

Tax Reform Comparisons
June 11, 2013

	<i>HB 998 Lewis Third Edition</i>	<i>Senate PCS to HB 998 H998-CSRbx-31 Distributed in Senate Finance June 11, 2013</i>
INDIVIDUAL INCOME TAX CHANGE		
Rates	Flat rate of 5.9%, 2014	Flat rate of 5.4%, 2014 Reduces rate to 5.25%, 2015
Zero Tax Bracket	N/A	\$15,000 (MFJ); \$12,000 (H/H); \$7,500 (MFS & Single)
Standard deduction	\$12,000 (MFJ)	Eliminate
Itemized deductions	Unlimited charitable contributions Mtg. interest + property taxes paid on real estate (not to exceed \$25,000)	Eliminate
Personal exemption	Eliminate	Eliminate
Social security	No change	Included to the extent included in federal AGI
\$4,000 retirement income exemption	No change	Eliminate
Deduction for severance wages	Eliminate	Eliminate
\$50k business deduction	Eliminate , 2013	Eliminate, 2014
Child credit	AGI =< \$100K = \$250 AGI > \$100K = \$100	No change
Credit for real property donation	No change	Eliminate
Credit for non-itemizers charitable deductions	Eliminate	Eliminate
Credits scheduled to sunset 2014 <i>LT care, EITC, Adoption</i>	No change	No change
Credits with no sunset <i>Child care, disabled, 529 Plan</i>	No change	Eliminate
Effective date	<ul style="list-style-type: none"> • 2013 for business deduction 	<ul style="list-style-type: none"> • No change 2013

	HB 998 Lewis Third Edition	Senate PCS to HB 998 H998-CSRbx-31 Distributed in Senate Finance June 11, 2013
	<ul style="list-style-type: none"> • 2014 for general changes 	<ul style="list-style-type: none"> • 2014 for general changes • 2015 for lower PIT rate of 5.25%
CORPORATE INCOME TAX CHANGES		
Rate	2014 – 6.5% 2015 – 2.35% 2016 – 6.2% 2017 – 5.6% Thereafter – 5.4%	2014 – 6% 2015 – 4% 2016 – 2% 2017 – Eliminate CIT
Credit for real property donation	No change	Eliminate
Credit – low-income housing	Limit to Tier 1 and 2 Remove sunset Rename it	No change
Credit – dwelling units for handicap	No change	Eliminate, 2017 when CIT eliminated
Credit – cogenerating power plant	No change	Eliminate, 2017 when CIT eliminated
Credit – gleaned crop	No change	Eliminate, 2017 when CIT eliminated
Credit – Conservation tillage equipment	No change	Eliminate, 2017 when CIT eliminated
Credit – S&L supervisory fees	No change	Eliminate, 2017 when CIT eliminated
Credit – poultry composting facility	No change	Eliminate, 2017 when CIT eliminated
Credit – manufacturing cigarettes for exportation	No change, sunsets 2018	Eliminate, 2017 when CIT eliminated
Credit – Recycling facilities Article 3C	No change	Eliminate, 2017 when CIT eliminated
Credit – Intermodal RR Facilities	No change, sunsets 2038	Eliminate, 2017 when CIT eliminated
Effective date	2014	2014
Business Privilege Tax (New)		
Taxpayers	N/A	All limited liability entities except C corporations, 2015

	HB 998 Lewis Third Edition	Senate PCS to HB 998 H998-CSRbx-31 Distributed in Senate Finance June 11, 2013
		All limited liability entities, 2018
Rate	N/A	2015 - \$400 2016 - \$600 2017 - \$750 2018 – C corporations = \$5,000; all others = \$750
Effective date	N/A	2015
FRANCHISE TAX CHANGES		
Rate \$1.50 per \$1000 Minimum tax = \$35 Maximum tax for holding company = \$5,000	\$1.35 per \$1000 No change to min. tax of \$35	2015 - \$1.20 per \$1,000 with minimum tax of \$500 2016 - \$0.90 per \$1,000 with minimum tax of \$1,000 2017 - \$0.60 per \$1,000 with minimum tax of \$2,000 2018 – eliminated & replaced with business privilege tax
GR tax on electricity	Eliminate, include it in the sales tax base July 1, 2014	Eliminate, include it in the sales tax base July 1, 2014
Taxpayers	No change	Exclude S corporations, 2015
Annual report filing fee	No change	Eliminate, 2015
Effective Date	Returns filed in 2015	Returns filed in 2015
PRIVILEGE TAX CHANGES		
Local authority in 153A and 160A	No change	Eliminate, 2018
Amusements, movies	Eliminate, include in the sales tax base	Eliminate, include in sales tax base
Various State taxes	No change	Eliminate, 2018
Effective date		July 1, 2018
SALES TAX CHANGES		
State Rate = 4.75%	No change	No change
Local Rate = 2% Optional ¼ cent	No change	No change
Tax rate: manufactured home 2%, \$300 maximum	No change	State general rate; not in local base
Tax rate: modular homes 2.5%	No change	State general rate; not in local base

