



HOUSE BILL 116 BY JOHN KNIGHT THE TAX FAIRNESS AMENDMENT OF 2009

FLOOR SUBSTITUTE OUTLINE – 5/5/2009

Proposes a Constitutional Amendment

The floor substitute proposes a constitutional amendment, the “Tax Fairness Amendment of 2009”, to phase out the four percent sales tax on groceries and limit the individual income tax deduction for federal income taxes paid or accrued, which must be ratified by voters in a state-wide election.

Removes the Sales Tax on Groceries Over Three Years

The floor substitute removes the state’s four percent portion of the sales tax on food over a period of three years.

- Year 1 – In 2011, the state sales tax will be 2%
- Year 2 – In 2012, the state sales tax will be 1%
- Year 3 – In 2013 and thereafter, groceries will be exempt from state sales tax

Phases Out the Federal Income Tax Deduction Over Three Years

The floor substitute limits the federal income tax deduction over a three-year period.

- **Year 1 – Tax Year 2011**

Single Taxpayers:

- Single taxpayers making less than \$400,000 retain all of the federal income tax deduction. The FIT deduction will be gradually phased out for single taxpayers making more than \$400,000, but less than \$600,000.
- Single taxpayers making \$600,000 or more will not be able to deduct federal income taxes paid on their state returns.

Married Taxpayers:

- Married taxpayers filing jointly making less than \$800,000 retain all of the federal income tax deduction. The FIT deduction will be gradually phased out for joint filers making more than \$800,000, but less than \$1,200,000.
- Married taxpayers making \$1.2 million or more will not be able to deduct federal income taxes paid on their state returns.

- **Year 2 – Tax Year 2012**

Single Taxpayers:

- Single taxpayers making less than \$200,000 retain all of the federal income tax deduction. The FIT deduction will be gradually phased out for single taxpayers making more than \$200,000, but less than \$300,000.
- Single taxpayers making \$300,000 or more will not be able to deduct federal income taxes paid on their state returns.

Married Taxpayers:

- Married taxpayers filing jointly making less than \$400,000 retain all of the federal income tax deduction. The FIT deduction will be gradually phased out for joint filers making more than \$400,000, but less than \$600,000.
- Married taxpayers making \$600,000 or more will not be able to deduct federal income taxes paid on their state returns.

- **Year 3 – Tax Year 2013 and beyond**

Single Taxpayers:

- Single taxpayers making less than \$100,000 retain all of the federal income tax deduction. The FIT deduction will be gradually phased out for single taxpayers making more than \$100,000, but less than \$200,000.
- Single taxpayers making \$200,000 or more will not be able to deduct federal income taxes paid on their state returns.

Married Taxpayers:

- Married taxpayers filing jointly making less than \$200,000 retain all of the federal income tax deduction. The FIT deduction will be gradually phased out for joint filers making more than \$200,000, but less than \$400,000.
- Married taxpayers making \$400,000 or more will not be able to deduct federal income taxes paid on their state returns.

Does Not Take Money Away from Public Education

The floor substitute ensures that the Tax Fairness Amendment of 2009 is revenue neutral and will not adversely impact the Education Trust Fund.