

**Tax Year 2016 Estimated Impact of Proposal Tax Plan
Compares Proposed 2016 Tax Law to Actual 2014 Tax Law**

Prorated Federal Adjusted Gross Income	Percent of Total Tax Returns	Tax Increase		Tax Decrease		No Change in Tax Liability
		% Returns	Average Tax Change	% Returns	Average Tax Change	% Returns
Less than 9,999	15.4%	1.4%	\$11	21.9%	(\$39)	76.7%
9,999 < 19,999	12.1%	2.2%	105	78.5%	(90)	19.3%
19,999 < 29,999	13.3%	3.5%	173	93.5%	(137)	3.0%
29,999 < 39,999	10.9%	6.4%	207	91.0%	(164)	2.5%
39,999 < 49,999	8.2%	11.2%	211	86.4%	(190)	2.4%
49,999 < 59,999	6.3%	15.6%	223	82.5%	(214)	1.9%
59,999 < 69,999	5.1%	17.7%	247	80.8%	(239)	1.5%
69,999 < 79,999	4.2%	18.7%	272	79.9%	(263)	1.4%
79,999 < 99,999	6.5%	19.8%	287	79.1%	(289)	1.1%
99,999 < 199,999	13.9%	28.1%	299	71.4%	(332)	0.5%
199,999 < 499,999	3.6%	28.3%	584	71.3%	(463)	0.4%
499,999 < 999,999	0.5%	23.3%	2,208	76.2%	(1,081)	0.5%
Greater than 999,999	0.2%	31.5%	30,361	68.2%	(4,926)	0.3%
TOTAL	100.0%	11.6%	\$490	73.0%	(\$215.88)	15.4%

* Data estimates from BearingPoint North Carolina Individual Income Tax Model.

**Tax Year 2016 Estimated Impact of Proposed Tax Plan
Compares Proposed 2016 Tax Law to Actual 2011 Tax Law (Before enacting the \$50,000 Net Business Income Deduction; does not include EITC)**

Prorated Federal Adjusted Gross Income	Percent of Total Tax Returns	Tax Increase		Tax Decrease		No Change in Tax Liability ¹
		% Returns	Average Tax Change	% Returns	Average Tax Change	% Returns
Less than 9,999	15.4%	4.5%	\$19	37.8%	(\$133)	57.7%
9,999 < 19,999	12.1%	10.8%	91	69.9%	(188)	19.3%
19,999 < 29,999	13.3%	19.2%	154	76.7%	(231)	4.2%
29,999 < 39,999	10.9%	20.7%	265	76.4%	(311)	2.8%
39,999 < 49,999	8.2%	20.4%	385	76.8%	(403)	2.7%
49,999 < 59,999	6.3%	21.2%	454	76.7%	(488)	2.1%
59,999 < 69,999	5.1%	21.0%	533	77.2%	(575)	1.8%
69,999 < 79,999	4.2%	20.8%	599	77.6%	(638)	1.6%
79,999 < 99,999	6.5%	20.4%	656	78.3%	(739)	1.2%
99,999 < 199,999	13.9%	15.6%	776	83.9%	(1,185)	0.5%
199,999 < 499,999	3.6%	6.3%	2,190	93.3%	(3,033)	0.4%
499,999 < 999,999	0.5%	4.2%	7,736	95.3%	(9,370)	0.5%
Greater than 999,999	0.2%	9.1%	135,408	90.6%	(45,026)	0.3%
TOTAL	100.0%	15.5%	\$614	71.8%	(\$808.06)	12.8%

* Data estimates from BearingPoint North Carolina Individual Income Tax Model.

¹ Due to the State refundable Earned Income Tax Credit being in effect for tax year 2011, some taxpayers could have a negative income tax liability in that year. Having no tax liability would represent a tax increase.

Proposed Tax Plan for Tax Year 2016

Tax Rate **5.500%**
Standard Deduction **\$17,500 MFJ, \$8,750 Single, \$14,000 HOH**
Itemized Deduction **All federally eligible itemized deductions capped at \$20,000**

Average Effective Rate*		
Taxable Income	Current	H117
Less than \$50,000	3.30%	2.80%
Less than \$70,000	3.60%	3.10%
All returns	4.40%	4.20%

*Calculated by dividing taxes paid into taxable income, the estimates are based on data from the FRD Tax Model,

Number of Tax Returns Taking NC Standard Deduction - 2016 Estimates¹

Standard Deduction (MFJ Level Shown)	Total # of Returns	% of Returns	Cumulative % of Returns
\$15,000	2,920,200	69.4%	69.4%
\$17,500	172,300	4.1%	73.5%
\$20,000	150,600	3.6%	77.1%
\$22,500	125,700	3.0%	80.1%
\$25,000	113,900	2.7%	82.8%
\$37,500	303,100	7.2%	90.0%
\$50,000	250,900	6.0%	96.0%
\$75,000	98,200	2.3%	98.3%
\$100,000	31,400	0.7%	99.1%
\$250,000	30,400	0.7%	99.8%
\$500,000	4,600	0.1%	99.9%
\$1,000,000	1,900	0.0%	100.0%
Greater than \$1,000,000	1,600	0.0%	100.0%
Total Number of Returns	4,204,800		

