

**House Bill 998 (Senate PCS)**  
**"Tax Simplification and Reduction Act"**  
**Sponsors: Rep. Lewis, Moffitt, Setzer, Szoka**

<b>PART I: PERSONAL INCOME TAX CHANGES</b>		
Section	Explanation	Effective Date
1.1	Flat 5.4% tax rate Zero tax bracket of \$15,000 (MJF), \$12,000 (H/H), \$7,500 (single and MFS) Eliminate marriage penalty by adjusting tax brackets Broad base <ul style="list-style-type: none"> <li>• Eliminate all credits but the child credit</li> <li>• Eliminate all exemptions and deductions except those required by court decisions (<i>Bailey</i>) or federal law or to prevent double taxation</li> </ul>	January 1, 2014
1.2	Flat 5.25% tax rate.	January 1, 2015
1.3	Conforming changes re: recodified statutes	January 1, 2014
1.4	Conforming changes re: other statutes	January 1, 2014
1.5	Conforming changes re: elimination of tax credit for real property donations	January 1, 2014
<b>PART II: CORPORATE INCOME TAX CHANGES</b>		
Section	Explanation	Effective Date
2.1	Reduction of tax rate over three years: 6%, 4%, 2%	January 1, 2014
2.2(a)	Elimination of corporate income tax	January 1, 2017
2.2(b)	Elimination of tax credits that do not sunset prior to 2017 and that are outside the repealed CIT part	January 1, 2017
2.3	Repeal earmarking of corporate tax revenues for Public School Building Capital Fund. The funds have not been applied to this purpose since 2008.	April 1, 2014
<b>PART III: BUSINESS PRIVILEGE TAX (new)</b>		
Section	Explanation	Effective Date
3.1	Impose flat business privilege tax on all limited liability entities, except C corporations <ul style="list-style-type: none"> <li>• 2015 = \$400</li> <li>• 2016 = \$600</li> <li>• 2017 = \$750 (and thereafter)</li> </ul>	January 1, 2015, and applies to taxes due in that year
3.2	Impose flat business privilege tax on C corporations, \$5,000	January 1, 2018, and applies to taxes due in that year
<b>PART IV: FRANCHISE TAX CHANGES</b>		
Section	Explanation	Effective Date

4.1	Exempt S corporations from the franchise tax, because subject to flat business privilege tax	January 1, 2015
4.2	Phased elimination of the franchise tax on C corporations 2015 - \$1.20 per \$1,000, minimum tax of \$500 2016 - \$0.90 per \$1,000, minimum tax of \$1,000 2017 - \$0.60 per \$1,000, minimum tax of \$2,000	January 1, 2015, and applies to taxes due in that year
4.3	Elimination of franchise tax	January 1, 2018
<b>PART V: ANNUAL REPORT FILING FEES</b>		
Section	Explanation	Effective Date
5	Eliminate filing fees payable to Secretary of State Makes conforming changes in other statutes	January 1, 2015
<b>PART VI: STATE AND LOCAL PRIVILEGE LICENSE TAXES</b>		
Section	Explanation	Effective Date
6.1	Eliminate various State privilege license taxes	January 1, 2018 & July 1, 2018
6.2	Eliminate local authority to impose privilege license taxes	July 1, 2018
6.3	Conforming changes to other statutes	July 1, 2018
<b>PART VII: ELECTRICITY AND PIPE NATURAL GAS</b>		
Section	Explanation	Effective Date
7.1(a)	Repeal 3.22% gross receipts franchise tax on electricity Repeal distribution of part of the proceeds to cities	July 1, 2014
7.1(b)	Conforming change	July 1, 2014
7.1(c)	Repeal preferential sales tax rate on electricity: 2.83% under 105-164.4(a)(1f) for dry cleaning establishments and 3% under 105-164.4(a)(4a) for other taxable users (manufacturers, farmers, and datacenters are exempt from sales tax on electricity)	July 1, 2014
7.1(d)	Repeal excise tax on piped natural gas and distribution of a portion of that tax to cities Repeal sales tax exemption for piped natural gas	July 1, 2014
7.1(e)	Impose State combined general rate of 7% on electricity and piped natural gas	July 1, 2014
7.2	Directs the Utilities Commission to adjust the rates set for electricity and piped natural gas to reflect the changes made in the bill	
7.3	Provides a distribution formula of State sales tax revenue collected on electricity and piped natural gas to cities based on the current distribution amounts they receive and directs Revenue to make the distribution quarterly	July 1, 2014
<b>PART VIII: SALES TAX CHANGES</b>		
Section	Explanation	Effective Date
8.1	Repeals the following sales tax exemptions <ul style="list-style-type: none"> <li>• Nutritional supplements sold by chiropractors (13c)</li> </ul>	October 1, 2013

