



# IF IT AIN'T BROKE...

## New Jersey's Income Tax Makes Dollars and Sense

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### FOREWORD

Most people probably would agree that we need taxes at some level to pay for the things we want government to do. We could disagree on what to tax, how much and who—not to mention how best to use the money raised through taxes. But there is enough common ground for a reasoned discussion of such issues. There probably is little point in having an argument over whether taxes are “good” or “bad.” Those who would oversimplify matters to that extent are unlikely to bring many more over to their side. The reality is that taxes are a tool; like any tool they need to be used wisely.

That said, New Jersey's tax structure is an unqualified mess. The state relies far too heavily on local property taxes, a levy based on the value of someone's home and land and often unrelated to actual ability to pay. Attempts over the years to put the system into better balance have sometimes made progress. But they also have foundered on political rocks and other times been reversed in favor of short-term fixes with unfortunate long-term consequences.

It's time to get serious. And maybe that is happening. As this was written, the Legislature was meeting in special session, having been directed by Gov. Jon S. Corzine to fundamentally reshape the ways New Jersey handles its finances. It is our hope that this report will become part of the debate, indeed that it will help to shape the debate so that progressive principles can guide the path to a new New Jersey when it comes to economic justice and investing in the future.

Simply put, the state income tax must continue to play an important role in New Jersey's overall tax system. It is a fair tax, and can be made more so. It is a productive tax, and can be made more so. But it also is a tax that often is misunderstood and misrepresented. There is much that needs to be explained and clarified about a levy that began 30 years ago and without which New Jersey would surely be in even worse shape than it is today.

Over its nine years of existence, New Jersey Policy Perspective has written extensively about taxes in New Jersey and how to devise a structure that works best for the most people while providing enough money for what needs to be done. Much of this work was done by Research Director Mary E. Forsberg, who came to NJPP five years ago after 14 years with the state Office of Legislative Services. Earlier this year, she wrote a report on the state sales tax to which this report on the state income tax serves as a companion. Together, along with other work over the years, they put New Jersey's revenue-raising system in what we believe is helpful perspective.

This report has a premise, which it explains and defends: progressive taxation makes sense. Long before there were income taxes, influential people advocated the underlying concept of progressivity. In 1776, the economist Adam Smith wrote in his classic book *The Wealth of Nations*:

**“when the toll upon carriages of luxury...is made somewhat higher in proportion to their weight, than upon carriages of necessary use, such as carts, wagons, etc., the indolence and vanity of the rich is made to contribute in a very easy manner to the relief of the poor, by rendering cheaper the transportation of heavy goods to all different parts of the country.”**

An explanation can also be found in the Bible, Luke Chapter 21:

**“When he looked up he saw some wealthy people putting their offerings into the treasury and he noticed a poor widow putting in two small coins. He said, ‘I tell you truly, this poor widow put in more than all the rest; for those others have all made offerings from their surplus wealth, but she, from her poverty, has offered her whole livelihood.’”**

Those words mean as much today as they did back then. As New Jersey fashions a tax system that works for the future we would do well to follow them.

*Jon Shure*  
*President, NJPP*

## WHY AN INCOME TAX?

As society grew more complex in the early years of the 20<sup>th</sup> century, it became clear that an increasing variety of tasks were too big for individuals, businesses or local governments to accomplish separately. It was also recognized by many that in a market economy great disparity in citizens' wealth and income would arise.

The income tax emerged as a way to address both of those realities. Governments would do more to fund schools, create and maintain public infrastructure like roads, water supplies, sewers and parks and help minimize for people the risk of economic insecurity from unemployment and old age. And much of the money to do these things would come from a tax levied on people's income—often in accordance with their ability to pay. Fiscal theory compatible with public-welfare ideas in Europe and the United States held that, in industrialized societies where large differences in wealth exist, how much a citizen could afford to pay toward the common good—not the level of benefits received from government—was the fairest criterion of how much to contribute.

The federal income tax was enacted in 1913 soon after passage of the Sixteenth Amendment gave Congress the power to do so. The tax was one percent on all income over \$3,000 for a single person and \$4,000 for a married couple. No distinctions were made as to whether the income came from wages, rents, dividends, salaries, interest, entrepreneurial incomes or profits from the sale of assets. An additional surtax of 6 percent was levied on very high incomes, making the maximum rate 7 percent. Since the average personal income that year was only \$621, only 2 percent of the U.S. population paid any income tax between 1913 and 1915.<sup>1</sup>

Huge demand for revenue during World War I firmly established the income tax in the United States. Since then, rates have been raised and lowered. Different forms of income, such as capital gains, have been taxed at lower levels than wages. But the income tax has remained a crucial source of funds to run the federal government.

## NEW JERSEY HISTORY

Today, 43 states and the District of Columbia have some sort of an income tax. New Jersey came fairly late to the income tax. When it adopted its broad-based tax on personal incomes in 1976 under Gov. Brendan T. Byrne, New Jersey became one of the last states to do so.

This was not New Jersey's first attempt to tax personal incomes. In 1961, New Jersey enacted the Emergency Transportation Tax Act, which taxed the income of workers who commuted between New York and New Jersey. Ten years later, in 1971, a similar tax was enacted on Pennsylvania and New Jersey commuters. These taxes addressed both the issue of ability to pay and who benefits. The rates were graduated—requiring those who made the most to pay the most. Taxing commuter incomes recognized that good mass transit, roads and bridges between the states benefited those who traveled those routes the

most. Revenues from these taxes were deposited into the Transportation Fund and were used only for that purpose.

By the mid 1970s, concern over school funding surpassed transportation issues and led to enactment of the income tax in 1976 (the Legislature voted down an income tax in 1972). The Gross Income Tax Act was spurred by a succession of New Jersey Supreme Court rulings starting in 1973 that declared the state's school funding mechanism unconstitutional—because of its over-reliance on local property taxes—and ordered that another source of revenue be found. It mandated that all proceeds from the tax be put in a new fund dedicated solely to various forms of property tax relief.

The Legislature also passed a measure requiring that the income tax expire in 1978. In 1977, Byrne was resoundingly reelected after a campaign in which he repeatedly challenged his opponent to come up with a plausible plan for running the state without an income tax. A month after the election, the Legislature repealed the upcoming expiration; the income tax would be permanent.

It was, as income taxes go, modest. New Jerseyans would pay 2 percent on taxable income up to \$20,000 and 2.5 percent on taxable income over \$20,000, regardless of marital status. Until the special transportation taxes were eliminated on Pennsylvania commuters in 1977 and on New York commuters in 1983, taxpayers who were subject to the commuters' tax paid whichever was higher. If the amount of tax was greater under the commuters' tax, the difference was deposited in the Transportation Fund.

Legislation enacted in 1982 under Gov. Thomas Kean added a third tax bracket: 3.5 percent on income in excess of \$50,000. In 1990, under Gov. Jim Florio, a new rate structure was imposed. For married households filing jointly, income between \$70,000 and \$80,000 was taxed at 5 percent; between \$80,000 and \$150,000 at 6.5 percent and over \$150,000 at 7 percent.

Rates were lowered in three stages from 1994 to 1996 under Gov. Christie Whitman to where income under \$20,000 was taxed at 1.4 percent; from \$20,000 to \$50,000 at 1.75 percent; \$50,000 to \$70,000 at 2.45 percent; \$70,000 to \$80,000 at 3.5 percent; \$80,000 to \$150,000 at 5.525 percent; and above \$150,000 at 6.37 percent.

The next change came in 2004, under Gov. Jim McGreevey, when a new top rate was enacted: 8.97 percent on income over \$500,000 (married or single).

### TOP AND BOTTOM RATES OVER TIME

Years	Minimum Rate	Maximum Rate
July 1, 1976 – December 31, 1982	2 %	2.5 %
January 1, 1983 – December 31, 1990	2 %	3.5 %
January 1, 1991 – December 31, 1993	2 %	7 %
January 1, 1994 – December 31, 1994	1.9 %	6.65 %
January 1, 1995 – December 31, 1995	1.7 %	6.58 %
January 1, 1996 – December 31, 2003	1.4 %	6.37%
January 1, 2004 – Present	1.4 %	8.97%

### THE INCOME - PROPERTY TAX LINK

The amount of money New Jersey takes in from the state income tax has grown from \$656 million in Fiscal Year 1977 to an estimated \$11.5 billion in Fiscal Year 2006. In all but three years (1988, 2002 and 2003), collections were greater than the year before, largely due to New Jersey's growing economy.

Local property taxes and state income taxes are two of the three taxes in New Jersey that bring in the most money for state and local use (the state sales tax is the third). Seeing the relationship among these three taxes is essential to understanding whether the overall revenue system is adequate. Two features are especially important: New Jersey's income tax is required under the state constitution to be used only for property tax relief; and, unlike in many other states, New Jersey's local governments collect no income or sales tax of their own. These two factors make New Jersey's state-levied income tax the main alternative to the property taxes that support schools and other local services.

Any discussion of income taxes must keep in mind this relationship. The more income tax collected, the more revenue available for schools and local government aid and direct property tax relief to taxpayers (much of which comes through various rebate programs).

Property taxes have increased on average by 7 percent a year during the past 40 years, and the jump has been as high as 15 percent. In only two years have property taxes increased by one percent or less (the year after the income tax was created and the year after the 1990 rate increases).

Income tax collections have increased most years at rates ranging from 1 percent to 29 percent. Of the three years when income tax collections declined, in only one year was it significant, (2002, in the wake of the economic downturn exacerbated by the Sept. 11, 2001 attacks on the World Trade Center) at 14 percent. Total state revenue collections have likewise increased in all but three years. On average, income tax revenue and total state revenue have increased by 10 percent annually.

**PROPERTY TAXES, INCOME TAXES AND STATE REVENUES**

<b>Calendar Year/Fiscal Year</b>	<b>Total Local Property Tax Revenues</b>	<b>Percent Increase</b>	<b>Personal Income Tax</b>	<b>Percent Increase</b>	<b>Total State Revenues - All Funds</b>	<b>Percent Increase</b>
1966	\$1,239,033,782		0	-	\$649,882,938	
1967	1,410,921,293	14%	0	-	911,421,879	40%
1968	1,519,248,711	8%	0	-	986,647,247	8%
1969	1,676,666,975	10%	0	-	1,195,912,780	21%
1970	1,933,765,031	15%	0	-	1,366,077,726	14%
1971	2,188,274,829	13%	0	-	1,511,301,453	11%
1972	2,406,733,508	10%	0	-	1,750,663,699	16%
1973	2,549,630,542	6%	0	-	2,094,047,641	20%
1974	2,725,869,299	7%	0	-	2,321,623,965	11%
1975	2,984,843,970	10%	0	-	2,746,917,111	18%
1976	3,171,636,664	6%	0	-	2,699,197,312	-2%
1977	3,186,143,857	0%	\$656,098,516		3,323,275,431	23%
1978	3,327,574,347	4%	748,903,267	14%	3,953,529,091	19%
1979	3,492,936,977	5%	838,498,071	12%	4,456,062,721	13%
1980	3,793,898,390	9%	968,821,205	16%	4,770,275,183	7%
1981	4,191,857,581	10%	1,106,180,290	14%	5,217,143,568	9%
1982	4,558,404,569	9%	1,259,038,804	14%	5,733,339,807	10%
1983	4,915,835,156	8%	1,391,557,078	11%	6,265,312,663	9%
1984	5,241,072,016	7%	1,732,234,975	24%	6,860,674,156	10%
1985	5,576,390,989	6%	1,935,144,687	12%	7,869,674,674	15%
1986	6,159,053,925	10%	2,052,592,417	6%	8,652,359,783	10%
1987	6,829,212,377	11%	2,605,907,038	27%	9,501,272,262	10%
1988	7,754,799,953	14%	2,557,694,169	-2%	10,577,380,915	11%
1989	8,725,568,662	13%	2,902,892,000	13%	11,860,084,000	12%
1990	9,783,837,590	12%	2,957,634,000	2%	12,151,108,000	2%
1991	9,911,054,000	1%	3,362,495,000	14%	12,562,268,000	3%
1992	10,322,868,479	4%	4,101,895,000	22%	15,143,526,000	21%
1993	10,757,595,439	4%	4,350,485,000	6%	14,651,711,000	-3%
1994	11,293,847,241	5%	4,493,660,000	3%	14,963,742,000	2%
1995	11,746,914,104	4%	4,540,400,000	1%	15,365,404,000	3%
1996	12,177,925,306	4%	4,733,786,000	4%	16,230,524,000	6%
1997	12,579,899,716	3%	4,825,411,000	2%	16,304,466,000	0%
1998	13,040,191,872	4%	5,590,579,000	16%	17,189,368,000	5%
1999	13,558,738,060	4%	6,323,893,000	13%	18,498,999,000	8%
2000	14,195,812,738	5%	7,205,260,000	14%	19,920,688,000	8%
2001	14,991,990,501	6%	7,989,222,000	11%	21,279,359,000	7%
2002	16,052,205,798	7%	6,836,992,000	-14%	22,495,603,000	6%
2003	17,253,984,654	7%	6,735,282,000	-1%	24,065,908,000	7%
2004	18,377,494,023	7%	7,400,733,000	10%	25,002,729,000	4%
2005	19,567,777,308	6%	9,537,939,000	29%	28,816,042,000	15%
2006	Not Available		10,585,000,000	11%	28,197,097,000	-2%
2007	Not Available		11,475,000,000	8%	32,078,996,000	14%

Sources: Property tax data, Reock and Pfeiffer July 2006; other state data, Governors' budgets for various years.

Notes: Property taxes are based on calendar years; income and state revenues are based on fiscal years. Calendar year 2005 correlates with fiscal year 2005 (July 1, 2004 to June 30, 2005). State amounts represent actual collections through FY 2005. FY 2006 data are estimates from the Governor's FY 2007 budget; FY 2007 data are from the FY 2007 Appropriations Act.

Personal income and sales taxes together produce nearly 60 percent of state government's revenue. Income taxes over the years have fluctuated from 19 percent to 38 percent of all

revenue collected by the state. In more recent years, income taxes have produced between 30 percent and 38 percent of all state revenues.

