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Health Care Reform Financing Options:

House Proposal to Apply a Graduated Surcharge to Incomes Over $350,000

(State-by-State Figures in Appendix)

The House Surcharge Proposal

H.R. 3200, the new health care bill introduced in the U.S. House of Representatives, includes a graduated surcharge on families with incomes above $350,000 to finance health care reform. Under this proposal, the richest 1.3 percent of U.S. taxpayers would have an estimated total tax increase of $543 billion over ten years, which is considerably less than the amount this group received from the Bush tax cuts over the 2001-2010 period.

How the Proposed Surcharge would Work: The surcharge would have three rates and would apply to adjusted gross income (AGI), the basic measurement of income used to calculate federal income taxes.

Starting in 2011, the rates would be 1, 1.5 and 5.4 percent. The 1 percent bracket would apply to AGI above $350,000 for married couples ($280,000 for singles). The 1.5 percent bracket would apply to AGI above $500,000 ($400,000 for singles). The 5.4 percent rate would apply to AGI above $1 million ($800,000 for singles).

If additional savings in the health care system did not materialize at some specified date, this would "trigger" higher rates coming into effect in 2013. In that case, the bottom two rates would increase to 2 percent, 3 percent, while the top rate would remain 5.4 percent. Alternatively, if health

Percentage of Taxpayers Who Would Pay the Graduated Surcharge in H.R. 3200
(listed by state, in alphabetical order)

Alabama	0.9%	Montana	0.9%
Alaska	1.1%	Nebraska	0.8%
Arizona	0.9%	Nevada	1.4%
Arkansas	0.6%	New Hampshire	1.3%
California	1.9%	New Jersey	2.1%
Colorado	1.5%	New Mexico	0.8%
Connecticut	2.8%	New York	1.8%
Delaware	1.1%	North Carolina	0.9%
District of Columbia	2.7%	North Dakota	1.0%
Florida	1.5%	Ohio	0.8%
Georgia	1.1%	Oklahoma	1.0%
Hawaii	0.9%	Oregon	1.1%
Idaho	0.7%	Pennsylvania	1.0%
Illinois	1.6%	Rhode Island	0.8%
Indiana	0.7%	South Carolina	0.9%
Iowa	0.8%	South Dakota	1.1%
Kansas	0.9%	Tennessee	0.9%
Kentucky	0.7%	Texas	1.5%
Louisiana	1.0%	Utah	0.9%
Maine	0.9%	Vermont	0.9%
Maryland	1.7%	Virginia	1.4%
Massachusetts	2.4%	Washington	1.7%
Michigan	0.7%	West Virginia	0.5%
Minnesota	1.2%	Wisconsin	0.9%
Mississippi	0.6%	Wyoming	1.7%
Missouri	0.9%	**United States**	**1.3%**

Source: ITEP Microsimulation Tax Model, July 2009

care savings exceed a specified level, the bottom two rates could become zero starting in 2013.

Since the surcharge would be applied to AGI, it would be relatively simple. The calculation of AGI is the first step in filling out a federal income tax return. It comes before deductions and exemptions are subtracted to calculate taxable income. It comes before a taxpayer looks up her taxable income on a table to determine what her tax would be in the absence of any credits, and in the case of someone with capital gains and dividends, it comes before the more complicated calculations made to account for the special preferential tax rates available for investment income. And it comes before any credits are subtracted to determine actual tax liability.

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in the U.S.

Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,427	$ —	—
Second 20%	25,994	—	—
Middle 20%	43,396	—	—
Fourth 20%	69,347	—	—
Next 15%	119,539	0	0.0%
Next 4%	267,646	69	0.8%
Top 1%	1,497,730	32,656	99.2%
ALL	**$ 72,846**	**$ 328**	**100.0%**
Bottom 60%	$ 26,947	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

A surcharge would not add to all this complexity. After calculating federal income tax under the existing system, a married high-income taxpayer would simply subtract $350,000 from her AGI to calculate taxable income for purposes of the surcharge. Just as most filers look up their taxable income on a table to determine their tax before credits, someone subject to the surcharge could use a table to determine how much surcharge they owe.

Why a Surcharge Applied to AGI Is Fairer than Some Other Types of Tax Increases

One problem with our federal tax system is that it taxes income from work at higher rates than income from wealth, but a surcharge applied to AGI does not suffer from this problem.

