

The effective tax rate derived from Federal Adjusted Gross Income (FAGI) is the tax rate (percentage) as applied to FAGI that generates the amount of net tax liability as current tax provisions. The effective tax rate metric basically averages the effect of statutory FAGI modifications and tax credits and is significantly affected by allowable deductions (standard/itemized and personal exemptions) that reduce the percentage. The effective tax rate derived from FAGI income rapidly increases for resident filers with income levels of up to approximately \$40,000 before tapering to a more gradual increase for income levels up to \$100,000 and sharply ascends for the uppermost income levels. The higher effective tax rate for the uppermost income levels reflects a relatively lesser reduction impact of FAGI modifications and deductions coupled with a larger portion of income being subject to the highest marginal tax rate of 7.75%.