### INCOME TAX AS SHARE OF STATE RESOURCES

<b>Fiscal Year</b>	<b>Income Tax as Share of Total State Revenues</b>
1977	20%
1978	19%
1979	19%
1980	20%
1981	21%
1982	22%
1983	22%
1984	25%
1985	25%
1986	24%
1987	27%
1988	24%
1989	24%
1990	24%
1991	27%
1992	27%
1993	30%
1994	30%
1995	30%
1996	29%
1997	30%
1998	33%
1999	34%
2000	36%
2001	38%
2002	30%
2003	28%
2004	30%
2005	33%
2006 Adj App	38%
2007 Est	36%

Sources: Governor's budgets various years. Amounts represent actual collections through FY 2005. FY 2006 data are estimates from the Governor's FY 2007 budget; FY 2007 data are from the FY 2007 Appropriations Act.

### STRUCTURE

New Jersey's income tax differs from the federal income tax and most other states in that it is levied on a much broader base. In other words, New Jersey allows for fewer deductions, exemptions and credits so that more of a household's income is taxed. For the most part, this enables rates to be lower than they might be otherwise. It also means that people with the same income, but from a different variety of sources, are treated more equally rather than rewarding or penalizing certain types of income or economic activity.

Many states closely follow the federal system, allowing similar deductions and credits and conforming to Internal Revenue Service standards and definitions. Some states levy

their income tax simply as a percentage of federal taxable income (Colorado) or as a percentage of federal tax rates (Vermont and Rhode Island). When the federal government changes definitions and rates, these states either must accept the changes or take action to de-couple from them.

New Jersey's overall income tax structure is much as it was when enacted in 1976. In addition to the rate adjustments covered earlier, the table below details changes legislated over the past 30 years.

#### NEW JERSEY TAX CHANGES

P.L. 1976, C. 47	Gross Income Tax enacted July 8, 1976
P.L. 1985, C. 304	Property taxes paid on taxpayer's homestead became deductible
P.L. 1990, C. 61	Exemption for dependents increased from \$1,000 to \$1,500; two new filing statuses (head of household and surviving spouse) added; property tax deduction repealed and replaced with a homestead rebate program
P.L. 1993, C. 108	Employer-provided commuter transportation benefits exempt
P.L. 1993, C. 98	State benefits for a family member with a developmental disability exempt
P.L. 1993, C. 173	Subchapter S corporation income included in the income tax base
P.L. 1993, C. 178	Methodology for computing NJ tax liability for nonresidents with income from NJ changed, requiring them to pro-rate their tax liability by the proportion of NJ source income to total income. Formerly, the calculation was based only on NJ source income
P.L. 1994, C. 8	Gross income filing threshold raised for individuals, heads of households, surviving spouses, married persons filing jointly and estates and trusts to \$7,500 from \$3,000
P.L. 1996, C. 60	Property tax deduction/credit provided on state income tax returns for resident homeowners and tenants. Benefits phased in over three years starting in 1996
P.L. 1997, C. 237	NJ Better Educational Savings Trust account earnings and qualified distributions exempt
P.L. 1997, C. 414	Contributions to medical savings accounts excludable under Internal Revenue Code exempt
P.L. 1998, C. 3	Gain of up to \$500,000 from the sale of a principal residence exempt
P.L. 1998, C. 57	Roth IRA excluded from taxable income per federal treatment
P.L. 1998, C. 409	Certain military pensions or survivors' benefits paid to those 62 and older or disabled exempt
P.L. 1999, C. 116	Qualified distributions from qualified state tuition program accounts exempt
P.L. 1999, C. 260	Gross income filing threshold raised to \$10,000 for individuals and to \$10,000 (1999), \$15,000 (2000) and \$20,000 (2001) for heads of households, surviving spouses, married persons filing jointly and estates/trusts
P.L. 1999, C. 177	Pension exclusion increased from \$12,500 to \$20,000 in 2003 for married filing jointly, from \$6,250 to \$10,000 for married filing separately and from \$9,375 to \$15,000 for single filer, head of household or surviving spouse
P.L. 1999, C. 222	Certain self-employed taxpayers permitted to deduct health insurance cost for taxpayer, spouse and dependents with limitations
P.L. 1999, C. 372	Deduction provided for qualified conservation contributions
P.L. 2001, C. 80	NJ Earned Income Tax Credit enacted as percentage of a person's Federal Earned Income Credit
P.L. 2001, C. 84	Eliminated requirement for taxpayer to be 62 to get military pension or survivor's benefit exclusion
P.L. 2001, C. 162	Commuter transportation benefit exclusion up to \$1,200 with future annual inflation adjustment
P.L. 2002, C. 40	Partnerships required to pay \$150 filing fee per owner; prepay tax on behalf of nonresident partners
P.L. 2002, C. 43	Tax credit created for certain first-time home buyers in certain municipalities
P.L. 2003, C. 9	Income of victims of the 9/11 terrorist attack exempt from taxation for 2000 and years after
P.L. 2003, C. 246	Investment clubs exempt from the \$150 per owner annual partnership filing fee
P.L. 2004, C. 55	Nonresidents, estates and trusts required to pay estimated taxes on gains from the sale or transfer of real property in NJ as condition of recording the deed



## COMPARING STATES

All but seven states (Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming) have income taxes. Two others—New Hampshire and Tennessee—levy taxes only on income from dividends and interest.

In five states with income taxes (Colorado, Illinois, Indiana, Michigan and Pennsylvania) there is only one tax rate, applied to all taxable income. This is known as a flat income tax. The rate ranges from 3 percent in Illinois to 4.63 percent in Colorado. In Massachusetts, wage income is taxed at 5.3 percent while dividends, interest and capital gains are taxed at 12 percent. Most states, like New Jersey, have a progressive—also called graduated—income tax where rates rise with income.

Often, state income taxes are compared to each other on the basis of the top rate—the highest percentage levied against income. But that can be a very misleading exercise; one that casts New Jersey's income tax—with the nation's seventh highest top rate—in an inappropriately negative light. That is why the information in the two columns on the right in the table that follows is so important.

To see why, consider a comparison between Maine and New Jersey. Maine's top rate is 8.5 percent and New Jersey's is 8.97 percent. If that is all one knows, one would assume all residents of the two states have similar tax liability. But, look again. Married taxpayers in Maine pay 8.5 percent on all taxable income above \$36,500. In New Jersey the top rate applies only on income greater than \$500,000, meaning that the vast majority of taxpayers in New Jersey pay a lower rate than in Maine.

## STATE RATES & BRACKETS

	Marginal Tax Rates		Brackets	Top Marginal Tax Rate Begins at:	
	Lowest Tax Rate	Top Tax Rate		Single Bracket	Married – Joint Bracket
Alabama	2.0 %	5.0 %	3	\$3,001	\$6,001
Arizona	2.87	5.04	5	150,001	300,001
Arkansas	1.0	7.0	6	29,200	29,200
California (1)	1.0	9.3	6	41,477	82,953
Colorado (2)	4.63	4.63	Flat Rate	---	---
Connecticut	3.0	5.0	2	10,001	20,001
Delaware	2.2	5.95	6	60,001	60,001
District of Columbia	4.5	8.7	3	40,001	40,001
Georgia	1.0	6.0	6	7,001	10,001
Hawaii	1.4	8.25	9	40,001	80,001
Idaho	1.6	7.8	8	23,178	46,355
Illinois (3)	3.0	3.0	Flat Rate	---	---
Indiana (4)	3.4	3.4	Flat Rate	---	---
Iowa	0.36	8.98	9	58,500	58,500
Kansas	3.5	6.45	3	30,001	60,001
Kentucky	2.0	6.0	6	75,001	75,001
Louisiana	2.0	6.0	3	25,001	50,001
Maine	2.0	8.5	4	18,250	36,500
Maryland	2.0	4.75	4	3,001	3,001
Massachusetts (5)	5.3	5.3	Flat Rate	---	---
Michigan (6)	3.9	3.9	Flat Rate	---	---
Minnesota	5.35	7.85	3	67,361	119,111
Mississippi	3.0	5.0	3	10,001	10,001
Missouri	1.5	6.0	10	9,001	9,001
Montana	1.0	6.9	7	13,900	13,900
Nebraska	2.56	6.84	4	27,001	50,001
New Hampshire (7)	5.0	5.0	Flat Rate	Interest/dividends	Interest/dividends
New Jersey	1.4	8.97	6	500,001	500,001
New Mexico	1.7	5.3	4	16,001	24,001
New York	4.0	7.7	5	500,001	500,001
North Carolina	6.0	8.25	4	120,001	200,001
North Dakota	2.1	5.54	5	326,451	326,451
Ohio	0.681	6.87	9	200,001	200,001
Oklahoma (8)	0.5	6.25	8	10,501	21,001
Oregon	5.0	9.0	3	6,651	6,651
Pennsylvania (9)	3.07	3.07	Flat Rate	---	---
Rhode Island (10)	3.75	9.9	5	326,450	326,450
South Carolina	2.5	7.0	6	12,851	12,851
Tennessee (11)	6.0	6.0	Flat Rate	Interest/dividends	Interest/dividends
Utah	2.3	7.0	6	4,314	8,627
Vermont (12)	3.6	9.5	5	326,450	326,450
Virginia	2.0	5.75	4	17,001	17,001
West Virginia	3.0	6.5	5	60,001	60,001
Wisconsin	4.6	6.75	5	137,411	183,211

Data as of August 2006

Sources: Tax Policy Center of the Urban Institute and the Brookings Institute, State Individual Income Taxes, Tax Rates for tax year 2006 as of January 1, 2006.

Note: (1) California imposes an additional 1% on taxable income over \$1 million.

(2) Tax is 4.63% of federal taxable income.

(3) Tax is 3% of federal adjusted gross income with modifications.

(4) Tax is 3.4% of adjusted gross income.

(5) Massachusetts taxes interest, dividends and short term capital gains at 12.0% and all other income at 5.3%.

(6) Tax is 3.9% of taxable income.

(7) New Hampshire levies a 5% tax on interest and dividends.

(8) Oklahoma has two ways to calculate income taxes based on whether taxes are calculated before or after the federal tax deduction. Rates are for taxpayers not deducting federal income tax.

Rates increase to 10% on \$24,000 and over if federal income tax deducted.

(9) Tax is 3.07% of taxable income.

(10) Rhode Island is calculated at 25% of federal income tax rates in effect prior to 2001.

(11) Tennessee levies a 6% tax on interest and dividends.

(12) Vermont is calculated at 24% of federal income tax rates.

Accurate comparisons of income taxes from state to state must also take into account the fact that 12 states allow local governments to levy income taxes to support schools and municipal services. Local income taxes are widespread in six states (Indiana, Kentucky, Maryland, Michigan, Ohio and Pennsylvania). In the others, large cities or counties mainly levy them. Every state with a local income tax also levies a state income tax. Often the two are linked, using the same definitions for income and the same credits and deductions. Maryland's county taxes are the most closely linked since they are calculated as a percentage of state tax liability.

While local income taxes produce less than 2 percent of local revenues across the United States, in five states they produce more than 5 percent. Local income taxes produced nearly 16 percent of local revenue in Maryland, 9 percent in Kentucky, over 8 percent in Ohio, almost 7 percent in Pennsylvania and about 5 percent in New York in 2004.<sup>2</sup>

### LOCAL INCOME TAX RATES

	Range of Rates	Who Imposes
Alabama	1 % tax is collected on gross receipts in Birmingham.	1 city
Colorado	Denver, Aurora and Greenwood Village levy occupational taxes at a flat dollar rate.	3 cities
Delaware	1.25% tax on wages, salary, commissions and net profits is collected from residents and non residents who work in Wilmington.	1 city
Indiana	Indiana counties and municipalities may levy up to 4 different income taxes, including county adjusted gross income taxes, county option income taxes, county economic development income taxes and the municipal option income tax. Rates range from 0.5 % to 1.0%.	82 counties have at least one income tax
Iowa	School districts impose an income tax surcharge at rates ranging from 1% to 20% on residents.	415 school districts
Kentucky	Cities, counties and school districts can levy occupational license taxes on wages, salaries and commissions. The combined rates range from 0.25% to 3.55% of taxable earnings.	187 government units
Maryland	Calculated as a % of taxable income based on residence. Rates range from 1.25% to 3.2 % in 2006. Residents of Baltimore City/County pay 5.88%.	23 counties and Baltimore City
Michigan	Residents, nonresidents and corporations pay city income taxes. Rates range from 0.75% to 2.5%.	22 cities
Missouri	Kansas City and St Louis levy a flat 1% on resident and nonresident incomes and on the net profits of corporate activity within the city.	2 cities
New York	The NYC tax ranges from 2.907% to 3.648% on city resident, estate and trust income. Yonkers levies a 5% tax on residents and a 0.25% tax on nonresidents.	2 cities
Ohio	Total municipal and school rates range from 0.30% to 2.85%. Of that total, school district rates average 0.75%.	697 municipalities & school districts
Oregon	Multnomah County levies a 1.25% tax on county residents.	1 county
Pennsylvania	Pennsylvania allows both municipalities and school districts to levy taxes on earned income (including wages, salaries and commissions but not including interest and dividends). Both residents and nonresidents are subject if the non resident works in the city that levies the tax. The maximum municipal and school rate is 1%. Exceptions are Philadelphia, Pittsburgh and Scranton. On earned income, Philadelphia residents pay 4.301% (nonresident 3.772%); Pittsburgh residents pay 1.5% (nonresidents 1%); and Scranton residents pay 3.4% (nonresidents 1%). Pittsburgh and Scranton also levy a \$52 Emergency and Municipal Services tax.	Over 2,400 municipalities and 460 school districts

Sources: Judith Lohman, OLR Research Report, Connecticut General Assembly, November 17, 2005. Tax Policy Center, *Local Income Taxes, Select Municipalities*, 2006.. Pennsylvania Governor's Center for Local Government Services, *Pennsylvania's Earned Income Tax Collection System: An Analysis with Recommendations*, Senate Finance Committee Informational Hearing, May 4, 2005. David Baer, *State Handbook of Economic, Demographic, and Fiscal Indicators 2006* AARP Public Policy Institute, May 2006.

Notes: Arkansas allows "first class cities" to levy a local income tax. Georgia allows local governments to levy a 1% tax on Georgia income if they do not already levy a local general sales tax.

As the table below shows, the addition of local income taxes greatly affects relative tax liability from state to state. Of particular interest for New Jersey is the impact that New

York City's and Philadelphia's levies have on narrowing differences among New Jersey, New York State and Pennsylvania.