Most investment income like capital gains and stock dividends is received by the wealthiest Americans, and yet we tax these forms of income at lower rates than income from work. In addition, investment income is not subject to the payroll taxes of around 15 percent that fund Social Security and Medicare.

So an increase in the existing income tax rates would not solve this problem if the preferential rates for capital gains and dividends are left in place. And an increase in payroll taxes would obviously make the problem worse, because that would put wage-earners at an even greater disadvantage compared to investors.

But AGI includes both income from work and investment income like capital gains and dividends, so a surcharge on AGI avoids this unfairness.

Surcharge Would Have No Impact on the Poor and Middle Class

Congressional analysts estimate that the surcharge will raise $543 billion over a decade. We estimate that the proposal would indeed raise this much (assuming that the higher rates do come into effect in 2013). It would do so without impacting 98.7 percent of taxpayers.

The percentage of taxpayers impacted varies by state, but not by much. The state with the largest percentage of taxpayers affected is Connecticut, with 2.8 percent receiving a tax increase as a result of this reform. The state with the lowest percentage of taxpayers affected is West Virginia, with 0.5 percent of taxpayers receiving a tax increase.

Surcharge Would Recoup a Portion of the $700 Billion in Tax Cuts Given to Richest 1% Over the 2001-2010 Period

The tax cuts enacted by President George W. Bush and Congress in 2001 and 2003, and subsequent legislation that extended them or made them take effect more quickly, went disproportionately to the wealthiest Americans. By the end of 2010, nearly half of these tax cuts will have been received by the richest five percent of Americans. The richest one percent alone will have received around $700 billion over the 2001-2010 period.[1]

The Bush tax cuts expire at the end of 2010. For the most part, President Obama has not proposed to extend the Bush tax cuts for the very richest Americans. So in 2011, the richest one percent of taxpayers will face tax rates similar to (but not quite as high as) what existed at the end of the Clinton years.

But even the parts of the Bush tax cuts that will be allowed to expire at the end of 2010 represent lost revenue that could have been put to a more productive purpose. While some argue that the Bush tax cuts that went to the rich boosted our economy, that's difficult to believe, given the sad evidence all around us.

The graduated surcharge included in H.R. 3200 to finance health care reform would require the richest one percent to give back some, but not all, of the tax cuts they received over the 2001-2010 period.

Small Businesses Not Significantly Affected by Surcharge

Some lawmakers claim that any tax increase on high-income people will hurt small businesses, since income of small businesses is often reported on the tax returns of the wealthy individuals who own them. This, it is sometimes argued, would hurt job creation and weigh down our economy.

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[1] Statement of Robert S. McIntyre, Director of Citizens for Tax Justice, Before the Subcommittee on Financial Services and General Government of the House Appropriations Committee Regarding Tax Fairness and Fiscal Policy Effects of the Bush Tax Cuts, March 5, 2007. http://www.ctj.org/pdf/housetestimony030507.pdf

This claim is not valid for two reasons. First, very few small business owners would pay the surcharge. Second, even for those who must pay it, the surcharge would usually not affect their ability or incentive to hire workers or expand their operations.

Only 5% of Small Business Owners, Realistically Defined, Would Pay Surcharge
There is no commonly accepted way to define a small business owner. Some analysts take the number of people who receive certain types of income (such as income reported to the IRS on "schedule C" for sole proprietorships) as the number of small business owners. But this definition could be too expansive, since it includes people who have only small amounts of "business" income and whose primary source of income is not from running a business, but rather from wages or other types of income.

For the purposes of this analysis, we define small business owners as taxpayers for whom small business income makes up at least half of their adjusted gross income (AGI) and include only those with positive AGI. We define small business income as only non-passive income (since "passive" income basically refers to income you receive from a business that you're not involved in running) from schedule C businesses, partnerships, family farms, and "Subchapter S" corporations.

Most taxpayers who meet these conditions might be thought of as "true" small business people, in the sense that they are actually running businesses and those generate the majority of their income.

Only 5.0 percent of the taxpayers who meet this definition will have AGI high enough to be impacted by the proposed surcharge.

