

House Bill 998 (H998-CSRbx-23)
"Tax Simplification and Reduction Act"

PERSONAL INCOME TAX CHANGES		
Section	Explanation	Effective Date
2.1	Reduce \$50,000 business deduction to \$25,000.	January 1, 2013
2.2(a)	Flat 5.9% tax rate.	January 1, 2014
2.2(b)	Eliminate personal exemption. Allow the greater of: <ul style="list-style-type: none"> • Standard deduction amount of \$12,000 (MFJ) • Itemized deductions claimed under the Code for mortgage interest + charitable contributions, capped at \$25,000 (MFJ) Eliminate deduction for severance wages. Eliminate business income deduction. Remove provisions relating to decoupling from the Code and move into new statute.	January 1, 2014
2.2(c)	New statute consolidating the provisions related to decoupling from the Code – bonus depreciation and section 179 expense. No substantive change. Original bill contents.	
2.2(d)	Repeal tax credit for non-itemizer charitable contributions.	January 1, 2014
2.2(e)	Increase child tax credit (up to age 19, or 24 if a student; as defined by section 152 of the Code) <ul style="list-style-type: none"> • AGI ≤ \$100,000 = credit of \$250 (current \$100) • AGI > \$100,000 = credit of \$125 (current \$0) 	January 1, 2014
CORPORATE INCOME TAX CHANGES		
Section	Explanation	Effective Date
3.1	Reduce tax rate from 6.9% to 5.4% over 5 years.	January 1, 2014
3.2	Reduce franchise tax rate from \$1.50 per \$1000 to \$1.35 per \$1000.	January 1, 2015, and applies to taxes due in 2015
3.3	New statute consolidating the provisions related to decoupling from the Code – bonus depreciation and section 179 expense. No substantive change. Original bill contents.	
3.4	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, and applies to distributions for quarters beginning on or after date

SALES TAX CHANGES		
Section	Explanation	Effective Date
4.1	Repeal sales tax exemption for nutritional supplements sold by chiropractors. Repeal Energy Star sales tax holiday.	July 1, 2013
4.2(a)	Repeal gross receipts privilege tax on live entertainment and movies	October 1, 2013
4.2(b) & (c)	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. (current law) Retain all exemptions that apply in current gross receipts privilege license tax statute.	October 1, 2013
4.3(a)	Repeal gross receipts franchise tax on electricity. Repeals the distribution of part of the proceeds to cities.	July 1, 2014
4.3(b)	Remove preferential sales tax rates on electricity.	July 1, 2014
4.3(c)	Repeal sales tax exemption for piped natural gas. Repeal excise tax on piped natural gas and the distribution of part of the proceeds to cities.	July 1, 2014
4.3(d)	Impose State sales tax on electricity and piped natural gas at the combined general rate.	July 1, 2014
4.3(e)	Directs the Utilities Commission to make the appropriate rate cut to reflect the repeal of the gross receipts tax on electricity and the excise tax on piped natural gas.	
4.3(f)	Distribute portion of State sales tax on electricity to cities, based on the amount a city received under the repealed gross receipts franchise tax distribution of electricity to the city. The Department of Revenue must re-calculate a city's franchise tax share every five years, beginning July 1, 2020.	July 1, 2014
4.3(g)	Distribute portion of State sales tax rate on piped natural gas to cities, based on the amount a city received under the repealed excise tax distribution of piped natural gas to the city. The Department of Revenue must re-calculate a city's excise tax share every five years, beginning July 1, 2020.	July 1, 2014
4.3(h)	Maintain the current prohibition on city taxes.	
4.4(a) & (b)	Expand State and local sales tax base to include alteration, repair, maintenance, cleaning, and installation of tangible personal property Expand sales tax to include service contracts.	July 1, 2014
4.4(c)	Repeal sales tax exemption for installation charges	July 1, 2014
4.4(d)	Exempts from sales tax alteration, repair, maintenance, cleaning, installation, and service contracts applicable to items exempt from sales tax (except for motor vehicles). This exemption includes equipment subject to 1% excise tax under Article 5F.	July 1, 2014

The PCS does not change the following tax expenditures, scheduled to sunset as follows:

- 2014:
Constructing renewable fuel facilities; biodiesel producers; Work Opportunity Tax Credit; Article 3J; Long-term care premiums; Earned income tax credit; Adoption expenses; Qualified business venture tax credit; State ports; R&D; Interactive digital media; Renewable energy property facility; various economic development sales tax refunds
- 2015:
Rehabilitating historic structures; rehabilitating historic mill property; qualified sale of mobile home community; low-income housing; film production
- 2016:
Investing in renewable energy property; donating fund to NP to invest in renewable energy property
- 2018:
Cigarette export credits
- 2038:
Railroad intermodal facility

The PCS does not change the following tax expenditures. These expenditures do not have a sunset.

- Child care credit (105-151.11)
- Credit for the disabled (105-151.18)
- Credit for taxes paid on farm machinery (105-151.21)
- Credit for education expenses (529 plan) (105-151.33)
- Constructing dwelling for handicapped persons (105-130.22 and 105-151.1)
- Constructing cogenerating power plant (105-130.25)
- Donating real property for conservation purposes (105-130.34 and 105-151.12)
- Purchasing conservation tillage equipment (105-130.36 and 105-151.13)
- Gleaning crops (105-130.37 and 105-151.14)
- Savings and loan supervisory fees (105-130.43)
- Constructing poultry composting facility (105-130.44 and 105-151.25)
- Deduction of up to \$2,500 (\$5,000 MFJ) contributed to a 529 Plan (105-134.6(c)(4))
- Various other small deductions (firefighters, teacher materials, hurricane recovery, etc.)