**STATE & LOCAL TAX RATES IN THE REGION**

	<b>Top State Rate</b>	<b>Top Local Rate</b>	<b>Total Top State and Local Rates</b>	<b>Where</b>	<b>Income at Which Top Rate Begins*</b>
Connecticut	5.0%	---	5.0%		\$20,000
Delaware	5.95	1.25%	7.2	Wilmington	\$60,000
District of Columbia	---	8.7	8.7		\$40,000
Maine	8.5	---	8.5		\$36,500
Maryland	4.75	---	4.75		\$3,000
Massachusetts	5.3	---	5.3		\$1
New Jersey	8.97	---	8.97		\$500,000
New York	6.85	3.648	10.498	New York City	\$40,000
North Carolina	8.25	---	8.25		\$200,000
Ohio	6.87	2.85	9.72	City of Euclid	\$200,001
Pennsylvania	3.07	4.301	7.371	Philadelphia	\$1
Rhode Island	9.9	---	9.9		\$326,450
Vermont	9.5	---	9.5		\$326,450
Virginia	5.75	---	5.75		\$17,000

\* Rates are for Married Filing Jointly

Another way to assess the impact of taxes from state to state is on a per capita basis: dividing the amount of money a state collects by how many people live there. As the table below shows, New Jersey in 2004 ranked 14<sup>th</sup> in income tax per capita—at \$852, when only state income taxes are counted, and 17<sup>th</sup> when state and local income taxes are counted.

Some more recent data are available, but they do not include local income taxes. Figures released in December 2005 by the U.S. Census ranked New Jersey 14<sup>th</sup> with a state income tax collection of \$943 per person.

**PER CAPITA INCOME TAX COLLECTIONS IN 2004**

		State Income Taxes			Local Income Taxes			State and Local
1	Massachusetts	\$1,378	1	Dist of Columbia	\$1,894	1	Dist of Columbia	\$1,894
2	New York	1,278	2	Maryland	541	2	New York	1,595
3	Connecticut	1,235	3	New York	316	3	Maryland	1,490
4	Oregon	1,189	4	Ohio	304	4	Massachusetts	1,378
5	Minnesota	1,120	5	Pennsylvania	241	5	Connecticut	1,235
6	California	1,016	6	Kentucky	196	6	Oregon	1,217
7	Virginia	992	7	Indiana	68	7	Minnesota	1,120
8	Wisconsin	954	8	Delaware	56	8	Ohio	1,064
9	Maryland	949	9	Missouri	54	9	California	1,016
10	Delaware	941	10	Michigan	48	10	Delaware	998
11	Hawaii	926	11	Oregon	28	11	Virginia	992
12	Maine	882	12	Alabama	22	12	Wisconsin	954
13	North Carolina	880	13	Iowa	18	13	Hawaii	926
14	<b>New Jersey</b>	<b>852</b>	14	Arkansas	1	14	Maine	882
15	Rhode Island	833	15	Maine	0	15	North Carolina	880
16	Georgia	766	16	Arizona	0	16	Kentucky	876
17	Ohio	760	17	California	0	17	<b>New Jersey</b>	<b>852</b>
18	Colorado	742	18	Colorado	0	18	Rhode Island	833
19	Nebraska	711	19	Connecticut	0	19	Pennsylvania	832
20	Kansas	701	20	Georgia	0	20	Georgia	766
21	Utah	699	21	Hawaii	0	21	Colorado	742
22	Vermont	692	22	Idaho	0	22	Nebraska	711
23	Kentucky	681	23	Illinois	0	23	Kansas	701
24	Iowa	663	24	Kansas	0	24	Missouri	700
25	Oklahoma	658	25	Louisiana	0	25	Utah	699
26	Montana	653	26	Massachusetts	0	26	Vermont	692
27	Idaho	651	27	Minnesota	0	27	Iowa	681
28	Missouri	646	28	Mississippi	0	28	Indiana	680
29	Arkansas	613	29	Montana	0	29	Oklahoma	658
30	Indiana	612	30	Nebraska	0	30	Montana	653
31	Pennsylvania	591	31	New Hampshire	0	31	Idaho	651
32	West Virginia	589	32	<b>New Jersey</b>	<b>0</b>	32	Michigan	630
33	Michigan	581	33	New Mexico	0	33	Arkansas	614
34	South Carolina	581	34	North Carolina	0	34	West Virginia	589
35	Illinois	568	35	North Dakota	0	35	South Carolina	581
36	New Mexico	529	36	Oklahoma	0	36	Illinois	568
37	Alabama	496	37	Rhode Island	0	37	New Mexico	529
38	Louisiana	486	38	South Carolina	0	38	Alabama	518
39	Arizona	403	39	Tennessee	0	39	Louisiana	486
40	Mississippi	366	40	Utah	0	40	Arizona	403
41	North Dakota	336	41	Vermont	0	41	Mississippi	366
42	New Hampshire	42	42	Virginia	0	42	North Dakota	336
43	Tennessee	24	43	West Virginia	0	43	New Hampshire	42
44	Dist of Columbia	0	44	Wisconsin	0	44	Tennessee	24

Source: U.S. Census, State and Local Government Finances by Level of Government and by State: 2003-04

## TAXABLE INCOME

In addition to rates and where they are applied, it is necessary when comparing income taxes from state to state to consider what income is and is not taxed. Part of this involves the income tax threshold, an income level below which no income tax is owed. Thresholds are designed to eliminate income tax liability for the lowest income households. But there is considerable variation among states.

In New Jersey, a married couple filing a joint return does not pay income taxes until its income is over \$20,000; a single person only if his or her income is over \$10,000. As in other states, once the threshold is crossed income below that level also is taxed.

Only California begins to tax the income of a married couple filing a joint return above New Jersey's limit; and only Arizona, California and Connecticut have higher thresholds for a single taxpayer. Eight states have no threshold; all income is taxed.

However, exemptions that reduce taxable income can have a big impact on thresholds. The Center on Budget and Policy Priorities calculates that for a family of four with two children 22 states have higher thresholds than New Jersey. California's is highest, at \$41,500.<sup>3</sup>

Personal exemptions and credits also lower a household's tax liability. They work in similar ways, but an exemption is deducted from income before taxes are calculated and a credit is figured after taxes are calculated. For the most part, they are designed to compensate for the cost of raising children or dealing with disabilities. In New Jersey, a husband, wife or single taxpayer each is permitted a \$1,000 exemption. Additional exemptions of \$1,000 each are available for being blind, disabled or over age 65 or having a dependent child attending college. A \$1,500 exemption is provided for each dependent child not attending college. A married couple in New Jersey with two dependent children, one of whom is in college, would receive exemptions that lower by \$4,500 the amount of income subject to tax.

In eight states, taxpayers get the same exemptions as on their federal return. New York allows exemptions only for dependents; Pennsylvania permits no exemptions or credits. Seven states allow taxpayers credits against taxes; two states allow both exemptions and credits.

### INCOME TAX THRESHOLD

	Single Under 65	Single 65 and over	Married Under 65	Married Both 65 or Over
Alabama	\$1,875	\$1,875	\$3,750	\$3,750
Arizona	\$15,000	\$15,000	\$15,000	\$15,000
Arkansas	\$7,800	\$9,300	\$15,500	\$15,600
California	\$10,468	\$14,818	\$20,935	\$29,635
Colorado	No Threshold	No Threshold	No Threshold	No Threshold
Connecticut	\$12,750	\$12,750	\$24,000	\$24,000
Delaware	\$9,400	\$14,700	\$15,450	\$20,450
District of Columbia	If income > exemptions	If income > exemptions	If income > exemptions	If income > exemptions
Georgia	If income > deductions	If income > deductions	If income > deductions	If income > deductions
Hawaii	\$2,450	\$3,580	\$3,980	\$6,060
Idaho	\$7,950	\$9,150	\$15,900	\$17,800
Illinois	If income > exemptions	If income > exemptions	If income > exemptions	If income > exemptions
Indiana	If income > exemptions	If income > exemptions	If income > exemptions	If income > exemptions
Iowa	\$9,000	\$9,000	\$13,500	\$13,500
Kansas	\$5,250	\$6,100	\$10,500	\$11,900
Kentucky	\$5,000	\$5,000	\$5,000	\$5,000
Louisiana	No Threshold	No Threshold	No Threshold	No Threshold
Maine	\$2,000	\$2,000	\$2,000	\$2,000
Maryland	\$8,200	\$9,450	\$16,400	\$18,400
Massachusetts	\$8,000	\$8,000	\$8,000	\$8,000
Michigan	If income > exemptions	If income > exemptions	If income > exemptions	If income > exemptions
Minnesota	No Threshold	No Threshold	No Threshold	No Threshold
Mississippi	\$8,300	\$8,300	\$16,000	\$16,000
Missouri	AGI > \$1,200 & > exemptions/ deductions	AGI > \$1,200 & > exemptions/ deductions	AGI > \$1,200 & > exemptions/ deductions	AGI > \$1,200 & > exemptions/ deductions
Montana	\$3,440	\$5,280	\$6,880	\$10,560
Nebraska	Filing tied to federal return	Filing tied to federal return	Filing tied to federal return	Filing tied to federal return
New Jersey	\$10,000	\$10,000	\$20,000	\$20,000
New Mexico	No Threshold	No Threshold	No Threshold	No Threshold
New York	No Threshold	No Threshold	No Threshold	No Threshold
North Carolina	\$5,500	\$6,250	\$11,000	\$11,600
North Dakota	No Threshold	No Threshold	No Threshold	No Threshold
Ohio	\$10,000	\$10,000	\$10,000	\$10,000
Oklahoma	No Threshold	No Threshold	No Threshold	No Threshold
Oregon	\$4,720	\$5,920	\$9,459	\$11,459
Pennsylvania	\$36	\$36	\$36	\$36
Rhode Island	No Threshold	No Threshold	No Threshold	No Threshold
South Carolina	Filing tied to federal return	Filing tied to federal return	Filing tied to federal return	Filing tied to federal return
Utah	\$8,200	\$9,450	\$16,400	\$18,400
Vermont	\$1,000 in AGI or \$100 in VT income	\$1,000 in AGI or \$100 in VT income	\$1,000 in AGI or \$100 in VT income	\$1,000 in AGI or \$100 in VT income
Virginia	\$7,000	\$7,000	\$14,000	\$14,000
West Virginia	Filing tied to federal return	Filing tied to federal return	Filing tied to federal return	Filing tied to federal return
Wisconsin	\$9,000	\$9,120	\$18,000	\$18,000

Data as of August 2006

Source: NJPP, Various state tax departments.

**PERSONAL EXEMPTIONS & CREDITS**

State	Exemption or Credit?	Single	Married Filing Jointly	Elderly	Dependent
Alabama	Exemption	\$1,500	\$3,000	\$0	\$300
Arizona	Exemption	\$2,100	\$4,200	\$2,100, 65 or older	depends on filing status
Arkansas	Credit	\$21	\$42	\$21	\$21
California	Credit	\$87	\$174	\$87, 65 or older	\$272
Colorado	Exemption	Federal	Federal	Federal	Federal
Connecticut	Exemption	\$12,750	\$24,000	\$0	\$0
Delaware	Credit	\$110	\$220	\$110, 60 or older	\$110
Dist. of Columbia	Exemption	\$1,370	\$2,740	\$0	\$1,370
Georgia	Exemption	\$2,700	\$5,400	\$0	\$3,000
Hawaii	Exemption	\$1,040	\$2,080	\$1,040	\$1,040
Idaho	Exemption	Federal	Federal	Federal	Federal
Illinois	Exemption	\$2,000	\$4,000	\$1,000	\$2,000
Indiana	Exemption	\$1,000	\$2,000	\$1,000	\$1,500
Iowa	Credit	\$40	\$80	\$20, 65 and older	\$40
Kansas	Exemption	\$2,250	\$4,500	\$0	\$2,250
Kentucky	Credit	\$20	\$40	\$20, 65 and older	\$20
Louisiana	Exemption	\$4,500	\$9,000	\$1,000, over 65	\$1,000
Maine	Exemption	\$2,850	\$5,700	\$0	\$2,850
Maryland	Exemption	\$2,400	\$4,800	\$1,000	\$2,400
Massachusetts	Exemption	\$3,850	\$7,700	\$700, 65 and older	\$1,000
Michigan	Exemption	\$3,200	\$6,400	\$2,000	\$3,200/\$3,800
Minnesota	Exemption	Federal	Federal	Federal	Federal
Mississippi	Exemption	\$6,000	\$12,000	\$1,500	\$1,500
Missouri	Exemption	\$2,100	\$4,200	\$1,250 single; \$1,000 married	\$2,200; \$1,200 if over 65
Montana	Exemption	\$1,900	\$3,800	\$1,900	\$1,900
Nebraska	Credit	\$106	\$212	\$0	\$106
New Hampshire	Exemption	\$1,200	\$2,400	\$1,200, 65 and older	\$0
New Jersey	Exemption	\$1,000	\$2,000	\$1,000, 65 or older	\$1,500
New Mexico	Exemption	Federal	Federal	Federal	Federal
New York	Exemption	\$0	\$0	\$0	\$1,000
North Carolina (1)	Both	\$2,500/\$2,000	\$5,000/\$4,000	\$2,500/\$2,000	\$2,500/\$2,000 + \$100 tax credit
North Dakota	Exemption	Federal	Federal	Federal	Federal
Ohio (1)	Both	\$1,350/\$20	\$1,350/\$20	\$1,350/\$50, 65 +	\$1,350/\$20
Oklahoma	Exemption	\$1,000	\$2,000	\$1,000	\$1,000
Oregon	Credit	\$154	\$308	\$0	\$154
Pennsylvania	None	\$0	\$0	\$0	\$0
Rhode Island	Exemption	Federal	Federal	Federal	Federal
South Carolina	Exemption	Federal	Federal	Federal	Federal
Tennessee	Exemption	\$1,250	\$2,500	Some elderly exempt	\$0
Utah	Exemption	\$2,400	\$4,800	\$0	\$2,400
Vermont	Exemption	Federal	Federal	Federal	Federal
Virginia	Exemption	\$900	\$1,800	\$800	\$900
West Virginia	Exemption	\$2,000	\$4,000	\$0	\$2,000
Wisconsin	Exemption	\$700	\$1,400	\$250	\$700

(1) North Carolina and Ohio offer both credits and exemptions depending on income.

Source: Faith Russell, *Individual Income Tax Provisions in the States*, Wisconsin Legislative Fiscal Bureau, January 2005. Updated by NJPP.

Deductions—standard and itemized—further reduce taxable income in some states. Most states provide a standard deduction which is either a percentage of income up to a certain level or a flat amount. New Jersey is one of 10 states with no standard deductions. Nine other states accept the taxpayer’s federal deduction.