Even for Those Paying the Surcharge, It Will Have Little or No Impact on Business
The claim that small business owners paying the surcharge will have less incentive or ability to sustain or create jobs ignores some basic aspects of our tax system. A small business owner deducts any money that she paid to employees as compensation, as well as any other operating costs. In other words, it is only business *profits* that are taxed.

Imagine a married couple whose income comes entirely from a small business that they own. They would have to have more than $350,000 in business profits, after paying all the expenses of operating the business, before the surcharge would affect them at all. And if they earn more than that, the surcharge would not reduce their incentive to hire more employees, since they pay employees with before-tax income (i.e., wage paid are deductible in computing net profit).

Even purchases of equipment to expand business operations would not be affected for most small business owners because currently they can write off up to $250,000 of the costs of such equipment immediately.

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in the U.S.			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,427	$ —	—
Second 20%	25,994	—	—
Middle 20%	43,396	—	—
Fourth 20%	69,347	—	—
Next 15%	119,539	0	0.0%
Next 4%	267,646	69	0.8%
Top 1%	1,497,730	32,656	99.2%
ALL	**$ 72,846**	**$ 328**	**100.0%**
Bottom 60%	$ 26,947	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Alabama			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,482	$ —	—
Second 20%	20,354	—	—
Middle 20%	34,397	—	—
Fourth 20%	58,812	—	—
Next 15%	100,422	—	—
Next 4%	209,057	11	0.2%
Top 1%	1,046,266	17,265	99.8%
ALL	**$ 57,929**	**$ 171**	**100.0%**
Bottom 60%	$ 21,753	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Alaska			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 17,070	$ —	—
Second 20%	33,443	—	—
Middle 20%	57,771	—	—
Fourth 20%	97,303	—	—
Next 15%	160,069	1	0.1%
Next 4%	278,661	9	0.2%
Top 1%	1,202,304	18,074	99.7%
ALL	**$ 86,903**	**$ 180**	**100.0%**
Bottom 60%	$ 36,209	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Arizona			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,305	$ —	—
Second 20%	26,317	—	—
Middle 20%	40,357	—	—
Fourth 20%	62,939	—	—
Next 15%	104,983	—	—
Next 4%	229,684	7	0.1%
Top 1%	1,255,607	22,650	99.9%
ALL	**$ 65,300**	**$ 226**	**100.0%**
Bottom 60%	$ 26,324	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Arkansas			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,213	$ —	—
Second 20%	20,870	—	—
Middle 20%	34,904	—	—
Fourth 20%	56,684	—	—
Next 15%	93,723	—	—
Next 4%	205,901	3	0.1%
Top 1%	846,176	13,117	99.9%
ALL	**$ 54,330**	**$ 129**	**100.0%**
Bottom 60%	$ 21,661	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in California			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 13,629	$ —	—
Second 20%	28,787	—	—
Middle 20%	46,475	—	—
Fourth 20%	74,893	—	—
Next 15%	137,166	0	0.0%
Next 4%	324,480	136	1.1%
Top 1%	2,035,213	48,607	98.9%
ALL	**$ 85,825**	**$ 487**	**100.0%**
Bottom 60%	$ 29,631	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Colorado			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,284	$ —	—
Second 20%	29,464	—	—
Middle 20%	50,090	—	—
Fourth 20%	79,379	—	—
Next 15%	137,657	—	—
Next 4%	304,292	90	1.1%
Top 1%	1,625,547	33,383	98.9%
ALL	**$ 82,283**	**$ 334**	**100.0%**
Bottom 60%	$ 30,612	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Connecticut			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,969	$ —	—
Second 20%	32,455	—	—
Middle 20%	54,487	—	—
Fourth 20%	88,734	—	—
Next 15%	157,605	1	0.0%
Next 4%	399,197	493	2.1%