1. Each \$1000 increase (MFJ) in the Standard Deduction reduces revenue by \$160 to \$180 million in the range of \$15k to \$25k (MFJ)

Tax Returns Impacted by Capping All IRS Schedule A Deductions at \$20K 2016 Estimates

Federal Adjusted Gross Income (AGI)	Tax Returns Impacted	% of Returns Impacted in AGI Category	% of All Returns Impacted	Average Amount Over Itemized Cap
Less than 29,999	3,700	0.2%	0.1%	4,265
29,999 < 39,999	13,000	2.9%	0.3%	4,902
39,999 < 49,999	20,700	6.0%	0.5%	6,670
49,999 < 59,999	25,300	9.5%	0.6%	7,498
59,999 < 69,999	29,200	13.3%	0.7%	8,564
69,999 < 79,999	31,600	17.1%	0.8%	8,964
79,999 < 99,999	67,400	23.6%	1.6%	9,437
99,999 < 199,999	299,200	47.7%	7.1%	12,095
199,999 < 499,999	131,300	77.6%	3.1%	25,040
499,999 < 999,999	21,800	90.8%	0.5%	62,616
Greater than 999,999	12,300	92.4%	0.3%	495,852
TOTALS:	655,500		15.6%	24,355

* 2016 returns based on Bearing Point North Carolina Individual Income Tax estimates as reported by the North Carolina General Assembly's Fiscal Research Division

2016 North Carolina Tax Return Estimates

Tax Law	Current Law			Proposed Tax Plan		
Zero Bracket/Standard Deduction	\$15K MFJ			\$17.5K MFJ		
Tax Rate	5.75%			5.50%		
Itemized Deductions	\$20K Cap on Mortgage Interest (MID) and Property Taxes only, Unlimited Charitable Contributions			\$20K Cap on all IRS Schedule A Deductions		
	# of returns	% of total returns	% of itemizers	# of returns	% of total returns	% of itemizers
Total # of returns:	4,204,800					
Total # of Non-Itemizers:	3,111,800	74.0%		3,092,800	73.6%	
Total # of Itemizers:	1,093,000	26.0%		1,112,000	26.4%	
Total # of returns with a tax liability:	3,520,000	83.7%		3,400,000	80.9%	
# of returns w/ more than \$20K in Mortgage Interest and Property Taxes:	35,000	0.8%	3.2%	35,000	0.8%	3.1%
# returns w/ more than \$20K in Charitable Contributions:	50,000	1.2%	4.6%	50,000	1.2%	4.5%
# returns with itemized Medical Expenses Deduction	325,000	7.7%	29.7%	325,000	7.7%	29.2%
# of returns w/ more than \$20K in Medical Exp Deductions:	24,000	0.6%	2.2%	24,000	0.6%	2.2%
# returns with more than \$20K in combined Medical and MID/Prop Tax deductions:	406,000	9.7%	37.1%	406,000	9.7%	36.5%
# returns with more than \$20K in combined Medical, MID/Prop Tax & Charitable Contributions	630,000	15.0%	57.6%	630,000	15.0%	56.7%
# returns with more than \$20K in all IRS Schedule A deductions:	655,500	15.6%	60.0%	655,500	15.6%	58.9%
# returns whose Itemize deductions are fully covered or take the Std. Ded.	3,124,800	74.3%		3,549,300	84.4%	

* 2016 returns based on Bearing Point North Carolina Individual Income Tax estimates as reported by the North Carolina General Assembly's Fiscal Research

1040 Schedule A Itemized Deductions

Medical and Dental Expenses

State and Local Income Taxes or State and Local General Sales Taxes

Real Estate Taxes

Personal Property Taxes

Home Mortgage Interest and Points

Mortgage Insurance Premiums

Investment Interest

Charitable Contributions

Casualty or Theft Losses

Unreimbursed Employee Expenses - Job Travel, Union Dues, Job Education, etc.

Tax Preparation Fees

Other Expenses

Certain Legal and Accounting Fees

Clerical Help and Office Rent

Custodial (for example, Trust Account) Fees.

Your Share of the Investment Expenses of a Regulated Investment Company

Certain Losses on Nonfederally Insured Deposits in an Insolvent or Bankrupt Financial Institution

Deduction for Repayment of Amounts Under a Claim of Right if \$3,000 or less

Convenience Fee Charged by the Card Processor for Paying your Income Tax by Credit or Debit Card

Other Miscellaneous Deductions

Gambling Losses

Loss from Other Activities from Schedule K-1 (Form 1065-B), Box 2.

Federal Estate Tax on Income in Respect of a Decedent

Deduction for Amortizable Bond Premium

An Ordinary Loss Attributable to a Contingent Payment Debt Instrument or an Inflation-Indexed Debt Instrument

Deduction for Repayment of Amounts Under a Claim of Right if Over \$3,000

Certain Unrecovered Investment in a Pension

Impairment-Related Work Expenses of a Disabled Person