	<ul style="list-style-type: none"> <li>• Newspapers (28)</li> <li>• Vending machines (30) and (50)</li> </ul>	
8.2	Repeals the following sales tax exemptions <ul style="list-style-type: none"> <li>• Meals sold to students in dining halls operated by educational institutions (27)</li> <li>• Bread sold at a bakery thrift store (27a)</li> <li>• Back-to-school sales tax holiday (-164.13C)</li> <li>• Energy star sales tax holiday (-164.13D)</li> </ul>	July 1, 2014
8.3(a)	Repeal 3% gross receipts tax on live entertainment Repeal 1% gross receipts tax on movies	October 1, 2013
8.3(b)	Impose sales tax on admission charges to live entertainment and movies Impose sales tax on admission charges to an attraction An admission charge does not include a charge for amenities, as provided under current law	October 1, 2013
8.3(c)	Exempts the following entertainment from sales tax: <ul style="list-style-type: none"> <li>• Events held at elementary and secondary schools</li> <li>• Agricultural fairs</li> <li>• Nonprofit fund-raising events</li> <li>• Youth (under 20) athletic contests sponsored by a nonprofit</li> </ul>	October 1, 2013
8.3(d)-(f)	Conforming changes to other statutes	
8.3(e)	Provides the tax applies to admissions to a live event for which the initial sale of tickets occurred before October 1, 2013	
8.4(a)	Repeal sales tax refund for local governments	July 1, 2014
8.4(b), (d)	Caps the sales tax refund for nonprofit entities as follows: <ul style="list-style-type: none"> <li>• 2014 – State = \$5m; Local = \$3m</li> <li>• 2015 – State = \$1m; Local = \$300k</li> <li>• 2016 and thereafter – State = \$100k; Local = \$30k</li> </ul>	July 1, 2014
8.4(c)	Changes the late application time period from 3 years to 1 year. Nonprofits are allowed a semi-annual refund. The refund application for the first 6 months is due by October 15; a refund for the second 6 months is due by April 15. Changes more than 3 years (changed to 1 year) after the due date is barred	July 1, 2014
8.5(a)	<ul style="list-style-type: none"> <li>• Increases the State sales tax rate on manufactured home from 2%, with a \$300 cap to the State general rate (4.75%) without a cap</li> <li>• Increases the State sales tax rate on modular home from 2.5% to the State general rate (4.75%)</li> </ul>	October 1, 2014
8.5(b)	Eliminates tax-sharing of sales tax collected on modular homes with counties	October 1, 2014
8.5(c)	Excludes manufactured homes and modular homes from the local sales tax base (no change from current law)	October 1, 2014
<b>PART IX: ELIMINATE LOCAL SALES TAX ON FOOD</b>		
Section	Explanation	Effective Date
9.1	Removes food from the first ½ cent and the second ½ cent local sales tax base so the effective local sales tax rate on food is 1%	November 1, 2014

9.2(a)	Exempt food from State sales tax base (same as current law) so that it is effectively eliminated from the local sales tax base	November 1, 2016
9.2(b)-(d)	Repeal local sales tax on of food	November 1, 2016
9.3	<p>Authorize counties to levy a sales tax on food</p> <ul style="list-style-type: none"> <li>• Could levy with or without an advisory referendum</li> <li>• Rate would be the sum of the rates of the local sales tax authorized and levied by the county (ranges from 2%-2.5%)</li> <li>• Distribute with cities</li> </ul>	January 1, 2017
<b>PART X: GROSS INCOME REQUIREMENT FOR FARMERS TO QUALIFY FOR SALES TAX PREFERENCES</b>		
Section	Explanation	Effective Date
10(a)	Imposes an annual gross income requirement of \$10,000 from farming operations to obtain a sales tax exemption certificate	July 1, 2014
10(b)	Repeals exemptions that are included in the newly created statute: commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, baler twine, seeds, farm machinery (1), electricity (1b), substances used on animals or plants (2a), baby chicks (4a), tobacco items (4d)	July 1, 2014
<b>PART XI: PHASED ELIMINATION OF VARIOUS SALES TAX PREFERENCES</b>		
Section	Explanation	Effective Date
11.1(a), (c)	Phased elimination of State and local sales tax refunds by reducing refunds by 75% in 2014, 50% in 2015, and 25% in 2016	July 1, 2014
11.1(b)	Repeals existing exemptions and refunds that are included in the newly created statute: containers used by farmers and storage facilities (1a), facilities used in housing animals (4c), commercial logging (4f), wood chippers (4g), telephone companies (5b), radio and television companies (5c), cable service providers (5d), commercial fishing (9), dry cleaning establishments (10), diesel fuel for railroads (11), packaging items (23.a), commercial printers (39)	July 1, 2014
11.2	Repeals the refund provisions for the items listed above	July 1, 2017
<b>PART XII: REPEAL ESTATE TAX</b>		
Section	Explanation	Effective Date
12	Repeal estate tax	January 1, 2013
<b>PARTS XIII AND XIV: ELIMINATE EARMARKING OF REVENUES</b> <i>(Included in the Senate version of the budget)</i>		
Section	Explanation	Effective Date
13	Credit deed stamp proceeds to the General Fund; currently 75% earmarked for the Parks and Recreation Fund and 25% earmarked for the Natural Heritage Trust Fund	July 1, 2013
14	Credit 30% of scrap tire disposal tax proceeds to the General Fund; currently distributed to various funds.	July 1, 2013