Top 1%	2,524,756	72,233	97.9%
ALL	**$ 106,120**	**$ 894**	**100.0%**
Bottom 60%	$ 33,294	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Delaware			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,953	$ —	—
Second 20%	25,137	—	—
Middle 20%	43,991	—	—
Fourth 20%	70,125	—	—
Next 15%	114,309	—	—
Next 4%	240,662	14	0.2%
Top 1%	1,350,707	27,346	99.8%
ALL	**$ 69,978**	**$ 271**	**100.0%**
Bottom 60%	$ 26,751	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in D.C.			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,576	$ —	—
Second 20%	28,296	—	—
Middle 20%	49,187	—	—
Fourth 20%	78,437	—	—
Next 15%	150,967	0	0.0%
Next 4%	435,695	764	4.3%
Top 1%	2,727,188	68,968	95.7%
ALL	**$ 100,804**	**$ 720**	**100.0%**
Bottom 60%	$ 30,080	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Florida			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,812	$ —	—
Second 20%	23,166	—	—
Middle 20%	37,078	—	—
Fourth 20%	60,383	—	—
Next 15%	110,607	—	—
Next 4%	281,370	77	0.6%
Top 1%	2,054,298	50,194	99.4%
ALL	**$ 73,878**	**$ 500**	**100.0%**
Bottom 60%	$ 23,694	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Georgia			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,851	$ —	—
Second 20%	21,158	—	—
Middle 20%	36,850	—	—
Fourth 20%	61,108	—	—
Next 15%	107,946	—	—
Next 4%	241,418	24	0.5%
Top 1%	1,164,100	20,526	99.5%
ALL	**$ 62,459**	**$ 204**	**100.0%**
Bottom 60%	$ 22,636	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Hawaii			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,259	$ —	—
Second 20%	24,605	—	—
Middle 20%	40,141	—	—
Fourth 20%	63,080	—	—
Next 15%	112,376	—	—
Next 4%	241,543	14	0.3%
Top 1%	1,079,093	18,942	99.7%
ALL	**$ 64,599**	**$ 189**	**100.0%**
Bottom 60%	$ 25,158	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Idaho			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,770	$ —	—
Second 20%	23,818	—	—
Middle 20%	40,614	—	—
Fourth 20%	61,088	—	—
Next 15%	99,331	—	—
Next 4%	210,831	3	0.1%
Top 1%	1,049,804	16,871	99.9%
ALL	**$ 60,895**	**$ 168**	**100.0%**
Bottom 60%	$ 25,165	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Illinois			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,823	$ —	—
Second 20%	27,435	—	—
Middle 20%	47,554	—	—
Fourth 20%	74,248	—	—
Next 15%	126,677	—	—
Next 4%	291,115	99	1.0%
Top 1%	1,675,200	38,758	99.0%
ALL	**$ 78,766**	**$ 388**	**100.0%**
Bottom 60%	$ 28,662	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Indiana			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,710	$ —	—
Second 20%	24,896	—	—
Middle 20%	41,804	—	—
Fourth 20%	63,201	—	—
Next 15%	100,053	—	—
Next 4%	203,601	1	0.0%
Top 1%	921,991	14,427	100.0%
ALL	**$ 60,044**	**$ 143**	**100.0%**
Bottom 60%	$ 25,766	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Iowa			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,373	$ —	—
Second 20%	29,407	—	—
Middle 20%	46,969	—	—
Fourth 20%	70,050	—	—
Next 15%	107,316	—	—
Next 4%	206,193	2	0.0%
Top 1%	907,932	12,637	100.0%
ALL	**$ 64,458**	**$ 125**	**100.0%**
Bottom 60%	$ 29,319	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Kansas			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,666	$ —	—
Second 20%	26,770	—	—
Middle 20%	44,083	—	—
Fourth 20%	70,082	—	—
Next 15%	112,562	—	—
Next 4%	234,136	16	0.3%
Top 1%	1,063,791	18,955	99.7%
ALL	**$ 66,947**	**$ 190**	**100.0%**
Bottom 60%	$ 27,235	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Kentucky			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,196	$ —	—
Second 20%	22,076	—	—
Middle 20%	36,791	—	—
Fourth 20%	58,587	—	—
Next 15%	94,681	—	—
Next 4%	194,143	2	0.1%
Top 1%	849,773	12,350	99.9%
ALL	**$ 55,235**	**$ 124**	**100.0%**
