2015 Tax Reform Proposals

Sara Miller
Senior Policy Analyst
Mississippi Economic Policy Center
Current MS Tax System

**Basic Tax Structure**

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-$5,000</td>
<td>3%</td>
</tr>
<tr>
<td>$5-10,000</td>
<td>4%</td>
</tr>
<tr>
<td>Over $10,000</td>
<td>5%</td>
</tr>
</tbody>
</table>

Family of four standard exemption and deductions income tax threshold: $19,600

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![State Tax by Source 2013](image-url)
Taxpayer Pay Raise Act
Lt. Governor’s Plan

- Phase out Franchise tax (10 yrs)
- Phase out 3% income tax bracket (5 yrs)
  - personal and corporate
  - up to $150 tax cut per person/corporation
  - married couple up to $300
- Allow 50% self-employment tax deduction
- Cost $400 when fully phased in

Source: Lt. Governor's Office and SB 2839
Working Families Tax Credit
Governor’s Plan

• State Earned Income Tax credit
  – 15% of federal credit

• Families with earned income up to $52,000 depending on # of children

• Nonrefundable
  – If credit amount more than income taxes owed the difference is forfeited

• Cost $79 million

Source: Governor’s Office and SB 2841 /HB 1603
House Income Tax Cut
Rep. Smith W& M Chair

• Expand income tax brackets
  – $0-13,000 taxable income at 3%
  – $13-26,000 at 4%
  – Over $26,000 at 5%

• Gives largest cuts to higher incomes
• No phase out period
• Cost estimated $175 million

Source: HB 1595
• Dozens of tax breaks in recent years
• Many with no cost estimate
• 60% of corporations in MS pay zero income tax
• 83% pay less than $150 and would pay zero under Taxpayer Pay Raise Act
Corporate tax cuts not the answers for jobs

What’s holding Mississippi back?

According to the 2013 Forbes “Best States for Business” Rankings, Mississippi’s tax system, which is accounted for under “Business Costs,” is only one factor in the health of our economy. Mississippi ranks poorly in labor supply and quality of life—both factors that are dependent upon education and that require long term investments and adequate state revenue.

<table>
<thead>
<tr>
<th>Business Costs</th>
<th>Labor Supply</th>
<th>Economic Climate</th>
<th>Growth Prospects</th>
<th>Quality of Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>48</td>
<td>41</td>
<td>31</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: Forbes.com: Best States for Business 2013

Most of Mississippi’s weaknesses arise from a failure to invest enough resources in the things that would work to make our economy strong.
Average Tax Cut Per Household by Income Group from 2015 Tax Cut Proposals

Source: Institute on Taxation and Economic Policy 2015
Policy Matters Blog
Research and analysis that matters to Mississippi
www.mepconline.org