

• Corrected the Colorado circuit breaker credit to incorporate modifications to the credit that were made starting in 2014.

• Changed the value of \texttt{kfedlimit} from 1 to 0 in SC in 1984 and all subsequent years. The SC child care credit is a percentage of expenses eligible for the federal child care credit, not a percentage of the federal child care credit itself, so \texttt{kfedlimit} is
irrelevant to calculating the SC child care credit, and 0 is the correct code for kcfedlimit.

- Corrected various errors in our implementation of the Rhode Island phase-out of standard deduction and personal exemptions that has applied since 2011.
- Corrected the values of lowph1 and lowph2 in Oregon for 2013 and 2014.
- Modified Oklahoma EITC for 2002 and later years to account for the fact that if OK AGI is less than federal AGI, the Oklahoma EITC must be multiplied by the ratio of Oklahoma AGI to federal AGI. See eictypestate = 13.
- Corrected value of mintaxex for Iowa for 2014.
- Corrected implementation of Ohio senior citizen’s credit (cred_age) for 1973 through present so that a married couple gets a single credit of two times cred_age as long as at least one spouse is aged 65 or above.
- Corrected the personal exemption phase-out in Maryland for 2012 and later years (see exlim = 7).
- Corrected the itemized deduction limitation applying in New York in 2009 and later years (see itemlim = 3 and itemlim = 4).
- Modified the retirement income credit for people under age 65 in Utah (miscextype = 20) to take into account that only those born before 1953 are eligible for it.
- Wrote SAS code for the new limitation on itemized deductions in Kansas in 2015 (itemlim=25)
  Wrote SAS code for CT social security benefits taxation for 1998 onward (ssbentx = 5,6,7)
  Wrote SAS code for tax on social security benefits in Nebraska for 2015 (ssbentx = 14)
  Wrote SAS code for permanent building fund credit reduction and grocery credit in Idaho (2008-) (miscextype = 19 and lowtype = 26)
  Wrote SAS code for Minnesota’s EIC starting in 2014 (eictypestate=11)
  Added SAS code to handle VT’s Itemized Deductions Limitation in 2015 (itemlim = 26)
  Added SAS code to handle NC’s Itemized Deductions Limitation in 2014 and 2015 (itemlim = 7 and itemlim = 8)
• Modified SAS code to apply the temporary reduction in the percentage of AGI used to calculate medical and dental expense deduction from 10 percent to 7.5 percent for households where taxpayer or spouse are aged 65 or above, applying 2013-2016.

• Added SAS code to handle OH’s EIC from 2013-present (eictypestate = 12)

• Added SAS code to handle NJ’s 1976-1985 Renters Credit (cbtype=37)

• Added documentation and SAS code to handle CA EITC 2015- (eictypestate=14)


• Wrote code for Kansas business and passthrough tax exemption (2013- )

• Wrote code for Ohio business and passthrough partial exemption (2013- )
REFERENCES

Note: Due to the many hundreds of state annotated statutes and session laws we collected, particular reference information for each one is not included here. This list includes only the secondary sources. A list of years for which we collected annotated statutes and/or session laws for each state is available upon request. We have retained electronically scanned PDF files of all of these laws.


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