	HB 998 Lewis Third Edition	Senate PCS to HB 998 H998-CSRbx-31 Distributed in Senate Finance June 11, 2013
Tax rate: Electricity • 3% • 2.83% - dry cleaners • Exempt – mfgs, farmers, datacenters	State tax only Combined general rate July 1, 2014 Retain current exemptions for farmers, eligible internet datacenter, and manufacturing	State tax only Combined general rate July 1, 2014 Retain current exemptions for farmers, eligible internet datacenter, and manufacturing
Add service contracts	Yes July 1, 2014	No
Add - Amusements from privilege GR tax	Yes October 1, 2013	Yes October 1, 2013
Add – Attractions for which admission charged	Yes October 1, 2013	Yes October 1, 2013
Amusement exemptions	14	4
Add – PNG	State tax only Combined general rate July 1, 2014	State tax only Combined general rate July 1, 2014
Exemption – nutritional supplements	Eliminate July 1, 2013	Eliminate October 1, 2013
Exemption – newspapers	No change	Eliminate October 1, 2013
Exemption – vending machines	No change	Eliminate October 1, 2013
Exemption – 50% of sales from vending machines	No change	Eliminate October 1, 2013
Exemption – free distribution periodicals	No change	Phased elimination
Sales tax holiday for school	No change	Eliminate July 1, 2014
Sales tax holiday for Energy Star	Eliminate July 1, 2013	Eliminate July 1, 2014
Exemption – Food	No change	<ul style="list-style-type: none"> • Eliminate 1% local sales tax on food (the 2, ½ cent levies), November 2014 • Eliminate the remaining 1% local sales tax on food,

	<i>HB 998 Lewis Third Edition</i>	<i>Senate PCS to HB 998 H998-CSRbx-31 Distributed in Senate Finance June 11, 2013</i>
		November 2016 <ul style="list-style-type: none"> • Gives counties the authority to impose a local sales tax on food at the county's local sales tax rate, January 2017
Exemptions – farm related	No change	Annual gross income requirement of \$10,000
Various exemptions/refunds <i>Packaging, laundries, railroad, passenger air carrier, commercial fishing, wood chippers,</i>	No change	Phased elimination
Exemptions – special industries <i>Telephone, cable, radio, farm, logging</i>	No change	Phased elimination
Add – machinery (Art. 5F) Exempt capital equipment	No change	No change
Add – service contracts	Yes July 1, 2014 Exempt if for an item exempt from tax	No
Add – alteration, repair, maintenance, cleaning, installation	Yes July 1, 2014 Exempt if to an item exempt from tax	No
Tax refunds – existing sunset of 2014 <i>Passenger air carrier, motorsports, analytical services, industrial</i>	No change	No change
Tax refunds – nonprofits	No change	Capped 2014 - \$5M State, \$1.5M local 2015 - \$1M State, \$300,000 local 2016 - \$100,000 State, \$30,000 local
Tax refunds – local governments	No change	Eliminate
Effective Date	Varying dates	Varying dates

EXCISE TAX CHANGES

	<i>HB 998 Lewis Third Edition</i>	<i>Senate PCS to HB 998 H998-CSRbx-31 Distributed in Senate Finance June 11, 2013</i>
Excise tax on PNG	Eliminate, include in the sales tax base July 1, 2014	Eliminate, include in the sales tax base July 1, 2014
LOCAL GOVERNMENT DISTRIBUTIONS		
CIT earmark for Public School Building Capital Fund (No funds applied since 2008)	Eliminate	Eliminate
GR tax on electricity distributed to cities	Formula to preserve local distribution Re-calculate formula every 5 years, beginning 2020	Formula to preserve local distribution
Excise tax on PNG distributed to cities	Formula to preserve local distribution	Formula to preserve local distribution
Earmarking 20% of sales tax from modular homes	No change	Eliminate
ESTATE TAX		
Tax Levy	Eliminate, HB 101 2013	Eliminate 2013
EARMARKING		
Real estate conveyance tax	No change	Eliminate, State proceeds credited to General Fund
Scrap tire disposal tax	No change	Eliminate, proceeds credited to General Fund
TOTAL PLAN		
Fiscal year 2013-15 biennium	Reduces General Fund revenue by \$358.1 million (this includes the repeal of the estate tax passed in HB 101)	Reduces General Fund revenue by \$684 million