

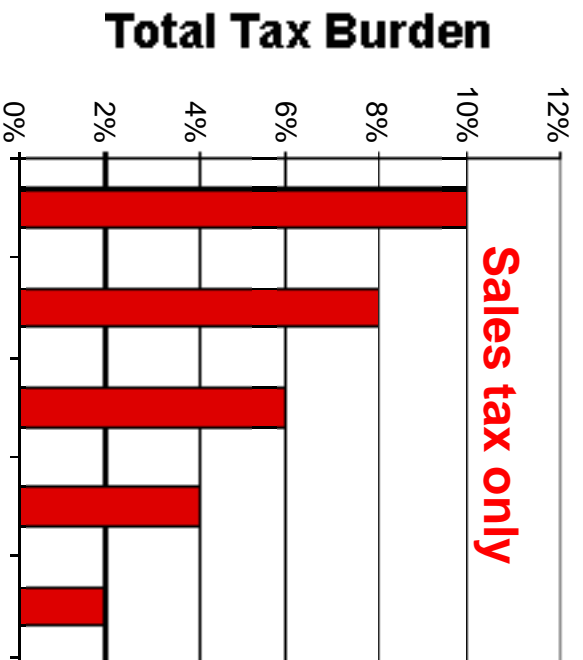
Creating a Level Playing Field

Three Options for Tennessee

More of the Same

Tennessee currently raises the vast majority of its revenue from the sales tax and other consumption taxes. Another sales tax hike, as proposed by some, will place an even greater tax burden on low and middle income families.

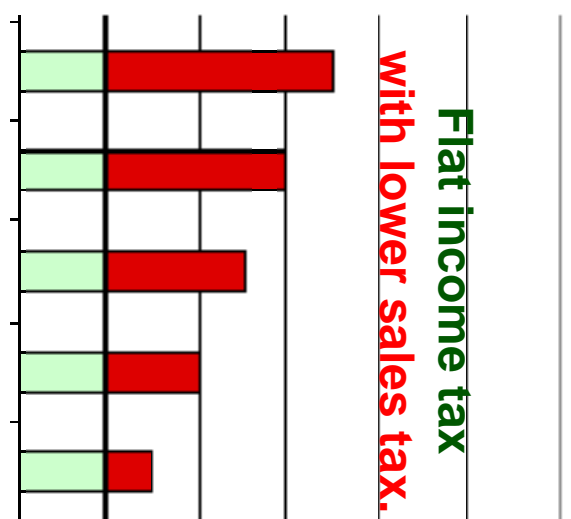
Below is a hypothetical example of a state, not much different from Tennessee, that depends entirely on the sales tax.



A Flat Income Tax

One option before legislators is to enact a flat-rate income tax. Although at first this may seem 'fair,' it does little to counteract the effects of the remaining sales tax.

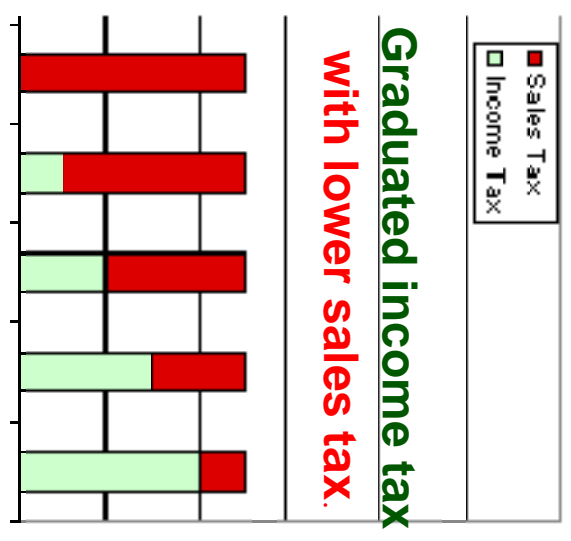
Below is an example of a state with half the sales tax of the first example, plus a flat rate income tax with no deductions.



A Graduated Tax

Another option before legislators is to enact a graduated rate income tax. By offsetting the effects of the remaining sales tax, a graduated income tax plan will help create a level playing field.

Below is an example of a state with half the sales tax of the first example, plus a graduated rate income tax, resulting in an overall equal tax burden.



A Look at Two Tax Reform Plans for Tennessee

The Rochelle-Head Plan

The 3.5% Flat Rate Plan

- Eliminates state and local tax on food, clothing, and nonprescription drugs.
- Reduce sales tax by an average of 1.25% on other items.
- Eliminate the Hall Tax
- Est. a graduated income tax with deductions of \$18K, 26.4K, and \$30K.
- Raises corporate taxes by 0.5%

- Eliminates the state tax on food, clothing, and nonprescription drugs.
 - No additional sales tax reduction.
 - Eliminates the Hall Tax.
 - Est. a flat rate income tax of 3.5% with base deductions of \$15K, \$22.5K, and \$30K.
- Note: Based on data available as of 11/8/01*

Single adult, no children making \$18,000 per year with \$90 per month in clothing expenses.

Save \$326

Save \$86

Single parent, two children making \$25,000 per year with \$140 per month in clothing expenses.

Save \$510

Save \$327

Married couple, two children making \$40,000 per year with \$160 per month in clothing drugs expenses.

Save \$717

Save \$174

Married couple, two children making \$60,000 per year with \$180 per month in clothing drugs expenses.

Save \$125

Pay \$481

Married couple, two children making \$80,000 per year with \$240 per month in clothing drugs expenses.

Pay \$633

Pay \$1,115

To see how these plans will affect YOU, use the on-line tax calculator at www.yourtax.org