

State Sensitivities to Various Federal Tax Policies: Personal Income Taxes

AGI = Adjusted Gross Income

FTI = Federal Taxable Income

State	State has no broad-based personal income tax	State linkage to IRS code	State deduction for federal taxes paid	State has no broad-based sales tax	State issues no General Obligation debt	State accepts Federal deduction/ S-L taxes
Alabama		No link	X			
Alaska	X	No link		X		
Arizona		AGI			X	
Arkansas		No link				Local income tax only
California		AGI				
Colorado		FTI			X	
Connecticut		AGI				X
Delaware		AGI		X		
Florida	X	No link				
Georgia		AGI				
Hawaii		AGI				
Idaho		FTI			X	
Illinois		AGI				
Indiana		AGI			X	
Iowa		AGI	X		X	
Kansas		AGI			X	
Kentucky		AGI			X	Local income tax only
Louisiana		AGI	X			
Maine		AGI				
Maryland		AGI				
Massachusetts		AGI				
Michigan		AGI				
Minnesota		FTI				
Mississippi		No link				
Missouri		AGI	X			
Montana		AGI	X	X		
Nebraska		AGI			X	
Nevada	X	No link				
New Hampshire ¹	X	No link		X		
New Jersey		No link				
New Mexico		AGI				
New York		AGI				
North Carolina		FTI				

¹New Hampshire taxes unearned income.

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<i>North Dakota</i>		FTI			X	X
<i>Ohio</i>		AGI				
<i>Oklahoma</i>		AGI				
<i>Oregon</i>		FTI	X	X		State income tax deduction
<i>Pennsylvania</i>		No link				
<i>Rhode Island</i>		AGI				
<i>South Carolina</i>		FTI				
<i>South Dakota</i>	X	No link			X	
<i>Tennessee</i> ²	X	No link				
<i>Texas</i>	X	No link				
<i>Utah</i>		AGI				Limited credit/state income tax
<i>Vermont</i>		FTI				
<i>Virginia</i>		AGI				
<i>Washington</i>	X	No link				
<i>West Virginia</i>		AGI				
<i>Wisconsin</i>		AGI				
<i>Wyoming</i>	X	No link			X	
U.S. Territories: <i>Puerto Rico, American Samoa, Guam, Northern Mariana Islands, U.S. Virgin Islands</i>	<i>See Note</i> ³	0	USVI (tax credit)	AS, CNMI	AS,USVI	

Source: FFIS, Federation of Tax Administrators (2013)

² Tennessee taxes unearned income.

³ The application of Federal tax rules varies from one territory to another. **Guam**, the **Northern Mariana Islands**, and the **U.S. Virgin Islands** are called “mirror Code territories” because each adopted the Internal Revenue Code of 1986 (“the Code”) as the internal tax law of those territories. **American Samoa** and **Puerto Rico** are non-mirror Code possessions and have their own internal tax laws.

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Tax Provisions Related to the U.S. Territories⁴

American Samoa

American Samoa is a non-mirror Code possession and imposes its own local tax code. All nationals are subject to tax as U.S. citizens, with an exclusion provided for American Samoa-sourced income. The Code does not provide relief from double filing, so residents potentially have to file with both the United States and the American Samoa governments.

Guam

Guam uses a mirror system of taxation, so taxpayers are required to file a single tax return to either the United States or Guam, depending on whether they are a United States resident or a Guamanian resident. The United States generally pays the Guamanian treasury certain taxes collected on Guamanian-sourced income and on withholding tax on U.S. federal personnel employed or stationed in Guam. Similarly, Guam pays the U.S. Treasury certain taxes collected from individuals on United States-sourced income.

Northern Mariana Islands

The Commonwealth of the Northern Mariana Islands (CNMI) uses a mirror system of taxation; however, the CNMI also has the authority to rebate the tax imposed by its mirror code with respect to CNMI-sourced income.

Puerto Rico

Puerto Rico is a non-mirror Code possession with its own internal tax laws. A person born in Puerto Rico is a U.S. citizen and is subject to U.S. income tax. The Code excludes Puerto-Rican derived income from U.S. taxation provided the taxpayer resides in Puerto Rico for a full taxable year. Income excluded from US gross income, however, is generally subject to Puerto Rican taxation.

U.S. Virgin Islands

The U.S. Virgin Islands (USVI) employs a mirror system of taxation. In general, a resident of the USVI is required to file and pay tax only to the Territory. The USVI may also impose certain local income taxes in addition to taxes imposed by the mirror code. USVI taxes its citizens and residents on their worldwide income. USVI taxpayers receive a foreign tax credit for income taxes paid to the United States, and other possessions of the United States.

⁴ Joint Committee on Taxation, "Federal Tax Law and Issues Related to the United States Territories," May 14, 2012. Available at: <https://www.jct.gov/publications.html?func=startdown&id=4427>