### STANDARD DEDUCTIONS

	<b>Single</b>	<b>Married Filing Jointly</b>
Alabama	lesser of 20% of AGI or \$2,000	lesser of 20% of AGI or \$4,000
Arizona	\$4,050	\$8,100
Arkansas	\$2,000	\$4,000
California	\$3,254	\$6,508
Colorado	Federal	Federal
Connecticut	None	None
Delaware	\$3,250	\$6,500
District of Columbia	\$2,000	\$2,000
Georgia	\$2,300	\$3,000
Hawaii	\$1,500	\$1,900
Idaho	Federal	Federal
Illinois	None	None
Indiana	None	None
Iowa	\$1,650	\$4,060
Kansas	\$3,000 + \$850 for 65 or older or blind	\$6,000 + \$700 for each spouse 65 or older or blind
Kentucky	\$1,970	\$1,970
Louisiana	\$4,500	\$9,000
Maine	\$5,000	\$8,300
Maryland	\$1,500-\$2,000	\$3,000-\$4,000
Massachusetts	None	None
Michigan	None	None
Minnesota	Federal	Federal
Mississippi	\$2,300	\$4,600
Missouri	Federal	Federal
Montana	\$1,580-\$3,560	\$3,160-\$7,120
Nebraska	\$5,130	\$8,580
New Hampshire	None	None
New Jersey	None	None
New Mexico	Federal	Federal
New York	\$7,500	\$14,600
North Carolina	\$3,000	\$3,000
North Dakota	Federal	Federal
Ohio	\$1,350	\$2,700
Oklahoma	\$1,000-\$2,000	\$1,000-\$2,000
Oregon	\$1,770	\$3,545
Pennsylvania	None	None
Rhode Island	\$5,000	\$8,300
South Carolina	Federal	Federal
Tennessee	None	None
Utah	Federal	Federal
Vermont	Federal	Federal
Virginia	\$3,000	\$6,000
West Virginia	None	None
Wisconsin	\$0-\$8,460	\$0-\$15,240

Source: Faith Russell, *Individual Income Tax Provisions in the States*, Wisconsin Legislative Fiscal Bureau, January 2005. Updated by NJPP.

New Jersey is among 27 states that fully exempt Social Security benefits from income tax. Five states exempt all retirement income from taxation. Many states exempt state, local and federal pension income but not private pension income. Some states, including New Jersey, exempt a portion of retirement income if the taxpayer's total income is not above a certain level. And in eight states retirement income is fully taxed as regular income.

## STATE INCOME TAX EXCLUSIONS FOR PENSION & RETIREMENT INCOME

State	Private	State and Local	Federal Civilian
Alabama	Full exemption for employer-contribution pensions only.	Full exemption	Full exemption
Arizona	No	\$2,500	\$2,500
Arkansas	\$6,000 unless tax-deferred pension	\$6,000	\$6,000
California	No	No	No
Colorado	\$20,000, 55 to 64; \$24,000, 65 or older	\$20,000, 55 to 64; \$24,000, 65 or older	\$20,000, 55 to 64; \$24,000, 65 or older
Connecticut	No	No	No
Delaware	\$2,500 under 60; \$12,500, 60 or older	\$2,500 under 60; \$12,500, 60 or older	\$2,500 under 60; \$12,500, 60 or older
District of Columbia	No	\$3,000	\$3,000
Georgia	\$25,000, 62 or older	\$25,000, 62 or older	\$25,000, 62 or older
Hawaii	Full exemption for employer-contribution pensions only.	Full exemption	Full exemption
Idaho	No	Fireman or local police and married, \$34,902, 65 +, or 62 + if disabled. Single, \$23,268 if 65 + or 62 + if disabled.	\$34,902, married 65 + or 62 + if disabled; \$23,268, single, 65 or older or 62 and disabled.
Illinois	Full exemption	Full exemption	Full exemption
Indiana	No	No	\$2,000
Iowa	\$6,000 single; \$12,000 married	\$6,000 single; \$12,000 married	\$6,000 single; \$12,000 married
Kansas	No	Full exemption	Full exemption
Kentucky	\$41,110	\$41,110	\$41,110
Louisiana	\$6,000 single, 65 +; \$12,000 married, 65 +	Full exemption	Full exemption
Maine	\$6,000 except for employer contribution pensions	\$6,000	\$6,000
Maryland	\$21,500, if 65 or older, except for employer contribution pensions	\$21,500, 65 or older	\$21,500, 65 or older
Massachusetts	None	Full exemption	Full exemption
Michigan	\$39,570 single; \$79,140 married	Full exemption	Full exemption
Minnesota	No	No	No
Mississippi	Full exemption	Full exemption	Full exemption
Missouri	\$6,000 single; \$12,000 married, based on income	\$6,000 single; \$12,000 married, based on income	\$6,000 single; \$12,000 married, based on income
Montana	\$3,600, based on income	\$3,600, based on income	\$3,600, based on income
Nebraska	No	No	No
New Hampshire	Full exemption	Full exemption	Full exemption
New Jersey	\$15,000 single; \$20,000 married, based on income	\$15,000 single; \$20,000 married, based on income	\$15,000 single; \$20,000 married, based on income
New Mexico	No	No	No
New York	\$20,000	Full exemption	Full exemption
North Carolina	\$2,000	\$4,000 single; \$8,000 married	\$4,000 single; \$8,000 married
North Dakota	No	\$5,000 for public safety workers	\$5,000, 50 or older
Ohio	\$25-\$200, based on income	\$25-\$200, based on income	\$25-\$200, based on income
Oklahoma	Up to \$7,500, based on income	Up to \$7,500, based on income	Up to \$7,500, based on income
Oregon	9% of pension income	9% of pension income	9% of pension income
Pennsylvania	Full exemption	Full exemption	Full exemption
Rhode Island	No	No	No
South Carolina	\$3,000 under 65; \$10,000 at 65; \$15,000 over 65, single; \$30,000 over 65, married	\$3,000 under 65; \$10,000 at 65; \$15,000 over 65, single; \$30,000 over 65, married	\$3,000 under 65; \$10,000 at 65; \$15,000 over 65, single; \$30,000 over 65, married
Tennessee	Full exemption	Full exemption	Full exemption
Utah	\$4,800 under 65; \$7,500 over 65	\$4,800 under 65; \$7,500 over 65	\$4,800 under 65; \$7,500 over 65
Vermont	No	No	No
Virginia	No	No	No
West Virginia	No	\$2,000 for teachers & state workers. Full exemption for police, firefighters.	\$2,000
Wisconsin	No	Full exemption for teachers, some Milwaukee public employees.	Full exemption for some retirees.

Source: Faith Russell, *Individual Income Tax Provisions in the States*, Wisconsin Legislative Fiscal Bureau, January 2005. Updated by NJPP. Current as of 2006 - Alabama, Arizona, Arkansas, California, Connecticut, District of Columbia, Georgia, Hawaii, Idaho, Illinois, Kentucky, Mississippi, Minnesota, Montana, Nebraska, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, West Virginia. Current as of 2005 - Colorado, Delaware, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, New Mexico, Oklahoma, Oregon, Vermont, Virginia, Wisconsin. Current as of 2004 - North Dakota.

## STATISTICS OF INCOME

Included in the Appendix of this report are the number of tax returns filed, net taxes paid and gross income for nine income levels over the 18-year period from 1986 to 2004. The trends provide important insight on what is happening to income in New Jersey.

In 2004, 2.6 million people in New Jersey paid more than \$7 billion in income taxes on their \$236 billion gross annual income. The majority, 64 percent, of New Jersey taxpaying households made between \$20,000 and \$100,000. Those making less than \$150,000 were 91 percent of all filers. These households paid 37 percent of all the income tax collected and made 59 percent of the state's income.

The percentage of taxpayers who file returns showing less than \$150,000 has declined slowly over time (91 percent in 2004 compared to 97 percent in 1994 and 98 percent in 1986) as incomes in New Jersey have risen and New Jersey raised the threshold below which incomes are not taxed. The share of income taxes paid by those making under \$150,000 has also declined, from a high of 76 percent of the total to lows of 36 percent in 2000 and 37 percent in 2004. Their share declined because the share of income made by the state's highest earners increased.

The number of households with taxable income above \$1 million tends to fluctuate from year to year, but on the whole has risen over time. In 2000, 12,365 households had taxable income greater than \$1 million, as record stock market bonuses boosted their total gross income to \$39.5 billion. In that year, they paid 29 percent of all income taxes collected in the state, at a top rate of 6.37 percent. Four years later, in 2004, 11,600 were in that highest income category. Their total gross income was \$30.5 billion and, although their income was taxed at a top rate of 8.97 percent, they paid a slightly smaller share (27 percent) of all income taxes collected in the state than millionaires did in 2000.

## NEW JERSEY & ITS NEIGHBORS: BOTTOM LINE

All of the factors that go into determining liability in each state add complexity to the task of comparisons among states. So, for the purpose of this report, NJPP used the TurboTax commercial software program to calculate how much tax four identical families would pay in New Jersey and some neighboring states.

The tax information is based on a family of four with two working parents and two school-age children. The family has no retirement income and takes the standard exemptions and deductions available in each location.

Local income taxes raise the tax cost for each of these families if they live in New York City or Philadelphia. For instance, the Smith family with a \$550,000 income would pay \$64,808 (12 percent of family income) in state and local income taxes combined if it lived in New York City; \$41,134 (7 percent) if it lived in Philadelphia and \$31,306 (6 percent) if it lived in New Jersey. The Jones family with an income of \$28,000 would pay

\$734 (3 percent) if it lived in New York City compared to \$1,204 (4 percent) in Philadelphia and \$333 (1 percent) in New Jersey.

Taking state income taxes alone, at both income levels the family in New York State pays the most. Pennsylvania’s tax is lowest for the upper two income families and the lowest income family—unless it lives in Philadelphia. But for the family making \$80,000, New Jersey’s income tax is the lowest.

**RELATIVE TAX OWED**

	Smith Family	Tax as % of Income	Johnson Family	Tax as % of Income	Williams Family	Tax as % of Income	Jones Family	Tax as % of Income
<b>Family Income</b>	<b>\$550,000</b>		<b>\$200,000</b>		<b>\$80,000</b>		<b>\$28,000</b>	
<b>Federal Income Taxes</b>	\$163,063	30%	\$40,170	20%	\$5,854	7%	-\$1,477	NA
<b>State Income Taxes</b>								
New Jersey	\$31,306	6%	\$7,997	4%	\$1,544	2%	\$333	1%
Pennsylvania	\$17,478	3%	\$6,355	3%	\$2,541	3%	0	0
New York	\$41,072	7%	\$13,297	7%	\$3,551	4%	\$402	1%
Connecticut	\$29,052	5%	\$10,291	5%	\$3,473	4%	\$30	0
<b>Local Income Taxes</b>								
New York City	\$23,736	4%	\$7,428	4%	\$2,117	3%	\$332	1%
Philadelphia	\$23,656	4%	\$8,607	4%	\$3,441	4%	\$1,204	4%

**PROGRESSIVITY & ITS “PERILS”**

New Jersey’s income tax is, by economic definition, progressive. The rate structure detailed earlier clearly requires those with higher taxable income to pay not just more of what they make to the state each year as income tax; it also requires them to pay a higher *percentage* of what they make. There is no formula to determine what is the proper amount of progressivity. It is a highly subjective matter that must also take into account economic and political consequences.

**NEW JERSEY TAX DATA 2004**

Gross Income	Number of Returns Filed	% of Total Returns Filed	Net Tax Paid	% of Total Net Tax Paid	Gross Income of Taxpayers	% of Total Taxpayer Gross Income
<b>Up to \$100,000</b>	2,099,300	80.4%	\$1,684,596,800	23.7%	\$102,709,749,900	43.6%
<b>\$100,001 to \$150,000</b>	266,600	10.2%	\$946,070,200	13.3%	\$35,136,197,800	14.9%
<b>\$150,001 to \$250,000</b>	101,200	3.9%	\$595,504,500	8.4%	\$18,579,865,500	7.9%
<b>\$250,001 to \$500,000</b>	110,400	4.2%	\$1,278,730,400	18.0%	\$33,521,803,700	14.2%
<b>\$500,001 to \$1 million</b>	21,700	0.8%	\$711,386,200	10.0%	\$15,075,874,400	6.4%
<b>More than \$1 million</b>	11,600	0.4%	\$1,883,507,000	26.5%	\$30,519,921,300	13.0%
<b>Total</b>	2,610,800		\$7,099,795,100		\$235,543,412,600	

Source: Department of the Treasury, Division of Taxation, *Statistics of Income* for tax year 2004.

No discussion of New Jersey’s income tax can ignore how income currently is distributed among the state’s households:

- In 2004, 80.4 percent of New Jersey households had taxable income of less than \$100,000.
- 90.6 percent had taxable income of less than \$150,000.

Not surprisingly, then, the state’s progressive income tax reflects the highly skewed distribution of income:

- 76.3 percent of the tax in 2004 was paid by 19.6 percent of filing households—those with taxable income of more than \$100,000.
- 62.9 percent of the tax was paid by 9.3 percent of filing households—those with taxable income of more than \$150,000.

In the table below, average income, taxes and the tax rate are computed for each of the income categories based on 2004 data. The average gross income and tax are calculated based on the number of filers in each income bracket. The computed average tax rates that people actually pay range from 1.64 percent to 6.17 percent.

**HOW INCOMES ARE TAXED**

Gross Income 2004	Average Gross Income	Average Net Tax	Average Tax Rate
Up to \$100,000	\$48,926	\$802	1.64%
\$100,001 to \$150,000	\$131,794	\$3,549	2.69%
\$150,001 to \$250,000	\$183,596	\$5,884	3.21%
\$250,001 to \$500,000	\$303,640	\$11,583	3.81%
\$500,001 to \$1 million	\$694,741	\$32,783	4.72%
More than \$1 million	\$2,631,028	\$162,371	6.17%
<b>Total</b>	\$90,219	\$2,719	3.01%

Source: Department of the Treasury, Division of Taxation, *Statistics of Income* for tax year 2004. Calculations by NJPP.

These statistics suggest that New Jersey is doing a good job of basing its income tax on the ability to pay. Still, New Jersey’s income tax has its critics. In all likelihood, the real objection of some is simply that they want to pay less, and even a 3 percent flat tax would be too much. But let’s look at arguments raised against the tax because there are rational, convincing responses to be made.