Bottom 60%	$ 22,677	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Louisana			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,177	$ —	—
Second 20%	22,183	—	—
Middle 20%	37,923	—	—
Fourth 20%	61,059	—	—
Next 15%	109,373	—	—
Next 4%	230,679	15	0.4%
Top 1%	997,644	13,842	99.6%
ALL	**$ 60,924**	**$ 137**	**100.0%**
Bottom 60%	$ 23,425	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Maine			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,136	$ —	—
Second 20%	24,860	—	—
Middle 20%	40,636	—	—
Fourth 20%	62,583	—	—
Next 15%	101,309	—	—
Next 4%	217,627	10	0.3%
Top 1%	887,848	12,434	99.7%
ALL	**$ 60,274**	**$ 124**	**100.0%**
Bottom 60%	$ 25,877	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Maryland			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,168	$ —	—
Second 20%	30,837	—	—
Middle 20%	51,280	—	—
Fourth 20%	82,491	—	—
Next 15%	143,059	—	—
Next 4%	301,874	95	1.1%
Top 1%	1,585,323	34,277	98.9%
ALL	**$ 83,798**	**$ 340**	**100.0%**
Bottom 60%	$ 31,486	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Massachusetts			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,978	$ —	—
Second 20%	30,814	—	—
Middle 20%	53,700	—	—
Fourth 20%	86,099	—	—
Next 15%	152,548	0	0.0%
Next 4%	360,068	242	1.7%
Top 1%	2,225,794	56,266	98.3%
ALL	**$ 95,075**	**$ 567**	**100.0%**
Bottom 60%	$ 32,156	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Michigan			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,972	$ —	—
Second 20%	24,645	—	—
Middle 20%	42,124	—	—
Fourth 20%	66,126	—	—
Next 15%	106,697	—	—
Next 4%	210,367	2	0.0%
Top 1%	989,751	18,009	100.0%
ALL	**$ 62,062**	**$ 178**	**100.0%**
Bottom 60%	$ 25,588	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Minnesota			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,372	$ —	—
Second 20%	30,423	—	—
Middle 20%	49,932	—	—
Fourth 20%	75,041	—	—
Next 15%	120,340	—	—
Next 4%	266,667	31	0.5%
Top 1%	1,343,551	27,039	99.5%
ALL	**$ 75,324**	**$ 270**	**100.0%**
Bottom 60%	$ 30,971	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Mississippi			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,265	$ —	—
Second 20%	18,567	—	—
Middle 20%	31,129	—	—
Fourth 20%	53,671	—	—
Next 15%	92,530	—	—
Next 4%	187,743	1	0.0%
Top 1%	776,999	9,064	100.0%
ALL	**$ 50,816**	**$ 89**	**100.0%**
Bottom 60%	$ 19,627	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Missouri			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,412	$ —	—
Second 20%	23,707	—	—
Middle 20%	39,401	—	—
Fourth 20%	63,099	—	—
Next 15%	102,779	—	—
Next 4%	216,505	5	0.1%
Top 1%	1,046,887	18,143	99.9%
ALL	**$ 61,186**	**$ 180**	**100.0%**
Bottom 60%	$ 24,498	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Montana			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,117	$ —	—
Second 20%	23,605	—	—
Middle 20%	39,087	—	—
Fourth 20%	62,179	—	—
Next 15%	103,630	—	—
Next 4%	227,325	18	0.5%
Top 1%	956,561	13,726	99.5%
ALL	**$ 60,522**	**$ 137**	**100.0%**
Bottom 60%	$ 24,360	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Nebraska			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,999	$ —	—
Second 20%	29,204	—	—
Middle 20%	47,037	—	—
Fourth 20%	72,298	—	—
Next 15%	118,922	—	—
Next 4%	233,626	8	0.2%
Top 1%	1,183,712	21,472	99.8%
ALL	**$ 71,342**	**$ 219**	**100.0%**
Bottom 60%	$ 29,365	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Nevada			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 13,713	$ —	—
Second 20%	27,244	—	—
Middle 20%	43,825	—	—
Fourth 20%	66,941	—	—
Next 15%	110,610	—	—
Next 4%	263,946	52	0.3%
Top 1%	2,370,576	63,926	99.7%
ALL	**$ 80,346**	**$ 634**	**100.0%**
Bottom 60%	$ 28,311	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in New Hampshire			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 15,559	$ —	—
