

THE NEW MARGIN TAX

**Gilded Goose or Goose That
Laid the Golden Egg?**

Golden Goose

Goose Laid Golden Egg

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- Not a tax on net income and not a property tax

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- Is margin tax better?
What's in a margin?

What's in a Margin?

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Net Income Tax

Gross Income

(Cost of goods sold)

(Salaries & wages)

(Repairs & maintenance)

(Bad debts)

(Rents)

(Interest expense)

(Charitable contributions)

(Depreciation & depletion)

(Advertising)

(Employee benefits)

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What's the point?
- But only slightly, and only for SALT in the aggregate

Margin Tax Improves SALT Balance

	Share of Gross State Product
Mining	6.7%
Utilities & Transportation	7.3%
Finance, Insurance & Real Estate	19.7%
Information	5.1%
Agriculture, Forestry & Fishing	0.8%
Manufacturing	13.0%
Construction	5.1%
Wholesale & Retail Trade	15.8%
All Other Services	26.5%
Total	100.0%

Source: Legislative Budget Board's Tax Equity Notes on HB 1 & HB 3, combined.

Margin Tax Improves SALT Balance

	Share of Gross State Product	BEFORE HB 1 & HB 3	
		Share of Total SALT Burden	Difference
Mining	6.7%	12.8%	6.1%
Utilities & Transportation	7.3%	12.2%	4.9%
Finance, Insurance & Real Estate	19.7%	23.0%	3.3%
Information	5.1%	8.2%	3.1%
Agriculture, Forestry & Fishing	0.8%	2.1%	1.3%
Manufacturing	13.0%	13.8%	0.8%
Construction	5.1%	3.1%	-2.0%
Wholesale & Retail Trade	15.8%	8.7%	-7.1%
All Other Services	26.5%	16.1%	-10.4%
Total	100.0%	100.0%	0.0

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Information	5.1%	8.2%	3.1%	9.0%	3.9%
Agriculture, Forestry & Fishing	0.8%	2.1%	1.3%	2.1%	1.3%
Manufacturing	13.0%	13.8%	0.8%	12.7%	-0.3%
Construction	5.1%	3.1%	-2.0%	3.6%	-1.5%
Wholesale & Retail Trade	15.8%	8.7%	-7.1%	8.4%	-7.4%
All Other Services	26.5%	16.1%	-10.4%	18.7%	-7.8%
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- Margin tax treats different businesses differently

Margin Tax is Three Taxes in One

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Service Total Revenue,
minus Compensation,
at 1% rate

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Service Total Revenue,
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Retailer or Wholesaler Total Revenue,
minus Cost of Goods,
at 0.5% rate

Margin Tax is Three Taxes in One

Service Total Revenue,
minus Compensation,
at 1% rate

Retailer or Wholesaler Total Revenue,
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Manufacturer or Producer Total Revenue,
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at 1% rate

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- Technical corrections needed.

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- Technical corrections needed. Can policy dialogue be avoided?

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