

# Fair Taxes ★ Quality Schools



## A COMMONWEALTH OF OPPORTUNITY PLAN

### Achieving Tax Fairness: Five Case Studies

Example I: A married couple earning \$30,000. The wife earns \$18,000 and the husband earns \$12,000. They have one child, rent their home, and have two cars. They claim the standard deduction. In tax year 2005, they will pay \$242 less in taxes under the Commonwealth of Opportunity Plan, and when the proposal is fully phased in in 2008, they will pay \$350 less. Here's how:

	<u>Current Law</u>	<u>Proposal -- 2005</u>	<u>Proposal -- 2008</u>
Adjusted Gross Income	30,000	30,000	30,000
Personal Exemption	1,600	2,000	2,000
Dependent Exemption	800	1,000	1,000
Standard Deduction	<u>5,000</u>	<u>8,000</u>	<u>8,000</u>
VA Taxable Income	22,600	19,000	19,000
VA Income Tax	870	610	610
VA Income Tax Savings Compared to Current Law		(260)	(260)
Additional Sales Tax Paid		96	96
Reduced Sales Tax on Food		(42)	(50)
Additional Car Tax Savings (two autos)		<u>(36)</u>	<u>(136)</u>
Net Tax Savings		(242)	(350)

Example II: A married couple earning \$60,000. The husband earns \$36,000 and the wife earns \$24,000. They have one child, own their own home and have two cars. They claim itemized deductions of \$13,000. In tax year 2005, they will pay \$102 less in taxes under the Commonwealth of Opportunity Plan, and when the proposal is fully phased in in 2008, they will pay \$213 less. Here's how:

	<u>Current Law</u>	<u>Proposal -- 2005</u>	<u>Proposal -- 2008</u>
Adjusted Gross Income	60,000	60,000	60,000
Personal Exemption	1,600	2,000	2,000
Dependent Exemption	800	1,000	1,000
Itemized Deduction	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
VA Taxable Income	44,600	44,000	44,000
VA Income Tax	2,048	1,890	1,890

VA Income Tax Savings Compared to Current Law	(158)	(158)
Additional Sales Tax Paid	144	144
Reduced Sales Tax on Food	(52)	(63)
Additional Car Tax Savings (two autos)	<u>(36)</u>	<u>(136)</u>
Net Tax Savings	(102)	(213)

Example III: A single parent earning \$30,000. This taxpayer has one child, one car, does not own a home and claims the standard deduction. Under the Commonwealth of Opportunity Plan, he will pay \$125 less in taxes in 2005, and \$181 less in 2008. Here's how:

	<u>Current Law</u>	<u>Proposal -- 2005</u>	<u>Proposal -- 2008</u>
Adjusted Gross Income	30,000	30,000	30,000
Personal Exemption	800	1,000	1,000
Dependent Exemption	800	1,000	1,000
Standard Deduction	<u>3,000</u>	<u>4,000</u>	<u>4,000</u>
VA Taxable Income	25,400	24,000	24,000
VA Income Tax	1,203	1,060	1,060
VA Income Tax Savings Compared to Current Law		(143)	(143)
Additional Sales Tax Paid		64	64
Reduced Sales Tax on Food		(28)	(34)
Additional Car Tax Relief (one auto)		<u>(18)</u>	<u>(68)</u>
Net Tax Savings		(125)	(181)

Example IV: A married couple earning \$90,000. The wife earns \$54,000, and the husband earns \$36,000. These taxpayers have one child, two cars, one home, and claim itemized deductions of \$16,000. Under the Commonwealth of Opportunity Plan, they will save \$65 in 2005, and \$177 in 2008. Here's how:

	<u>Current Law</u>	<u>Proposal -- 2005</u>	<u>Proposal -- 2008</u>
Adjusted Gross Income	90,000	90,000	90,000
Personal Exemption	1,600	2,000	2,000
Dependent Exemption	800	1,000	1,000
Itemized Deduction	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>
VA Taxable Income	71,600	71,000	71,000
VA Income Tax	3,601	3,443	3,443
VA Income Tax Savings Compared to Current Law		(158)	(158)
Additional Sales Tax Paid		192	192
Reduced Sales Tax on Food		(62)	(75)
Additional Car Tax Savings (two autos)		<u>(36)</u>	<u>(136)</u>
Net Tax Savings		(65)	(177)

Example V: A married couple earning \$175,000. The husband earns \$157,500, and the wife earns \$17,500. These taxpayers have two children, two cars, one home, and claim

itemized deductions of \$24,000. Under the Commonwealth of Opportunity Plan, they will pay only slightly more in taxes: \$283 in 2005, and \$158 in 2008. Here's how:

	<u>Current Law</u>	<u>Proposal -- 2005</u>	<u>Proposal -- 2008</u>
Adjusted Gross Income	175,000	175,000	175,000
Personal Exemption	1,600	2,000	2,000
Dependent Exemption	1,600	2,000	2,000
Itemized Deduction	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
VA Taxable Income	147,800	147,000	147,000
VA Income Tax	7,986	7,991	7,991
Additional VA Income Tax Paid Compared to Current Law		5	5
Additional Sales Tax Paid		435	435
Reduced Sales Tax on Food		(121)	(146)
Additional Car Tax Savings (two autos)		<u>(36)</u>	<u>(136)</u>
Net Tax Paid		283	158

Footnote:

*Changes in sales tax paid were estimated based on national survey data which related consumer expenditures by category (for example, food or clothing) to the income level of a consumer unit. A mathematical equation, relating spending on taxable items to income, was fit to the data, then used to calculate spending for the income level in each example. Spending was multiplied by the changes in the sales tax rate to produce the tax change. Lastly, the resulting tax change was adjusted to account for the family size in each example.*