Second 20%	34,435	—	—
Middle 20%	54,758	—	—
Fourth 20%	84,620	—	—
Next 15%	136,909	—	—
Next 4%	288,487	48	0.7%
Top 1%	1,374,656	29,144	99.3%
ALL	**$ 82,378**	**$ 287**	**100.0%**
Bottom 60%	$ 35,027	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in New Jersey			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,463	$ —	—
Second 20%	29,912	—	—
Middle 20%	51,610	—	—
Fourth 20%	83,437	—	—
Next 15%	147,301	0	0.0%
Next 4%	337,494	147	1.3%
Top 1%	1,789,833	43,978	98.7%
ALL	**$ 88,194**	**$ 442**	**100.0%**
Bottom 60%	$ 31,342	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in New Mexico			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,261	$ —	—
Second 20%	23,061	—	—
Middle 20%	37,147	—	—
Fourth 20%	60,308	—	—
Next 15%	103,274	—	—
Next 4%	215,420	5	0.2%
Top 1%	886,415	11,681	99.8%
ALL	**$ 58,463**	**$ 116**	**100.0%**
Bottom 60%	$ 23,485	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in New York			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,956	$ —	—
Second 20%	23,380	—	—
Middle 20%	41,237	—	—
Fourth 20%	68,468	—	—
Next 15%	122,464	0	0.0%
Next 4%	299,387	132	0.9%
Top 1%	2,233,564	60,950	99.1%
ALL	**$ 80,066**	**$ 606**	**100.0%**
Bottom 60%	$ 24,834	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in North Carolina			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,580	$ —	—
Second 20%	22,625	—	—
Middle 20%	37,634	—	—
Fourth 20%	61,667	—	—
Next 15%	104,881	—	—
Next 4%	227,710	9	0.2%
Top 1%	995,534	16,452	99.8%
ALL	**$ 60,623**	**$ 163**	**100.0%**
Bottom 60%	$ 23,606	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in North Dakota			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 14,635	$ —	—
Second 20%	30,316	—	—
Middle 20%	50,396	—	—
Fourth 20%	80,990	—	—
Next 15%	124,054	—	—
Next 4%	251,741	16	0.4%
Top 1%	1,020,499	15,557	99.6%
ALL	**$ 73,917**	**$ 154**	**100.0%**
Bottom 60%	$ 31,604	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Ohio			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,845	$ —	—
Second 20%	25,464	—	—
Middle 20%	42,410	—	—
Fourth 20%	63,962	—	—
Next 15%	101,656	—	—
Next 4%	210,426	9	0.2%
Top 1%	967,901	17,201	99.8%
ALL	**$ 61,065**	**$ 170**	**100.0%**
Bottom 60%	$ 26,242	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Oklahoma			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,020	$ —	—
Second 20%	22,886	—	—
Middle 20%	40,045	—	—
Fourth 20%	64,955	—	—
Next 15%	112,190	—	—
Next 4%	238,767	10	0.2%
Top 1%	1,172,255	21,968	99.8%
ALL	**$ 65,042**	**$ 218**	**100.0%**
Bottom 60%	$ 24,260	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Oregon			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,315	$ —	—
Second 20%	25,631	—	—
Middle 20%	43,128	—	—
Fourth 20%	68,937	—	—
Next 15%	117,047	—	—
Next 4%	249,241	11	0.2%
Top 1%	1,083,651	17,973	99.8%
ALL	**$ 67,426**	**$ 178**	**100.0%**
Bottom 60%	$ 26,709	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Pennsylvania			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,202	$ —	—
Second 20%	26,673	—	—
Middle 20%	45,076	—	—
Fourth 20%	69,301	—	—
Next 15%	115,000	—	—
Next 4%	248,204	18	0.3%
Top 1%	1,189,180	23,651	99.7%
ALL	**$ 68,572**	**$ 234**	**100.0%**
Bottom 60%	$ 27,656	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Rhode Island			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,820	$ —	—
Second 20%	22,208	—	—
Middle 20%	40,136	—	—
Fourth 20%	63,989	—	—
Next 15%	108,579	—	—
Next 4%	231,014	5	0.1%
Top 1%	1,042,432	17,513	99.9%
ALL	**$ 62,493**	**$ 174**	**100.0%**
Bottom 60%	$ 24,079	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in South Carolina			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,124	$ —	—
