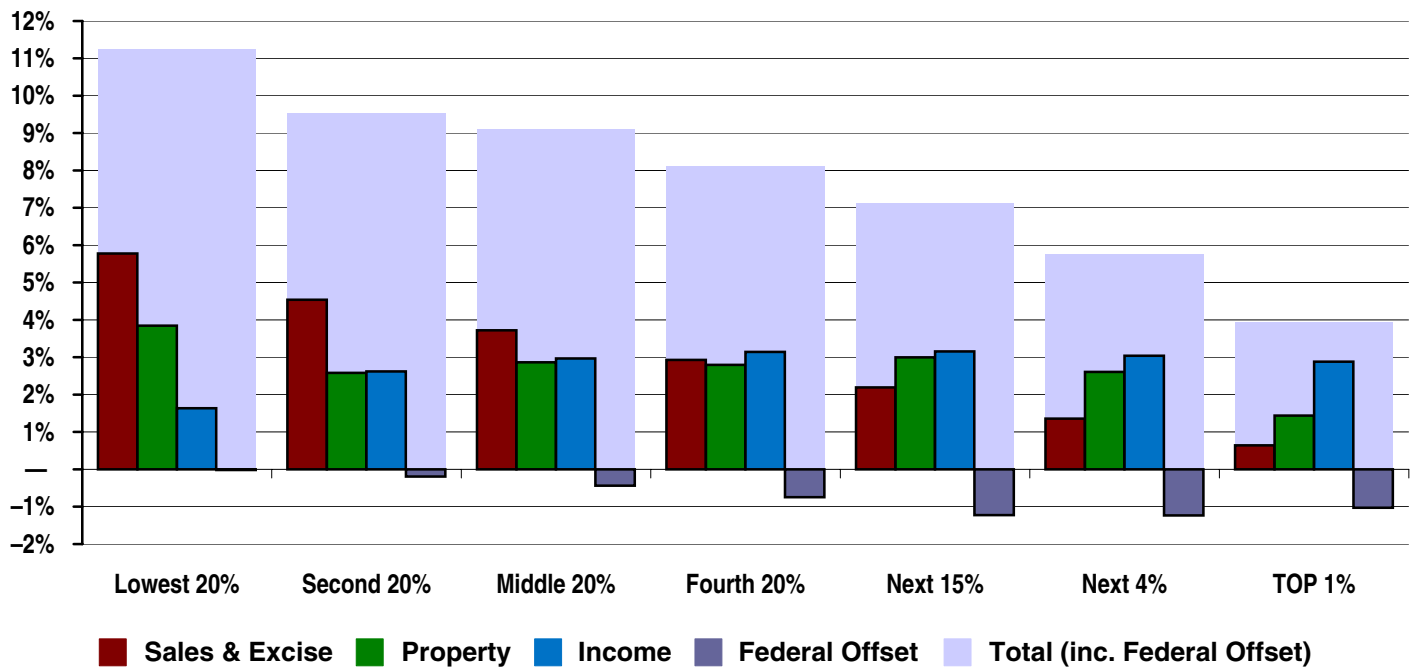


Pennsylvania

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



| Income Group | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Top 20% | | |
|---------------------------------|--------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|-------------------|
| | | | | | Next 15% | Next 4% | TOP 1% |
| Income Range | Less than \$19,000 | \$19,000 – \$35,000 | \$35,000 – \$56,000 | \$56,000 – \$89,000 | \$89,000 – \$175,000 | \$175,000 – \$428,000 | \$428,000 or more |
| Average Income in Group | \$10,500 | \$26,500 | \$45,200 | \$70,900 | \$119,300 | \$257,100 | \$1,369,600 |
| Sales & Excise Taxes | 5.8% | 4.5% | 3.7% | 2.9% | 2.2% | 1.4% | 0.6% |
| General Sales—Individuals | 2.1% | 2.0% | 1.8% | 1.5% | 1.2% | 0.8% | 0.4% |
| Other Sales & Excise—Ind. | 2.0% | 1.2% | 0.8% | 0.6% | 0.4% | 0.2% | 0.1% |
| Sales & Excise on Business | 1.6% | 1.3% | 1.1% | 0.8% | 0.6% | 0.4% | 0.2% |
| Property Taxes | 3.8% | 2.6% | 2.9% | 2.8% | 3.0% | 2.6% | 1.4% |
| Property Taxes on Families | 3.8% | 2.5% | 2.8% | 2.7% | 2.9% | 2.4% | 0.8% |
| Other Property Taxes | 0.1% | 0.0% | 0.0% | 0.1% | 0.1% | 0.2% | 0.6% |
| Income Taxes | 1.6% | 2.6% | 3.0% | 3.1% | 3.2% | 3.0% | 2.9% |
| Personal Income Tax | 1.6% | 2.6% | 2.9% | 3.1% | 3.1% | 2.9% | 2.5% |
| Corporate Income Tax | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 0.4% |
| TOTAL TAXES | 11.3% | 9.7% | 9.6% | 8.9% | 8.3% | 7.0% | 5.0% |
| Federal Deduction Offset | -0.0% | -0.2% | -0.4% | -0.7% | -1.2% | -1.2% | -1.0% |
| TOTAL AFTER OFFSET | 11.2% | 9.5% | 9.1% | 8.1% | 7.1% | 5.8% | 3.9% |