***“Too few pay too much”***

The numbers don't lie: most of the tax revenue comes from a relatively small percentage of households. But it is equally clear that these are the households making the most money. And the income gap between them and the rest of New Jersey is widening.

Early in 2006, the Economic Policy Institute and Center on Budget and Policy Priorities<sup>4</sup> updated income disparity data and found a disturbing trend. Over 20 years, the income of the lowest 20 percent of households in New Jersey rose by 24.4 percent, while that of the middle 20 percent went up by 78.7 percent and that of the top 5 percent rose by 132 percent—well above the U.S. average of 84.7 percent.

The data also showed New Jersey to be one of 10 states with the largest top-to-bottom disparities and one of 10 with the largest increase in the ratio of the income of the top 5 percent compared to the middle 20 percent over the past 10 years. New Jersey's income tax, then, relies for most of its revenue on the relatively small portion of New Jersey households who make the most money—and who have seen their income grow the most in recent years.

The “too few pay too much” argument also ignores a highly salient feature of New Jersey's overall state and local tax system. When the three major taxes paid by individuals—state income, state sales, local property—are taken together, the wealthiest households pay a much lower share of their yearly income than do middle-or low-income households.

In 2000, the lowest 20 percent of New Jersey households in terms of income—those making less than \$19,000 a year—paid 12.4 percent of their income in the three major taxes.<sup>5</sup> The middle 20 percent—those making \$34,000 to \$56,000—paid 9.8 percent of their income.

The top 20 percent broke down as follows: the top 1 percent—those making more than \$571,000—paid 8.2 percent of their income; the next 4 percent—\$193,000 to \$570,000—paid 9.4 percent; and the next 15 percent—\$94,000 to \$193,000—paid 9.7% of their income in the three taxes.

For only the top 5 percent did the state income tax require them to pay a greater share of their income than did the sales or property tax. And, the ability to deduct state income tax and local property tax from a household's taxable federal income increases the disparity even further. The lowest 20 percent get no measurable cut from deductibility; the middle 20 percent see their rate drop to 9.3 percent from 9.4 percent; but the wealthiest 1 percent sees a drop of 2.5 points, down to 5.7 percent.

Since the study cited above was conducted New Jersey has raised its tax threshold and increased the rate paid on income greater than \$500,000—so the disparities might have lessened to an extent. A new study is due early in 2007.

One more element must be considered: federal tax policy that in recent years has brought huge income tax cuts to the wealthiest households. Citizens for Tax Justice<sup>6</sup> recently estimated that the wealthiest 1 percent of New Jerseyans—households with average income of \$1,512,400—are paying \$51,368 less in federal income taxes in 2006 than they would have without the tax cuts. So even with the state income tax increase enacted in 2004, they enjoy a net savings of, on average, \$23,129.

The inescapable conclusion, then, is that New Jersey's progressive state income tax barely makes a dent in the overall regressive nature of the state and local tax system—and the skewed results of the federal income tax. Reducing the state income tax for the highest-income households, or increasing it only on low- and middle-income households, would make the relative tax share paid by each group more unfair.

***“The income tax is too volatile”***

This argument is made not so much on behalf of taxpayers but out of concern expressed about state finances. A tax that is subject to widely fluctuating revenues from year to year is less dependable. An unanticipated downturn results in less money and the possibility of having to cut services and programs or raise other taxes in order to meet the state constitution's requirement of a balanced budget. And, the argument goes, since most income tax revenue comes from high-income households and is more likely to come from investments than wages, stock market declines pose significant danger to the state.

It is true that income tax revenue is affected more than property tax revenue by economic conditions. And that does create uncertainty for state policymakers. But is the income tax's reputation for volatility earned?

Over the 40 years of the tax's existence, New Jersey state sales tax revenue has grown from year to year by an average of 10 percent. Five times it has grown by more than 20 percent; two times it has actually gone down.

The state income tax has been in effect for 30 years. During that time it has produced a revenue increase averaging 10 percent a year. Four times it has gone up by more than 20 percent; three times it has declined.

Revenue from local property taxes, meanwhile, has over the past 40 years grown by an average of 7 percent a year. The largest increase was 15 percent; property tax revenue has never declined over the period. Does this make the property tax better? And for whom? Stability in tax collections is good for the tax collector. But consider this: if your income declines in a given year, so does your income tax. But property tax is tied only to home value, not income. You could lose your job and you would still owe property tax. And the trend is that it will go up, not down.

The answer to this is not to rely less on the income tax. It is to make sure the overall tax system is balanced; that it blends fairness and stability and diversifies revenue sources like a well-thought-out investment portfolio. No tax system is immune from serious

economic downturns; the key is to use resources cautiously in good times—not to reduce or abandon the tax based most closely on people’s actual economic circumstances.

***“Tax them and they will leave”***

In 2004, the number of New Jersey state returns listing taxable income of \$1 million or more was 11,600. That was fewer than in 2000, but more than in 2001, 2002 or 2003. A decline can be interpreted in various ways. Did people leave New Jersey? Or was their income simply subject to the vagaries of Wall Street? Still, anecdotes abound: so-and-so has a house in New Jersey and one in Florida and decided to call Florida his residence to avoid paying any state income tax (Florida has none). No one knows how often this happens.

But some things *are* known. According to data compiled over the past 20 years by the Internal Revenue Service, every year the average household income of those who move to New Jersey from other states is higher than that of households leaving New Jersey for other states. In 2004, the most recent year for which data are available, the median adjusted gross income for households moving into New Jersey from other states was \$32,474. For those leaving New Jersey for other states it was \$29,686.

What’s also true is that the same three states account for the highest number of households moving into New Jersey from elsewhere in the U.S., and out of New Jersey.

**COMING AND GOING 2004**

To NJ From	Households	Income *	From NJ To	Households	Income *
New York	29,578	\$41,202	New York	19,320	\$33,510
Pennsylvania	12,695	\$33,159	Florida	17,239	\$26,582
Florida	5,768	\$32,474	Pennsylvania	16,568	\$32,369
Total To NJ	77,667	\$32,474	Total From NJ	98,422	\$29,686

Source: Internal Revenue Service State-to-State Migration Data, 2004 \* Median adjusted gross income

As discussed earlier, income taxes in New York are higher than in New Jersey. In Pennsylvania, they are lower for some income levels and higher for others. There is no state income tax in Florida. All of this suggests that taxes might not be the only factor involved in state-to-state migration. IRS data analyzed by NJPP in 2003<sup>7</sup> found no correlation between tax increases or cuts and movement into or out of New Jersey. It was not uncommon for the number of people coming to New Jersey the year after an income tax increase to exceed the number leaving, and for the number leaving the year after a tax cut to exceed the number coming in. Further, in most years it is the case that both the number coming and leaving rise or fall in tandem.

It is reasonable to infer a few other things from the data. Many people move to New Jersey during their peak earning years and then head south upon retirement (though a substantial number appears to be returning) or to Pennsylvania, which entirely exempts retirement income from taxation. And given that Pennsylvania’s property tax burden per



capita is less than half that of New Jersey's, it seems very possible that much of the movement from New Jersey to Pennsylvania is middle-income households seeking a reduction in a tax that affects them more than New Jersey's state income tax.

Tax policy should be made on the basis of revenue needs and fairness—not anecdotes or threats. What is needed is for New Jersey to conduct an analysis of high-income households that have stopped paying state income tax in recent years. To the extent that this reflects people who own homes in two states but no longer list New Jersey as their domicile under tax law, the state should release a count and also take aggressive action to make sure such people are complying with the law by actually living outside New Jersey for a majority of the year and taking such actions as registering to vote and becoming licensed to drive in the state they now call home.

## RECOMMENDATIONS

New Jersey's personal income tax is better crafted than those in most states. Its progressive tax rate structure should be retained, with some changes that would make the tax fairer and more productive as a revenue source. The underlying premises are sound: Those who earn substantially more should continue to contribute more. The few exemptions and deductions allowed fit with standards of simplicity and fairness by permitting fewer ways to "game" the system.

The policy proposals that follow would increase revenue from the state income tax by at least \$1 billion a year. That would be a promising start. New Jersey in the future should rely even more on the progressive income tax. The significant decrease in local property taxes would make the political battle worth it. But before that can happen, the state must move farther along with municipalities and school districts sharing services, consolidating and merging—so that taxpayers can be assured that property tax savings would not be eaten away by the inefficiency that today characterizes local service delivery.

**► Raise the tax threshold for married filing joint returns to \$30,000 from \$20,000 and for singles to \$15,000 from \$10,000. This would cost the state less than \$200 million.**

Raising the tax threshold on households with incomes below \$30,000 would eliminate the income tax burden for more than 400,000 New Jersey households. The Jones family of four with an annual household income of \$28,000 would save \$333. In a state with as high a cost of living as New Jersey's, it is appropriate not to tax the income of those who are most vulnerable.

**► Increase the lowest tax bracket to 1.75 percent, and add a new bracket of 7.67 percent on income between \$250,000 and \$500,000. This would add at least \$400 million in new revenue and would increase tax equity among higher income earners.**

This would change the current tax rate structure as follows:

Current Tax Schedule	Current Rate	Proposed Tax Schedule	Proposed Rate
Up to \$20,000	1.4%	Up to \$30,000	1.75%
\$20,001 to \$50,000	1.75%	\$30,001 to \$50,000	1.75%
\$50,001 to \$70,000	2.45%	\$50,001 to \$70,000	2.45%
\$70,001 to \$80,000	3.5%	\$70,001 to \$80,000	3.5%
\$80,001 to \$150,000	5.525%	\$80,001 to \$150,000	5.525%
\$150,001 to \$500,000	6.37%	\$150,001 to \$250,000	6.37%
Over \$500,000	8.97%	\$250,001 to \$500,000	7.67%
		Over \$500,000	8.97%

The financial circumstances of households with annual incomes of \$150,000 are sufficiently different from those making \$500,000 that it is appropriate to tax them at different rates.

► **Eliminate the tax exemption for 401K retirement account contributions. This would generate up to \$500 million and would eliminate an inequity in the way the state treats retirement savings.**

The few deductions and exclusions allowed by New Jersey’s income tax code create a more equitable system because more income is taxed and special preferences are minimized. The state’s treatment of retirement income is one of the few exceptions. Those making contributions to 401(k) retirement plans in New Jersey can exclude the amount from their taxable wages, but no deduction from taxable wages is allowed for contributions made to SEP IRAs, Simple IRAs, ROTH IRAs, Federal 457 plans, 403(b) plans, Traditional IRAs, Keoghs and 414(h) plans.

Equity in taxation requires that all taxpayers in similar circumstances be treated alike. Taxpayers would continue to get a federal deduction so there is still incentive to save for retirement.

► **The state income tax should not be used to make payments to corporations under the Business Employment Incentive Program.**

Income taxes are constitutionally dedicated for property tax relief. But the Business Employment Incentive Program established in 1996 gives to many businesses that move to New Jersey cash grants that amount to between 10 and 80 percent of what the company withheld from its employees’ pay for New Jersey Gross Income Tax. This has meant a net loss to the state treasury of more than \$375 million in income tax for a program whose efficacy in attracting businesses to the state has yet to be proved. In 2006, the cost of this program is estimated to be more than \$150 million.

► **Local governments in New Jersey should not be given the authority to levy income taxes.**

Pennsylvania is an example of what New Jersey should not emulate. Its nearly 2,900 municipalities and school districts are permitted to levy wage and occupational privilege taxes. Many criticize them as hard to administer, expensive to collect and confusing to taxpayers.

It is significant that one of the four panels created for the special legislative session is the Joint Committee on Government Consolidation and Shared Services. Its duty is to suggest ways for all levels of government—but particularly local governments—to share operate more efficiently and collaboratively. Allowing cities, school districts or counties to levy their own local income taxes runs counter to this mandate. It would promote potentially detrimental competition, rather than cooperation. And since the ability and willingness to pay local income taxes would exacerbate the differences between wealthier and poorer municipalities, school districts and counties, such a course would be a step backward that would replicate the inequities of New Jersey’s historical over-reliance on property taxation.

► **The state should assume financial responsibility for, and take control of, more government functions that are currently performed at the local level. New Jersey’s income tax is the appropriate financing mechanism for this.**

In its farsighted 1988 report, the bipartisan State and Local Expenditure and Revenue Policy Commission (SLERP) recommended that the state assume responsibility for the county court system and the county prosecutors’ offices. Savings from the state assumption of county court costs have helped alleviate property tax pressures resulting from court costs; since 2005 four counties have received a total of \$16 million to offset the costs of their county prosecutor.

More such actions should take place. What is called for is an unprecedented restructuring of how New Jersey provides services. The goal should be a streamlined system where the current scheme of rebates to property taxpayers is replaced by state-level service delivery and lower property taxes from the start: reform, not just relief.

A first step should be to move property tax collection and certain assessment functions now performed by municipalities to the state level. Property tax collection can be more efficiently done by the state. And, assessing certain properties by state assessors would improve consistency.

## CONCLUSION

Over the past 30 years, New Jersey’s income tax has earned its keep and more. It has produced billions of dollars in revenue and has made the overall state and local tax system at least somewhat less oppressive for middle- and low-income people. The fact that local property taxes continue to threaten the economic well-being of all but the

wealthiest in New Jersey is less an indictment of the income tax as it is a reminder of how much worse things would have been if politically courageous lawmakers had not adopted the tax in 1976.

But that is not enough. The time has come for New Jersey to better balance its tax system by relying more on the one tax that is based on ability to pay. Progressivity is a virtue, not a vice.

Year after year, New Jersey is at or near the top of the nation in median household income, yet even as income grows more concentrated in the hands of a relative few households, the state clings to its property tax tradition. New Jersey's tax system should reflect reality, not flout it.

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<sup>1</sup> Webber, Carolyn and Aaron Wildavsky, *A History of Taxation and Expenditure in the Western World*. New York, Simon and Shuster, 1986., p. 421.

<sup>2</sup> <http://www.taxfoundation.org/news/show/1737.html>

<sup>3</sup> *New Jersey Snapshots 2006*, NJPP

<sup>4</sup> Bernstein, Jared, Elizabeth McNichol and Karen Lyons. *Pulling Apart: A State-by-State Analysis of Income Trends*. Center on Budget and Policy Priorities and Economic Policy Institute. January 2006.

<sup>5</sup> McIntyre, Robert S., Robert Denk, Norton Francis, Matthew Gardner, Will Goma, Fiona Hsu and Richard Sims. *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 2<sup>nd</sup> Edition*, The Institute on Taxation and Economic Policy. January 2003.