Second 20%	22,184	—	—
Middle 20%	35,198	—	—
Fourth 20%	57,619	—	—
Next 15%	99,233	—	—
Next 4%	212,714	3	0.1%
Top 1%	921,011	13,080	99.9%
ALL	**$ 57,008**	**$ 129**	**100.0%**
Bottom 60%	$ 22,495	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in South Dakota			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,267	$ —	—
Second 20%	26,342	—	—
Middle 20%	45,760	—	—
Fourth 20%	70,169	—	—
Next 15%	111,648	—	—
Next 4%	243,436	21	0.4%
Top 1%	1,206,722	21,612	99.6%
ALL	**$ 68,375**	**$ 215**	**100.0%**
Bottom 60%	$ 27,675	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Tennessee			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 10,634	$ —	—
Second 20%	23,239	—	—
Middle 20%	38,640	—	—
Fourth 20%	59,523	—	—
Next 15%	100,085	—	—
Next 4%	221,469	7	0.2%
Top 1%	1,090,704	19,527	99.8%
ALL	**$ 60,431**	**$ 194**	**100.0%**
Bottom 60%	$ 24,174	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Texas			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,094	$ —	—
Second 20%	26,436	—	—
Middle 20%	43,115	—	—
Fourth 20%	70,998	—	—
Next 15%	127,439	—	—
Next 4%	286,752	84	1.0%
Top 1%	1,543,326	32,952	99.0%
ALL	**$ 75,735**	**$ 330**	**100.0%**
Bottom 60%	$ 27,226	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Utah			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,700	$ —	—
Second 20%	27,067	—	—
Middle 20%	43,805	—	—
Fourth 20%	68,453	—	—
Next 15%	113,829	—	—
Next 4%	232,558	6	0.1%
Top 1%	1,167,774	22,177	99.9%
ALL	**$ 67,484**	**$ 219**	**100.0%**
Bottom 60%	$ 27,560	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Vermont			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,851	$ —	—
Second 20%	26,238	—	—
Middle 20%	42,597	—	—
Fourth 20%	62,230	—	—
Next 15%	105,055	—	—
Next 4%	227,824	4	0.1%
Top 1%	984,757	15,055	99.9%
ALL	**$ 62,737**	**$ 149**	**100.0%**
Bottom 60%	$ 26,886	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Virginia			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 11,478	$ —	—
Second 20%	26,812	—	—
Middle 20%	46,288	—	—
Fourth 20%	75,921	—	—
Next 15%	133,637	—	—
Next 4%	282,864	56	0.8%
Top 1%	1,403,791	26,789	99.2%
ALL	**$ 76,825**	**$ 268**	**100.0%**
Bottom 60%	$ 28,197	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Washington			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 12,677	$ —	—
Second 20%	31,137	—	—
Middle 20%	53,481	—	—
Fourth 20%	83,850	—	—
Next 15%	139,159	—	—
Next 4%	302,711	117	1.4%
Top 1%	1,593,352	33,639	98.6%
ALL	**$ 83,652**	**$ 335**	**100.0%**
Bottom 60%	$ 32,455	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in West Virginia			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 9,402	$ —	—
Second 20%	20,906	—	—
Middle 20%	34,312	—	—
Fourth 20%	58,189	—	—
Next 15%	94,469	—	—
Next 4%	178,310	—	—
Top 1%	658,973	7,058	100.0%
ALL	**$ 51,826**	**$ 70**	**100.0%**
Bottom 60%	$ 21,542	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Wisconsin			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 13,235	$ —	—
Second 20%	27,777	—	—
Middle 20%	46,175	—	—
Fourth 20%	71,703	—	—
Next 15%	110,663	—	—
Next 4%	223,100	3	0.1%
Top 1%	1,101,660	20,822	99.9%
ALL	**$ 68,129**	**$ 210**	**100.0%**
Bottom 60%	$ 29,136	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009

Graduated Surcharge Starting at AGI > $350k, Impact in 2011 in Wyoming			
Income Group	Average Income	Average Tax Increase	Share of Tax Increase
Lowest 20%	$ 13,717	$ —	—
Second 20%	32,577	—	—
Middle 20%	53,668	—	—
Fourth 20%	82,073	—	—
Next 15%	129,103	—	—
Next 4%	299,599	109	0.6%
Top 1%	2,562,045	70,745	99.4%
ALL	**$ 93,518**	**$ 715**	**100.0%**
Bottom 60%	$ 33,256	$ —	0.0%

Source: ITEP Microsimulation Model, July 2009