

## Fair Share Would Increase Total Tax Rates Only Modestly for Most with Incomes Over \$1 Million

By Kurt Wise, Senior Policy Analyst

Because the [Fair Share surtax](#) would apply a 4 percent surtax only to the portion of a household's taxable income above \$1 million, the *total tax rate* of the vast majority of Fair Share-affected filers would be much lower than the top rate of 9 percent. This is because the first \$1 million of taxable income would continue to be taxed at the current 5 percent rate. Only households with very high incomes – fewer than [7 in every thousand households](#) – would pay *any* Fair Share tax. And only households with extraordinarily high incomes would pay total tax rates even approaching 9 percent. For the large majority of even very high-income households, the total tax rate under Fair Share would be below 7 percent.

### Key Takeaways

- Under Fair Share, the large majority of million-plus dollar income households would have total tax rates below 7 percent.
- Only households with *extraordinarily* high incomes would have total tax rates even approaching 9 percent.
- Fewer than 7 in every thousand households would pay *any* Fair Share tax – and they would pay that tax only on the portion of their income above \$1 million.

“**Total tax rate**” in this analysis has a very specific meaning: the state income taxes paid by a taxpayer as a share of their taxable income. ([Taxable income](#) differs from a filer's total income. Taxable income focuses on the portion of income subject to tax, including taking into account all the deductions, exemptions and other special tax treatments that a filer claims. In virtually all cases, a filer's taxable income is significantly less than their total income.)

With Fair Share in place, a filer with a taxable income of up to \$1 million would have a total tax rate of 5 percent. They would pay no Fair Share tax. A filer with taxable income of \$1.5 million would have a total tax rate of just 6.3 percent (see table). The current 5 percent rate would apply to the full \$1.5 million of income, while the additional \$500,000 of income above \$1 million would be subject to the Fair Share surtax of 4 percent. In total, under Fair Share, this very high-income household would pay \$95,000 in state income tax on their \$1.5 million of taxable income (\$20,000 more than the \$75,000 in tax they currently pay). This household's total state income tax rate under Fair Share therefore would be 6.3 percent. This is an increase of 27 percent for this very high-income household.

As million-plus dollar incomes rise (see table), the total tax rate under Fair Share would rise as well, but comparatively slowly – and the tax rate would always be less than 9 percent. It is not until a filer's total taxable annual income reaches *just under \$80 million* that their total tax rate – at 8.95 percent – would approach the top marginal rate of 9 percent.

Calculating Tax Rates Under Fair Share				
TAXABLE INCOME	Income taxed at 5%	Income taxed at additional 4%	Total Tax Paid	Total Tax Rate
\$500,000	\$500,000	\$0	\$25,000	5.00%
\$1,000,000	\$1,000,000	\$0	\$50,000	5.00%
\$1,500,000	\$1,500,000	\$500,000	\$95,000	6.33%
\$2,000,000	\$2,000,000	\$1,000,000	\$140,000	7.00%
\$3,000,000	\$3,000,000	\$2,000,000	\$230,000	7.67%
\$4,000,000	\$4,000,000	\$3,000,000	\$320,000	8.00%