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

Pennsylvania

State & Local Taxes

Features, Developments, and Comparisons

Progressive Features

- ✓ Provides a non-refundable “tax forgiveness” credit to low-income taxpayers

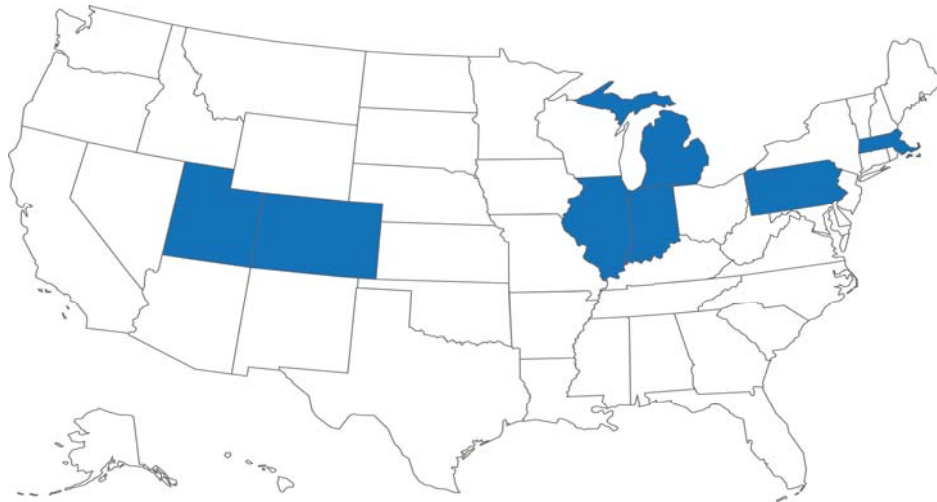
Regressive Features

- ✗ Income tax uses a single rate structure
- ✗ Fails to use combined reporting as part of its corporate income tax

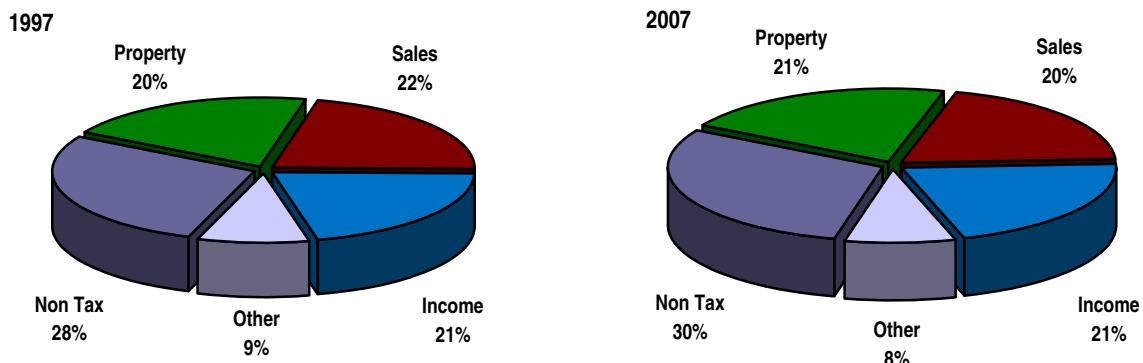
Recent Developments

- ▲ Increased cigarette taxes
- ▲ Temporarily increased certain business taxes through 2011

States with a Flat Rate Personal Income Tax



Change in the Composition of Revenue



Source: U.S. Census Bureau, Government Finances