

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 filers with income levels of up to approximately \$40,000 before tapering to a more gradual increase for higher income levels. The sharp decline in the effective tax rate for the uppermost income levels reflects the effect of special income apportionment provisions applicable to income of part-year and nonresident filers.