<sup>6</sup> Citizens for Tax Justice, *The Bush Tax Cuts: Are New Jerseyans Better Off?* October 2006.

<sup>7</sup> *Data Doesn't Support Assertion that Income Tax Rates Influence Movement Out of State (Or In, for that Matter)*, NJPP, February 2003.

New Jersey Policy Perspective is a nonprofit, nonpartisan organization established in 1997 to conduct research and analysis on state issues. Earlier this year, NJPP released a companion report on taxes, *You're 40; Now Get to Work: Making the State Sales Tax Pull its Weight*. It is available on our website.

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Appendix to  
 If It Ain't Broke...New Jersey State Income Tax Makes Dollars and Sense  
 Income Tax Collections in New Jersey 1986 to 2004

2004

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	82,300	3.2%	3.2%
\$10,001 to \$20,000	346,600	13.3%	16.4%
\$20,001 to \$50,000	952,300	36.5%	52.9%
\$50,001 to \$100,000	718,100	27.5%	80.4%
\$100,001 to \$150,000	266,600	10.2%	90.6%
\$150,001 to \$250,000	101,200	3.9%	94.5%
\$250,001 to \$500,000	110,400	4.2%	98.7%
\$500,001 to \$1 million	21,700	0.8%	99.6%
More than \$1 million	11,600	0.4%	100.0%
<b>Total Number of Returns</b>	<b>2,610,800</b>		

2003

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	83,100	3.2%	3.2%
\$10,001 to \$20,000	345,800	13.2%	16.4%
\$20,001 to \$50,000	974,200	37.2%	53.6%
\$50,001 to \$100,000	734,300	28.0%	81.6%
\$100,001 to \$150,000	258,300	9.9%	91.5%
\$150,001 to \$250,000	94,900	3.6%	95.1%
\$250,001 to \$500,000	100,800	3.8%	99.0%
\$500,001 to \$1 million	18,200	0.7%	99.7%
More than \$1 million	8,700	0.3%	100.0%
<b>Total Number of Returns</b>	<b>2,618,300</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$7,386,200	\$90	0.1%	0.1%
\$10,001 to \$20,000	67,323,000	194	0.9%	1.1%
\$20,001 to \$50,000	493,094,400	518	6.9%	8.0%
\$50,001 to \$100,000	1,116,793,200	1,555	15.7%	23.7%
\$100,001 to \$150,000	946,070,200	3,549	13.3%	37.1%
\$150,001 to \$250,000	595,504,500	5,884	8.4%	45.4%
\$250,001 to \$500,000	1,278,730,400	11,583	18.0%	63.5%
\$500,001 to \$1 million	711,386,200	32,783	10.0%	73.5%
More than \$1 million	1,883,507,000	162,371	26.5%	100.0%
<b>Total Net Tax Paid</b>	<b>\$7,099,795,100</b>	<b>\$2,719</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$7,054,000	\$85	0.1%	0.1%
\$10,001 to \$20,000	65,512,000	189	1.2%	1.3%
\$20,001 to \$50,000	487,739,000	501	8.6%	9.9%
\$50,001 to \$100,000	1,082,323,000	1,474	19.2%	29.1%
\$100,001 to \$150,000	881,156,000	3,411	15.6%	44.7%
\$150,001 to \$250,000	541,042,000	5,701	9.6%	54.3%
\$250,001 to \$500,000	1,131,664,000	11,227	20.1%	74.4%
\$500,001 to \$1 million	530,491,000	29,148	9.4%	83.8%
More than \$1 million	915,800,000	105,264	16.2%	100.0%
<b>Total Net Tax Paid</b>	<b>\$5,642,781,000</b>	<b>\$2,155</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$1,312,540,600	\$15,948	0.6%	0.6%
\$10,001 to \$20,000	6,911,003,800	19,939	2.9%	3.5%
\$20,001 to \$50,000	37,193,282,300	39,056	15.8%	19.3%
\$50,001 to \$100,000	57,292,923,200	79,784	24.3%	43.6%
\$100,001 to \$150,000	35,136,197,800	131,794	14.9%	58.5%
\$150,001 to \$250,000	18,579,865,500	183,596	7.9%	66.4%
\$250,001 to \$500,000	33,521,803,700	303,640	14.2%	80.6%
\$500,001 to \$1 million	15,075,874,400	694,741	6.4%	87.0%
More than \$1 million	30,519,921,300	2,631,028	13.0%	100.0%
<b>Total Gross Income</b>	<b>\$235,543,412,600</b>	<b>\$90,219</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$1,302,671,000	\$15,676	0.6%	0.6%
\$10,001 to \$20,000	6,868,406,000	19,862	3.1%	3.7%
\$20,001 to \$50,000	37,909,224,000	38,913	17.3%	21.0%
\$50,001 to \$100,000	58,178,674,000	79,230	26.6%	47.6%
\$100,001 to \$150,000	33,864,647,000	131,106	15.5%	63.0%
\$150,001 to \$250,000	17,381,949,000	183,161	7.9%	71.0%
\$250,001 to \$500,000	30,372,917,000	301,319	13.9%	84.8%
\$500,001 to \$1 million	12,628,891,000	693,895	5.8%	90.6%
More than \$1 million	20,582,943,000	2,365,856	9.4%	100.0%
<b>Total Gross Income</b>	<b>\$219,090,322,000</b>	<b>\$83,677</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

2002

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	81,600	3.1%	3.1%
\$10,001 to \$20,000	347,200	13.4%	16.5%
\$20,001 to \$50,000	978,200	37.7%	54.2%
\$50,001 to \$100,000	730,700	28.1%	82.3%
\$100,001 to \$150,000	247,500	9.5%	91.8%
\$150,001 to \$250,000	131,000	5.0%	96.9%
\$250,001 to \$500,000	55,400	2.1%	99.0%
\$500,001 to \$1 million	17,200	0.7%	99.7%
More than \$1 million	8,300	0.3%	100.0%
<b>Total Number of Returns</b>	<b>2,597,100</b>		

2001

Number of Returns	Percent of Total	Cumulative Total
15,700	0.6%	0.6%
359,100	13.9%	14.5%
994,000	38.5%	53.0%
752,700	29.1%	82.1%
247,800	9.6%	91.7%
130,200	5.0%	96.7%
56,900	2.2%	98.9%
18,100	0.7%	99.6%
9,900	0.4%	100.0%
<b>2,584,400</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$8,320,000	\$102	0.2%	0.2%
\$10,001 to \$20,000	73,013,000	210	1.3%	1.5%
\$20,001 to \$50,000	502,082,000	513	9.2%	10.7%
\$50,001 to \$100,000	1,064,286,000	1,457	19.5%	30.2%
\$100,001 to \$150,000	838,919,000	3,390	15.4%	45.7%
\$150,001 to \$250,000	841,831,000	6,426	15.5%	61.1%
\$250,001 to \$500,000	745,260,000	13,452	13.7%	74.8%
\$500,001 to \$1 million	504,254,000	29,317	9.3%	84.0%
More than \$1 million	869,041,000	104,704	16.0%	100.0%
<b>Total Net Tax Paid</b>	<b>\$5,447,006,000</b>	<b>\$2,097</b>		

Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
\$1,547,000	\$99	0.0%	0.0%
67,308,000	187	1.2%	1.2%
476,531,000	479	8.3%	9.6%
1,063,151,000	1,412	18.6%	28.2%
832,243,000	3,359	14.6%	42.7%
829,057,000	6,368	14.5%	57.3%
757,160,000	13,307	13.3%	70.5%
515,669,000	28,490	9.0%	79.6%
1,167,341,000	117,913	20.4%	100.0%
<b>\$5,710,007,000</b>	<b>\$2,209</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$1,246,877,000	\$15,280	0.6%	0.6%
\$10,001 to \$20,000	6,853,471,000	19,739	3.2%	3.8%
\$20,001 to \$50,000	37,828,199,000	38,671	17.8%	21.6%
\$50,001 to \$100,000	57,516,199,000	78,714	27.0%	48.6%
\$100,001 to \$150,000	32,332,427,000	130,636	15.2%	63.8%
\$150,001 to \$250,000	26,020,755,000	198,632	12.2%	76.0%
\$250,001 to \$500,000	19,324,624,000	348,820	9.1%	85.1%
\$500,001 to \$1 million	11,949,345,000	694,729	5.6%	90.7%
More than \$1 million	19,718,420,000	2,375,713	9.3%	100.0%
<b>Total Gross Income</b>	<b>\$212,790,317,000</b>	<b>\$81,934</b>		

Gross Income	Average Gross Income	Percent of Total	Cumulative Total
\$367,462,000	\$23,405	0.2%	0.2%
6,417,367,000	17,871	2.9%	3.1%
36,987,754,000	37,211	16.9%	20.0%
58,052,448,000	77,126	26.5%	46.5%
32,051,805,000	129,345	14.6%	61.1%
25,729,271,000	197,613	11.7%	72.9%
19,822,183,000	348,369	9.1%	81.9%
12,494,954,000	690,329	5.7%	87.6%
27,066,362,000	2,733,976	12.4%	100.0%
<b>\$ 218,989,606,000</b>	<b>\$ 84,735</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

2000

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	79,939	3.0%	3.0%
\$10,001 to \$20,000	428,873	16.2%	19.2%
\$20,001 to \$50,000	942,830	35.6%	54.8%
\$50,001 to \$100,000	719,848	27.2%	82.0%
\$100,001 to \$150,000	248,161	9.4%	91.4%
\$150,001 to \$250,000	134,796	5.1%	96.5%
\$250,001 to \$500,000	60,849	2.3%	98.8%
\$500,001 to \$1 million	19,918	0.8%	99.5%
More than \$1 million	12,365	0.5%	100.0%
<b>Total Number of Returns</b>	<b>2,647,579</b>		

1999

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	163,133	5.9%	5.9%
\$10,001 to \$20,000	486,485	17.5%	23.3%
\$20,001 to \$50,000	991,057	35.6%	58.9%
\$50,001 to \$100,000	717,784	25.8%	84.6%
\$100,001 to \$150,000	228,632	8.2%	92.9%
\$150,001 to \$250,000	119,011	4.3%	97.1%
\$250,001 to \$500,000	53,237	1.9%	99.0%
\$500,001 to \$1 million	17,319	0.6%	99.7%
More than \$1 million	9,589	0.3%	100.0%
<b>Total Number of Returns</b>	<b>2,786,247</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$5,017,000	\$63	0.1%	0.1%
\$10,001 to \$20,000	63,689,000	149	1.0%	1.1%
\$20,001 to \$50,000	445,955,000	473	6.8%	7.9%
\$50,001 to \$100,000	993,600,000	1,380	15.3%	23.2%
\$100,001 to \$150,000	808,215,000	3,257	12.4%	35.6%
\$150,001 to \$250,000	853,603,000	6,333	13.1%	48.7%
\$250,001 to \$500,000	827,823,000	13,605	12.7%	61.4%
\$500,001 to \$1 million	597,545,000	30,000	9.2%	70.6%
More than \$1 million	1,916,421,000	154,988	29.4%	100.0%
<b>Total Net Tax Paid</b>	<b>\$6,511,868,000</b>	<b>\$2,460</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$11,294,000	\$69	0.2%	0.2%
\$10,001 to \$20,000	84,036,000	173	1.5%	1.7%
\$20,001 to \$50,000	467,502,000	472	8.3%	10.0%
\$50,001 to \$100,000	976,943,000	1,361	17.4%	27.5%
\$100,001 to \$150,000	744,637,000	3,257	13.3%	40.7%
\$150,001 to \$250,000	757,586,000	6,366	13.5%	54.3%
\$250,001 to \$500,000	729,151,000	13,696	13.0%	67.3%
\$500,001 to \$1 million	523,319,000	30,216	9.3%	76.6%
More than \$1 million	1,311,909,000	136,814	23.4%	100.0%
<b>Total Net Tax Paid</b>	<b>\$5,606,377,000</b>	<b>\$2,012</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$1,088,785,000	\$13,620	0.5%	0.5%
\$10,001 to \$20,000	7,876,851,000	18,366	3.4%	3.9%
\$20,001 to \$50,000	34,888,120,000	37,004	15.2%	19.1%
\$50,001 to \$100,000	54,325,271,000	75,468	23.7%	42.8%
\$100,001 to \$150,000	31,149,014,000	125,519	13.6%	56.4%
\$150,001 to \$250,000	25,977,555,000	192,718	11.3%	67.7%
\$250,001 to \$500,000	20,875,986,000	343,079	9.1%	76.8%
\$500,001 to \$1 million	13,718,006,000	688,724	6.0%	82.8%
More than \$1 million	39,530,737,000	3,196,986	17.2%	100.0%
<b>Total Gross Income</b>	<b>\$229,430,325,000</b>	<b>\$86,657</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$2,067,368,000	\$12,673	1.0%	1.0%
\$10,001 to \$20,000	8,751,608,000	17,989	4.2%	5.2%
\$20,001 to \$50,000	36,435,387,000	36,764	17.4%	22.5%
\$50,001 to \$100,000	53,867,405,000	75,047	25.7%	48.2%
\$100,001 to \$150,000	28,643,230,000	125,281	13.6%	61.8%
\$150,001 to \$250,000	22,923,111,000	192,613	10.9%	72.8%
\$250,001 to \$500,000	18,221,148,000	342,265	8.7%	81.4%
\$500,001 to \$1 million	11,883,038,000	686,127	5.7%	87.1%
More than \$1 million	27,058,696,000	2,821,848	12.9%	100.0%
<b>Total Gross Income</b>	<b>\$209,850,991,000</b>	<b>\$75,317</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

1998

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	307,326	10.6%	10.6%
\$10,001 to \$20,000	494,221	17.1%	27.8%
\$20,001 to \$50,000	997,336	34.5%	62.3%
\$50,001 to \$100,000	705,167	24.4%	86.7%
\$100,001 to \$150,000	209,708	7.3%	94.0%
\$150,001 to \$250,000	103,051	3.6%	97.6%
\$250,001 to \$500,000	46,268	1.6%	99.2%
\$500,001 to \$1 million	15,419	0.5%	99.7%
More than \$1 million	8,239	0.3%	100.0%
<b>Total Number of Returns</b>	<b>2,886,735</b>		

