

Tax Modernization & Reform

House Finance Subcommittee

Matthew Knittel, Director

First, Some Technical Data Notes

Data Tabs are for Tax Year 2019 (in \$ billions)

Source: all tax returns filed with PA Dept of Revenue (includes non-residents)

Grown to 2023 based on preliminary data

Income groupings use reported PA Taxable Income

Excludes retirement income (e.g., Social Security, IRAs and pensions)

Excludes transfers (e.g., Unemployment Comp and SSI)

Many filers have minimal income

Must file if income generates >\$1 tax | dependents file separate returns

Older residents with minimal dividend and/or interest income file too

8 Income Classes

- | | |
|--|---|
| 1. Compensation | Wages, salaries, bonuses, commissions, tips |
| 2. Interest | |
| 3. Net Profits: Business or Profession | Sole props, partnerships, S corps |
| 4. Net Gain: Sales of Property | Stocks, real estate, tangible/intangible property |
| 5. Net Gain: Rent, Royalty, Patents, Copyright | |
| 6. Dividends | Stocks and mutual fund distributions |
| 7. Gambling and Lottery | All forms of gaming; any prizes |
| 8. Estates and Trusts | |

Compensation and Interest Income

Income Range		Compensation		Interest	
		Amount	Share	Amount	Share
\$0	\$25k	\$18.6	6%	\$0.91	17%
\$25k	\$50k	\$44.1	13%	\$0.48	9%
\$50k	\$100k	\$82.2	24%	\$0.63	12%
\$100k	\$200k	\$93.8	28%	\$0.68	13%
\$200k	\$1 million	\$78.4	23%	\$1.19	23%
\$1 million	or more	<u>\$18.4</u>	<u>5%</u>	<u>\$1.30</u>	<u>25%</u>
Total Income		\$335.4	100%	\$5.19	100%
Factor: Grow to 2023		20%		6%	
2023 Income Amount		\$401.5		\$5.50	
Revenue: 1% tax		\$4.0		\$0.05	

Dividends and Sale of Property (Capital Gains)

Income Range		Dividends		Sale of Property	
		Amount	Share	Amount	Share
\$0	\$25k	\$1.4	10%	\$0.4	2%
\$25k	\$50k	\$1.0	7%	\$0.6	2%
\$50k	\$100k	\$1.3	9%	\$1.1	5%
\$100k	\$200k	\$1.6	12%	\$1.9	8%
\$200k	\$1 million	\$4.0	29%	\$5.6	23%
\$1 million	or more	<u>\$4.7</u>	<u>33%</u>	<u>\$14.4</u>	<u>60%</u>
Total Income		\$14.1	100%	\$24.1	100%
Factor: Grow to 2023		15%		60%	
2023 Income Amount		\$16.2		\$38.5	
Revenue: 1% tax		\$0.16		\$0.39	

Net Business Profits and Rent-Royalties

Income Range		Net Bus Profits		Rent-Royalty	
		Amount	Share	Amount	Share
\$0	\$25k	\$2.0	4%	\$0.45	6%
\$25k	\$50k	\$2.4	5%	\$0.44	6%
\$50k	\$100k	\$4.1	9%	\$0.83	11%
\$100k	\$200k	\$5.9	13%	\$1.27	16%
\$200k	\$1 million	\$15.8	34%	\$2.84	36%
\$1 million	or more	<u>\$16.2</u>	<u>35%</u>	<u>\$1.95</u>	<u>25%</u>
Total Income		\$46.4	100%	\$7.78	100%
Factor: Grow to 2023		37%		28%	
2023 Income Amount		\$63.5		\$9.95	
Revenue: 1% tax		\$0.64		\$0.10	

Estates-Trusts and Gaming-Lottery

Income Range	Estates-Trusts		Gaming-Lottery	
	Amount	Share	Amount	Share
\$0 - \$25k	\$0.09	2%	\$0.05	11%
\$25k - \$50k	\$0.12	3%	\$0.03	7%
\$50k - \$100k	\$0.23	6%	\$0.06	12%
\$100k - \$200k	\$0.35	9%	\$0.06	13%
\$200k - \$1 million	\$0.92	25%	\$0.11	25%
\$1 million or more	<u>\$2.02</u>	<u>54%</u>	<u>\$0.15</u>	<u>32%</u>
Total Income	\$3.72	100%	\$0.47	100%
Factor: Grow to 2023	38%		75%	
2023 Income Amount	\$5.14		\$0.81	
Revenue: 1% tax	\$0.05		\$0.01	

Major Tax Credits

	Estimate <u>2023</u>	<u>Notes</u>
Tax Forgiveness	~\$220	Two-thirds to <\$20k taxable income
Resident Credit	~\$500	Tax paid to other states
Child and Dependent Care	~\$83	Recently expanded, no data yet

Note: millions of dollars.

Questions?

Follow us on X (@ind_fisc_office) or sign up on the [IFO website](#) to receive notifications about new releases.

Addendum: Self-Employment and S Corps/Partnerships

Federal AGI (see note)		Self-Employ (Schedule C)		S Corp/Partnership	
		Amount	Share	Amount	Share
\$0	\$25k	\$1.25	9%	-\$1.35	-6%
\$25k	\$50k	\$1.54	11%	\$0.23	1%
\$50k	\$100k	\$2.55	18%	\$0.78	3%
\$100k	\$200k	\$3.30	23%	\$2.00	9%
\$200k	\$1 million	\$4.46	32%	\$9.70	43%
\$1 million	or more	<u>\$0.92</u>	<u>7%</u>	<u>\$11.08</u>	<u>49%</u>
Total Income		\$14.03	100%	\$22.43	100%
Factor: Grow to 2023		21%		48%	
2023 Income Amount		\$16.97		\$33.20	
<p>Note: Data are from 2019 federal income tax filings by PA residents. Includes tax losses. Income range based on federal Adjusted Gross Income. Tax revenue is not computed due to use of federal tax base. Source: Internal Revenue Service.</p>					