

## Department of Revenue Survey of Flat Income Tax States

August 16, 2012

### Summary.

In response to requests from committee members at the July 25, 2012 hearing of the Legislative Council Symposium on State Income Tax Reform Information, DOR has prepared a summary of states that prescribe a flat income tax rate (same tax rate for all income levels). Seven states have a flat income tax: Colorado, Illinois, Indiana, Massachusetts, Michigan, Pennsylvania, and Utah. The flat rates vary from a low of 3.07% in Pennsylvania to a high of 5.30% in Massachusetts.

Personal exemptions, the amount of income that taxpayers may deduct from income “off the top,” vary across the states with a flat tax. Pennsylvania, which has the lowest flat tax percentage, offers no personal exemption. Massachusetts, which has the highest flat rate, also provides the greatest personal exemption amounts.

A summary table follows.

State	Rate	Deductions	Personal Exemptions
<b>Colorado</b>	4.63%	Federal standard and federal itemized.	\$3,700 (linked to federal).
<b>Illinois</b>	5.00%	None	\$2,000 per federal exemption.
<b>Indiana</b>	3.40%	No standard deduction. Specific state deductions exist.	\$1,000 – single. \$2,000 – married. \$2,500 – per dependent child (\$1,000 for other dependents).
<b>Massachusetts</b>	5.30%	No standard deduction. Certain federal itemized deductions apply.	\$4,400 – single. \$8,800 – married. \$1,000 – per dependent.
<b>Michigan</b>	4.35%	None	\$3,600 – single. \$7,200 – married. \$4,200 – per dependent.
<b>Pennsylvania</b>	3.07%	None	None.
<b>Utah</b>	5.00%	Federal standard and federal itemized.	Credit equal to 6% of federal exemption amounts.

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