1997

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	314,244	11.2%	11.2%
\$10,001 to \$20,000	497,638	17.7%	28.9%
\$20,001 to \$50,000	988,106	35.1%	64.0%
\$50,001 to \$100,000	676,994	24.1%	88.1%
\$100,001 to \$150,000	186,106	6.6%	94.7%
\$150,001 to \$250,000	88,561	3.1%	97.9%
\$250,001 to \$500,000	40,108	1.4%	99.3%
\$500,001 to \$1 million	13,255	0.5%	99.8%
More than \$1 million	6,860	0.2%	100.0%
<b>Total Number of Returns</b>	<b>2,811,872</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$20,627,000	\$67	0.4%	0.4%
\$10,001 to \$20,000	85,848,000	174	1.7%	2.1%
\$20,001 to \$50,000	467,657,000	469	9.2%	11.3%
\$50,001 to \$100,000	941,680,000	1,335	18.6%	29.9%
\$100,001 to \$150,000	674,692,000	3,217	13.3%	43.2%
\$150,001 to \$250,000	649,130,000	6,299	12.8%	56.0%
\$250,001 to \$500,000	636,221,000	13,751	12.6%	68.6%
\$500,001 to \$1 million	458,849,000	29,759	9.1%	77.6%
More than \$1 million	1,132,876,000	137,502	22.4%	100.0%
<b>Total Net Tax Paid</b>	<b>\$5,067,580,000</b>	<b>\$1,755</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$23,423,000	\$75	0.5%	0.5%
\$10,001 to \$20,000	90,400,000	182	2.0%	2.5%
\$20,001 to \$50,000	471,289,000	477	10.5%	13.0%
\$50,001 to \$100,000	904,696,000	1,336	20.2%	33.2%
\$100,001 to \$150,000	605,363,000	3,253	13.5%	46.7%
\$150,001 to \$250,000	565,490,000	6,385	12.6%	59.3%
\$250,001 to \$500,000	555,858,000	13,859	12.4%	71.7%
\$500,001 to \$1 million	394,285,000	29,746	8.8%	80.4%
More than \$1 million	878,180,000	128,015	19.6%	100.0%
<b>Total Net Tax Paid</b>	<b>\$4,488,984,000</b>	<b>\$1,596</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$3,317,357,000	\$10,794	1.7%	1.7%
\$10,001 to \$20,000	8,879,448,000	17,967	4.5%	6.2%
\$20,001 to \$50,000	36,556,428,000	36,654	18.5%	24.7%
\$50,001 to \$100,000	52,695,298,000	74,727	26.7%	51.4%
\$100,001 to \$150,000	26,203,875,000	124,954	13.3%	64.7%
\$150,001 to \$250,000	19,808,186,000	192,217	10.0%	74.7%
\$250,001 to \$500,000	15,875,294,000	343,116	8.0%	82.8%
\$500,001 to \$1 million	10,555,603,000	684,584	5.4%	88.1%
More than \$1 million	23,383,874,000	2,838,193	11.9%	100.0%
<b>Total Gross Income</b>	<b>\$197,275,363,000</b>	<b>\$68,339</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$3,392,542,000	\$10,796	1.9%	1.9%
\$10,001 to \$20,000	8,937,601,000	17,960	5.0%	6.8%
\$20,001 to \$50,000	36,206,002,000	36,642	20.1%	26.9%
\$50,001 to \$100,000	50,331,711,000	74,346	27.9%	54.9%
\$100,001 to \$150,000	23,229,598,000	124,819	12.9%	67.8%
\$150,001 to \$250,000	17,051,272,000	192,537	9.5%	77.2%
\$250,001 to \$500,000	13,783,949,000	343,671	7.7%	84.9%
\$500,001 to \$1 million	9,033,091,000	681,486	5.0%	89.9%
More than \$1 million	18,188,661,000	2,651,408	10.1%	100.0%
<b>Total Gross Income</b>	<b>\$180,154,427,000</b>	<b>\$64,069</b>		

Source: Division of Taxation, Statistics of Income



Income Tax Collections in New Jersey 1986 to 2004

1996

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	323,395	11.7%	11.7%
\$10,001 to \$20,000	505,255	18.3%	30.0%
\$20,001 to \$50,000	993,341	35.9%	65.9%
\$50,001 to \$100,000	652,455	23.6%	89.5%
\$100,001 to \$150,000	164,312	5.9%	95.5%
\$150,001 to \$250,000	75,128	2.7%	98.2%
\$250,001 to \$500,000	34,415	1.2%	99.4%
\$500,001 to \$1 million	10,797	0.4%	99.8%
More than \$1 million	5,330	0.2%	100.0%
<b>Total Number of Returns</b>	<b>2,764,428</b>		

1995

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	326,402	12.0%	12.0%
\$10,001 to \$20,000	510,711	18.8%	30.8%
\$20,001 to \$50,000	994,975	36.6%	67.4%
\$50,001 to \$100,000	628,735	23.1%	90.6%
\$100,001 to \$150,000	147,304	5.4%	96.0%
\$150,001 to \$250,000	65,530	2.4%	98.4%
\$250,001 to \$500,000	29,742	1.1%	99.5%
\$500,001 to \$1 million	9,506	0.3%	99.8%
More than \$1 million	4,247	0.2%	100.0%
<b>Total Number of Returns</b>	<b>2,717,152</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$26,630,000	\$82	0.7%	0.7%
\$10,001 to \$20,000	96,055,000	190	2.4%	3.1%
\$20,001 to \$50,000	482,492,000	486	12.2%	15.3%
\$50,001 to \$100,000	871,548,000	1,336	22.0%	37.2%
\$100,001 to \$150,000	537,606,000	3,272	13.6%	50.8%
\$150,001 to \$250,000	481,157,000	6,404	12.1%	62.9%
\$250,001 to \$500,000	476,475,000	13,845	12.0%	75.0%
\$500,001 to \$1 million	322,734,000	29,891	8.1%	83.1%
More than \$1 million	670,037,000	125,711	16.9%	100.0%
<b>Total Net Tax Paid</b>	<b>\$3,964,734,000</b>	<b>\$1,434</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$37,990,000	\$116	0.9%	0.9%
\$10,001 to \$20,000	125,987,000	247	3.1%	4.0%
\$20,001 to \$50,000	606,031,000	609	14.9%	19.0%
\$50,001 to \$100,000	1,013,403,000	1,612	24.9%	43.9%
\$100,001 to \$150,000	557,094,000	3,782	13.7%	57.6%
\$150,001 to \$250,000	463,709,000	7,076	11.4%	69.0%
\$250,001 to \$500,000	437,034,000	14,694	10.8%	79.8%
\$500,001 to \$1 million	302,182,000	31,789	7.4%	87.2%
More than \$1 million	519,100,000	122,227	12.8%	100.0%
<b>Total Net Tax Paid</b>	<b>\$4,062,530,000</b>	<b>\$1,495</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$3,488,784,000	\$10,788	2.1%	2.1%
\$10,001 to \$20,000	9,078,829,000	17,969	5.5%	7.6%
\$20,001 to \$50,000	36,352,695,000	36,596	22.1%	29.7%
\$50,001 to \$100,000	48,250,534,000	73,952	29.3%	59.0%
\$100,001 to \$150,000	20,473,062,000	124,599	12.4%	71.4%
\$150,001 to \$250,000	14,445,129,000	192,274	8.8%	80.2%
\$250,001 to \$500,000	11,826,041,000	343,630	7.2%	87.4%
\$500,001 to \$1 million	7,329,513,000	678,847	4.5%	91.8%
More than \$1 million	13,432,918,000	2,520,247	8.2%	100.0%
<b>Total Gross Income</b>	<b>\$164,677,505,000</b>	<b>\$59,570</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$3,526,723,000	\$10,805	2.3%	2.3%
\$10,001 to \$20,000	9,171,669,000	17,959	6.0%	8.3%
\$20,001 to \$50,000	36,399,323,000	36,583	23.8%	32.1%
\$50,001 to \$100,000	46,253,280,000	73,566	30.2%	62.3%
\$100,001 to \$150,000	18,321,320,000	124,378	12.0%	74.3%
\$150,001 to \$250,000	12,614,263,000	192,496	8.2%	82.5%
\$250,001 to \$500,000	10,229,454,000	343,940	6.7%	89.2%
\$500,001 to \$1 million	6,464,599,000	680,055	4.2%	93.4%
More than \$1 million	10,027,471,000	2,361,072	6.6%	100.0%
<b>Total Gross Income</b>	<b>\$153,008,102,000</b>	<b>\$56,312</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

1994

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	335,219	12.5%	12.5%
\$10,001 to \$20,000	519,491	19.4%	31.8%
\$20,001 to \$50,000	1,001,048	37.3%	69.1%
\$50,001 to \$100,000	607,125	22.6%	91.7%
\$100,001 to \$150,000	130,417	4.9%	96.6%
\$150,001 to \$250,000	56,005	2.1%	98.7%
\$250,001 to \$500,000	24,907	0.9%	99.6%
\$500,001 to \$1 million	7,231	0.3%	99.9%
More than \$1 million	3,011	0.1%	100.0%
<b>Total Number of Returns</b>	<b>2,684,454</b>		

1993

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	649,902	22.0%	22.0%
\$10,001 to \$20,000	518,975	17.6%	39.6%
\$20,001 to \$50,000	1,001,015	33.9%	73.5%
\$50,001 to \$100,000	578,682	19.6%	93.1%
\$100,001 to \$150,000	119,120	4.0%	97.1%
\$150,001 to \$250,000	52,103	1.8%	98.9%
\$250,001 to \$500,000	23,557	0.8%	99.7%
\$500,001 to \$1 million	7,284	0.2%	99.9%
More than \$1 million	2,989	0.1%	100.0%
<b>Total Number of Returns</b>	<b>2,953,627</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$43,462,000	\$130	1.1%	1.1%
\$10,001 to \$20,000	143,018,000	275	3.7%	4.9%
\$20,001 to \$50,000	675,560,000	675	17.7%	22.6%
\$50,001 to \$100,000	1,054,972,000	1,738	27.6%	50.2%
\$100,001 to \$150,000	519,468,000	3,983	13.6%	63.8%
\$150,001 to \$250,000	409,110,000	7,305	10.7%	74.5%
\$250,001 to \$500,000	373,012,000	14,976	9.8%	84.2%
\$500,001 to \$1 million	235,217,000	32,529	6.2%	90.4%
More than \$1 million	368,061,000	122,239	9.6%	100.0%
<b>Total Net Tax Paid</b>	<b>\$3,821,880,000</b>	<b>\$1,424</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$66,566,000	\$102	1.7%	1.7%
\$10,001 to \$20,000	150,552,000	290	3.9%	5.6%
\$20,001 to \$50,000	709,373,000	709	18.4%	24.1%
\$50,001 to \$100,000	1,050,195,000	1,815	27.3%	51.4%
\$100,001 to \$150,000	501,690,000	4,212	13.0%	64.5%
\$150,001 to \$250,000	402,616,000	7,727	10.5%	74.9%
\$250,001 to \$500,000	373,224,000	15,843	9.7%	84.6%
\$500,001 to \$1 million	243,449,000	33,422	6.3%	91.0%
More than \$1 million	347,728,000	116,336	9.0%	100.0%
<b>Total Net Tax Paid</b>	<b>\$3,845,393,000</b>	<b>\$1,302</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$3,601,904,000	\$10,745	2.5%	2.5%
\$10,001 to \$20,000	9,310,170,000	17,922	6.6%	9.1%
\$20,001 to \$50,000	36,603,677,000	36,565	25.9%	35.0%
\$50,001 to \$100,000	44,438,746,000	73,195	31.4%	66.5%
\$100,001 to \$150,000	16,183,633,000	124,091	11.5%	77.9%
\$150,001 to \$250,000	10,782,095,000	192,520	7.6%	85.6%
\$250,001 to \$500,000	8,520,507,000	342,093	6.0%	91.6%
\$500,001 to \$1 million	4,895,663,000	677,038	3.5%	95.1%
More than \$1 million	6,983,678,000	2,319,388	4.9%	100.0%
<b>Total Gross Income</b>	<b>\$141,320,073,000</b>	<b>\$52,644</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,243,700,000	\$8,068	3.8%	3.8%
\$10,001 to \$20,000	9,325,946,000	17,970	6.8%	10.6%
\$20,001 to \$50,000	36,631,352,000	36,594	26.6%	37.1%
\$50,001 to \$100,000	42,230,247,000	72,977	30.6%	67.7%
\$100,001 to \$150,000	14,787,445,000	124,139	10.7%	78.5%
\$150,001 to \$250,000	10,037,463,000	192,647	7.3%	85.7%
\$250,001 to \$500,000	8,075,286,000	342,798	5.9%	91.6%
\$500,001 to \$1 million	4,948,300,000	679,338	3.6%	95.2%
More than \$1 million	6,647,087,000	2,223,850	4.8%	100.0%
<b>Total Gross Income</b>	<b>\$137,926,826,000</b>	<b>\$46,697</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

1992

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	653,581	22.1%	22.1%
\$10,001 to \$20,000	525,589	17.8%	39.9%
\$20,001 to \$50,000	1,022,382	34.6%	74.6%
\$50,001 to \$100,000	563,357	19.1%	93.6%
\$100,001 to \$150,000	108,468	3.7%	97.3%
\$150,001 to \$250,000	43,628	1.5%	98.8%
\$250,001 to \$500,000	25,489	0.9%	99.6%
\$500,001 to \$1 million	7,276	0.2%	99.9%
More than \$1 million	3,266	0.1%	100.0%
<b>Total Number of Returns</b>	<b>2,953,036</b>		

1991

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	680,935	22.6%	22.6%
\$10,001 to \$20,000	559,603	18.6%	41.2%
\$20,001 to \$50,000	1,062,625	35.3%	76.4%
\$50,001 to \$100,000	542,594	18.0%	94.5%
\$100,001 to \$150,000	97,195	3.2%	97.7%
\$150,001 to \$250,000	39,839	1.3%	99.0%
\$250,001 to \$500,000	22,422	0.7%	99.7%
\$500,001 to \$1 million	5,562	0.2%	99.9%
More than \$1 million	1,989	0.1%	100.0%
<b>Total Number of Returns</b>	<b>3,012,764</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$66,794,000	\$102	1.8%	1.8%
\$10,001 to \$20,000	152,525,000	290	4.1%	5.8%
\$20,001 to \$50,000	723,022,000	707	19.3%	25.1%
\$50,001 to \$100,000	1,011,759,000	1,796	27.0%	52.1%
\$100,001 to \$150,000	454,479,000	4,190	12.1%	64.2%
\$150,001 to \$250,000	344,385,500	7,894	9.2%	73.4%
\$250,001 to \$500,000	377,763,500	14,821	10.1%	83.4%
\$500,001 to \$1 million	244,727,000	33,635	6.5%	89.9%
More than \$1 million	377,380,000	115,548	10.1%	100.0%
<b>Total Net Tax Paid</b>	<b>\$3,752,835,000</b>	<b>\$1,271</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$69,675,000	\$102	2.0%	2.0%
\$10,001 to \$20,000	162,574,000	291	4.7%	6.8%
\$20,001 to \$50,000	746,269,000	702	21.8%	28.6%
\$50,001 to \$100,000	960,337,000	1,770	28.0%	56.6%
\$100,001 to \$150,000	406,915,000	4,187	11.9%	68.5%
\$150,001 to \$250,000	315,502,500	7,919	9.2%	77.7%
\$250,001 to \$500,000	338,206,500	15,084	9.9%	87.6%
\$500,001 to \$1 million	195,793,000	35,202	5.7%	93.3%
More than \$1 million	228,840,000	115,053	6.7%	100.0%
<b>Total Net Tax Paid</b>	<b>\$3,424,112,000</b>	<b>\$1,137</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,250,336,000	\$8,033	3.9%	3.9%
\$10,001 to \$20,000	9,424,442,000	17,931	7.0%	10.8%
\$20,001 to \$50,000	37,354,896,000	36,537	27.6%	38.4%
\$50,001 to \$100,000	40,951,546,000	72,692	30.2%	68.6%
\$100,001 to \$150,000	13,440,201,000	123,909	9.9%	78.5%
\$150,001 to \$250,000	8,506,049,500	194,968	6.3%	84.8%
\$250,001 to \$500,000	8,211,748,500	322,168	6.1%	90.9%
\$500,001 to \$1 million	4,949,391,000	680,235	3.7%	94.5%
More than \$1 million	7,413,720,000	2,269,969	5.5%	100.0%
<b>Total Gross Income</b>	<b>\$135,502,330,000</b>	<b>\$45,886</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,424,541,000	\$7,966	4.2%	4.2%
\$10,001 to \$20,000	9,985,039,000	17,843	7.8%	12.0%
\$20,001 to \$50,000	38,608,376,000	36,333	30.2%	42.2%
\$50,001 to \$100,000	39,214,396,000	72,272	30.6%	72.8%
\$100,001 to \$150,000	12,045,770,000	123,934	9.4%	82.2%
\$150,001 to \$250,000	7,757,364,000	194,718	6.1%	88.3%
\$250,001 to \$500,000	7,182,410,000	320,329	5.6%	93.9%
\$500,001 to \$1 million	3,749,507,000	674,129	2.9%	96.8%
More than \$1 million	4,077,277,000	2,049,913	3.2%	100.0%
<b>Total Gross Income</b>	<b>\$128,044,680,000</b>	<b>\$42,501</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

1990

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	690,109	22.3%	22.3%
\$10,001 to \$20,000	596,271	19.3%	41.5%
\$20,001 to \$50,000	1,109,376	35.8%	77.4%
\$50,001 to \$100,000	538,385	17.4%	94.7%
\$100,001 to \$150,000	90,915	2.9%	97.7%
\$150,001 to \$250,000	38,861	1.3%	98.9%
\$250,001 to \$500,000	23,348	0.8%	99.7%
\$500,001 to \$1 million	6,758	0.2%	99.9%
More than \$1 million	2,971	0.1%	100.0%
<b>Total Number of Returns</b>	<b>3,096,994</b>		

1989

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	637,833	21.1%	21.1%
\$10,001 to \$20,000	620,524	20.5%	41.7%
\$20,001 to \$50,000	1,110,147	36.8%	78.4%
\$50,001 to \$100,000	502,267	16.6%	95.1%
\$100,001 to \$150,000	81,776	2.7%	97.8%
\$150,001 to \$250,000	36,308	1.2%	99.0%
\$250,001 to \$500,000	22,237	0.7%	99.7%
\$500,001 to \$1 million	6,266	0.2%	99.9%
More than \$1 million	2,793	0.1%	100.0%
<b>Total Number of Returns</b>	<b>3,020,150</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$71,685,000	\$104	2.5%	2.5%
\$10,001 to \$20,000	174,003,000	292	6.1%	8.6%
\$20,001 to \$50,000	755,136,000	681	26.5%	35.2%
\$50,001 to \$100,000	847,595,000	1,574	29.8%	64.9%
\$100,001 to \$150,000	273,815,000	3,012	9.6%	74.5%
\$150,001 to \$250,000	194,243,500	4,998	6.8%	81.4%
\$250,001 to \$500,000	203,242,500	8,705	7.1%	88.5%
\$500,001 to \$1 million	128,457,000	19,008	4.5%	93.0%
More than \$1 million	199,067,000	67,003	7.0%	100.0%
<b>Total Net Tax Paid</b>	<b>\$2,847,244,000</b>	<b>\$919</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$58,504,000	\$92	2.3%	2.3%
\$10,001 to \$20,000	163,329,000	263	6.4%	8.7%
\$20,001 to \$50,000	698,818,000	629	27.4%	36.1%
\$50,001 to \$100,000	732,856,000	1,459	28.7%	64.8%
\$100,001 to \$150,000	233,901,000	2,860	9.2%	74.0%
\$150,001 to \$250,000	176,759,000	4,868	6.9%	80.9%
\$250,001 to \$500,000	189,280,000	8,512	7.4%	88.3%
\$500,001 to \$1 million	117,797,000	18,799	4.6%	93.0%
More than \$1 million	179,829,000	64,386	7.0%	100.0%
<b>Total Net Tax Paid</b>	<b>\$2,551,073,000</b>	<b>\$845</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,321,600,000	\$7,711	4.0%	4.0%
\$10,001 to \$20,000	10,402,108,000	17,445	7.9%	11.9%
\$20,001 to \$50,000	39,786,363,000	35,864	30.2%	42.2%
\$50,001 to \$100,000	38,446,401,000	71,411	29.2%	71.4%
\$100,001 to \$150,000	11,208,881,000	123,290	8.5%	79.9%
\$150,001 to \$250,000	7,574,798,500	194,920	5.8%	85.7%
\$250,001 to \$500,000	7,523,942,500	322,252	5.7%	91.4%
\$500,001 to \$1 million	4,585,895,000	678,588	3.5%	94.9%
More than \$1 million	6,740,122,000	2,268,637	5.1%	100.0%
<b>Total Gross Income</b>	<b>\$131,590,111,000</b>	<b>\$42,490</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$4,955,709,000	\$7,770	3.9%	3.9%
\$10,001 to \$20,000	10,738,298,000	17,305	8.5%	12.5%
\$20,001 to \$50,000	39,632,051,000	35,700	31.5%	44.0%
\$50,001 to \$100,000	35,658,038,000	70,994	28.4%	72.4%
\$100,001 to \$150,000	10,104,815,000	123,567	8.0%	80.5%
\$150,001 to \$250,000	7,097,188,000	195,474	5.6%	86.1%
\$250,001 to \$500,000	7,148,567,000	321,479	5.7%	91.8%
\$500,001 to \$1 million	4,275,081,000	682,266	3.4%	95.2%
More than \$1 million	6,039,117,000	2,162,233	4.8%	100.0%
<b>Total Gross Income</b>	<b>\$125,648,864,000</b>	<b>\$41,604</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

1988

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	652,297	21.8%	21.8%
\$10,001 to \$20,000	641,985	21.4%	43.2%
\$20,001 to \$50,000	1,108,802	37.0%	80.3%
\$50,001 to \$100,000	454,532	15.2%	95.4%
\$100,001 to \$150,000	71,246	2.4%	97.8%
\$150,001 to \$250,000	33,227	1.1%	98.9%
\$250,001 to \$500,000	21,570	0.7%	99.7%
\$500,001 to \$1 million	6,920	0.2%	99.9%
More than \$1 million	3,558	0.1%	100.0%
<b>Total Number of Returns</b>	<b>2,994,136</b>		

1987

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	660,413	22.6%	22.6%
\$10,001 to \$20,000	649,486	22.2%	44.8%
\$20,001 to \$50,000	1,087,482	37.2%	82.1%
\$50,001 to \$100,000	408,306	14.0%	96.1%
\$100,001 to \$150,000	61,553	2.1%	98.2%
\$150,001 to \$250,000	28,831	1.0%	99.2%
\$250,001 to \$500,000	17,686	0.6%	99.8%
\$500,001 to \$1 million	4,926	0.2%	99.9%
More than \$1 million	2,201	0.1%	100.0%
<b>Total Number of Returns</b>	<b>2,920,884</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$60,330,000	\$92	2.4%	2.4%
\$10,001 to \$20,000	169,046,000	263	6.7%	9.2%
\$20,001 to \$50,000	691,889,000	624	27.6%	36.8%
\$50,001 to \$100,000	654,212,000	1,439	26.1%	62.9%
\$100,001 to \$150,000	205,753,000	2,888	8.2%	71.1%
\$150,001 to \$250,000	164,744,000	4,958	6.6%	77.7%
\$250,001 to \$500,000	187,688,000	8,702	7.5%	85.1%
\$500,001 to \$1 million	131,860,000	19,055	5.3%	90.4%
More than \$1 million	240,448,000	67,580	9.6%	100.0%
<b>Total Net Tax Paid</b>	<b>\$2,505,970,000</b>	<b>\$837</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$61,519,000	\$93	2.8%	2.8%
\$10,001 to \$20,000	170,102,000	262	7.7%	10.5%
\$20,001 to \$50,000	672,641,000	619	30.6%	41.1%
\$50,001 to \$100,000	578,964,000	1,418	26.3%	67.4%
\$100,001 to \$150,000	178,731,000	2,904	8.1%	75.5%
\$150,001 to \$250,000	142,866,500	4,955	6.5%	82.0%
\$250,001 to \$500,000	151,520,500	8,567	6.9%	88.9%
\$500,001 to \$1 million	92,919,000	18,863	4.2%	93.1%
More than \$1 million	150,913,000	68,566	6.9%	100.0%
<b>Total Net Tax Paid</b>	<b>\$2,200,176,000</b>	<b>\$753</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,031,586,000	\$7,714	4.1%	4.1%
\$10,001 to \$20,000	11,047,181,000	17,208	9.0%	13.1%
\$20,001 to \$50,000	39,489,196,000	35,614	32.1%	45.2%
\$50,001 to \$100,000	32,022,590,000	70,452	26.0%	71.2%
\$100,001 to \$150,000	8,830,815,000	123,948	7.2%	78.4%
\$150,001 to \$250,000	6,521,091,500	196,262	5.3%	83.7%
\$250,001 to \$500,000	6,988,672,500	324,007	5.7%	89.3%
\$500,001 to \$1 million	4,735,492,000	684,320	3.8%	93.2%
More than \$1 million	8,374,432,000	2,353,691	6.8%	100.0%
<b>Total Gross Income</b>	<b>\$123,041,056,000</b>	<b>\$41,094</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,087,929,000	\$7,704	4.6%	4.6%
\$10,001 to \$20,000	11,129,091,000	17,135	10.0%	14.6%
\$20,001 to \$50,000	38,708,836,000	35,595	34.9%	49.5%
\$50,001 to \$100,000	28,591,269,000	70,024	25.8%	75.3%
\$100,001 to \$150,000	7,628,137,000	123,928	6.9%	82.2%
\$150,001 to \$250,000	5,641,883,000	195,688	5.1%	87.2%
\$250,001 to \$500,000	5,680,614,000	321,193	5.1%	92.4%
\$500,001 to \$1 million	3,347,545,000	679,567	3.0%	95.4%
More than \$1 million	5,120,972,000	2,326,657	4.6%	100.0%
<b>Total Gross Income</b>	<b>\$110,936,276,000</b>	<b>\$37,980</b>		

Source: Division of Taxation, Statistics of Income

Income Tax Collections in New Jersey 1986 to 2004

1986

Income Bracket	Number of Returns	Percent of Total	Cumulative Total
Up to \$10,000	679,197	23.8%	23.8%
\$10,001 to \$20,000	649,202	22.8%	46.6%
\$20,001 to \$50,000	1,051,142	36.9%	83.5%
\$50,001 to \$100,000	361,446	12.7%	96.2%
\$100,001 to \$150,000	55,841	2.0%	98.2%
\$150,001 to \$250,000	26,954	0.9%	99.1%
\$250,001 to \$500,000	16,666	0.6%	99.7%
\$500,001 to \$1 million	5,010	0.2%	99.9%
More than \$1 million	3,009	0.1%	100.0%
<b>Total Number of Returns</b>	<b>2,848,466</b>		

Income Bracket	Net Tax Paid	Average Net Tax	Percent of Total	Cumulative Total
Up to \$10,000	\$63,510,000	\$94	2.9%	2.9%
\$10,001 to \$20,000	168,945,000	260	7.6%	10.5%
\$20,001 to \$50,000	645,485,000	614	29.1%	39.5%
\$50,001 to \$100,000	512,141,000	1,417	23.1%	62.6%
\$100,001 to \$150,000	166,110,000	2,975	7.5%	70.1%
\$150,001 to \$250,000	138,535,000	5,140	6.2%	76.3%
\$250,001 to \$500,000	148,960,000	8,938	6.7%	83.1%
\$500,001 to \$1 million	101,260,000	20,212	4.6%	87.6%
More than \$1 million	274,946,000	91,375	12.4%	100.0%
<b>Total Net Tax Paid</b>	<b>\$2,219,892,000</b>	<b>\$779</b>		

Income Bracket	Gross Income	Average Gross Income	Percent of Total	Cumulative Total
Up to \$10,000	\$5,289,136,000	\$7,787	4.9%	4.9%
\$10,001 to \$20,000	10,155,085,000	15,642	9.4%	14.3%
\$20,001 to \$50,000	37,445,388,000	35,624	34.8%	49.1%
\$50,001 to \$100,000	25,268,309,000	69,909	23.4%	72.5%
\$100,001 to \$150,000	6,940,470,000	124,290	6.4%	79.0%
\$150,001 to \$250,000	5,284,093,000	196,045	4.9%	83.9%
\$250,001 to \$500,000	5,346,287,000	320,800	5.0%	88.8%
\$500,001 to \$1 million	3,433,008,000	685,231	3.2%	92.0%
More than \$1 million	8,594,460,000	2,856,251	8.0%	100.0%
<b>Total Gross Income</b>	<b>\$107,756,236,000</b>	<b>\$37,830</b>		

Source: Division of Taxation, Statistics of Income