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3 SUBSTITUTE TO HB 116
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8 SYNOPSIS: This bill would propose an amendment to the
9 Constitution of Alabama of 1901, to limit the
10 deductibility of federal income taxes from Alabama
11 gross income for individual income taxpayers; and
12 to phase out the state sales tax on food items over
13 a three year period.
14

15 A BILL

16 TO BE ENTITLED

17 AN ACT
18

19 To propose an amendment to the Constitution of
20 Alabama of 1901, to limit the state income tax deduction for
21 federal income taxes for individual taxpayers; and to phase
22 out the state sales tax on food items over a three year
23 period.

24 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

25 Section 1. The following amendment to the
26 Constitution of Alabama of 1901, as amended, is proposed and
27 shall become valid as a part thereof when approved by a

1 majority of the qualified electors voting thereon and in
2 accordance with Sections 284, 285, and 287 of the Constitution
3 of Alabama of 1901, as amended:

4 PROPOSED AMENDMENT

5 (a) Amendment 225 of the Constitution of Alabama of
6 1901, now appearing as Section 211.04 of the Official
7 Recompilation of the Constitution of Alabama of 1901, is
8 repealed.

9 (b) Federal income taxes paid or accrued shall be
10 allowed as a deduction for individual income taxpayers,
11 subject to the following limitations:

12 (1) For all tax years beginning after December 31,
13 2010, and before January 1, 2011:

14 a. For single, married filing separately, and head
15 of family taxpayers with adjusted gross income of four hundred
16 thousand dollars (\$400,000) or less, and for married taxpayers
17 filing jointly with adjusted gross income of eight hundred
18 thousand dollars (\$800,000) or less, all federal income taxes
19 paid or accrued shall be allowed as a deduction.

20 b. For single, married filing separately, and head
21 of family taxpayers with adjusted gross income of more than
22 four hundred thousand dollars (\$400,000) the federal income
23 tax deduction shall be reduced by an amount equal to one
24 percent (1%) of federal income taxes paid or accrued for each
25 two thousand dollars (\$2,000) of adjusted gross income in
26 excess of four hundred thousand dollars (\$400,000).

1 c. For married taxpayers filing jointly with
2 adjusted gross income of more than eight hundred thousand
3 dollars (\$800,000) the federal income tax deduction shall be
4 reduced by an amount equal to one percent (1%) of federal
5 income taxes paid or accrued for each four thousand dollars
6 (\$4,000) of adjusted gross income in excess of eight hundred
7 thousand dollars (\$800,000).

8 (2) For all tax years beginning after December 31,
9 2011, and before January 1, 2012:

10 a. For single, married filing separately, and head
11 of family taxpayers with adjusted gross income of two hundred
12 thousand dollars (\$200,000) or less, and for married taxpayers
13 filing jointly with adjusted gross income of four hundred
14 thousand dollars (\$400,000) or less, all federal income taxes
15 paid or accrued shall be allowed as a deduction.

16 b. For single, married filing separately, and head
17 of family taxpayers with adjusted gross income of more than
18 two hundred thousand dollars (\$200,000) the federal income tax
19 deduction shall be reduced by an amount equal to one percent
20 (1%) of federal income taxes paid or accrued for each one
21 thousand dollars (\$1,000) of adjusted gross income in excess
22 of two hundred thousand dollars (\$200,000).

23 c. For married taxpayers filing jointly with
24 adjusted gross income of more than four hundred thousand
25 dollars (\$400,000) the federal income tax deduction shall be
26 reduced by an amount equal to one percent (1%) of federal
27 income taxes paid or accrued for each two thousand dollars

1 (\$2,000) of adjusted gross income in excess of four hundred
2 thousand dollars (\$400,000).

3 (3) For all tax years beginning after December 31,
4 2012:

5 a. For single, married filing separately, and head
6 of family taxpayers with adjusted gross income of one hundred
7 thousand dollars (\$100,000) or less, and for married taxpayers
8 filing jointly with adjusted gross income of two hundred
9 thousand dollars (\$200,000) or less, all federal income taxes
10 paid or accrued shall be allowed as a deduction.

11 b. For single, married filing separately, and head
12 of family taxpayers with adjusted gross income of more than
13 one hundred thousand dollars (\$100,000) the federal income tax
14 deduction shall be reduced by an amount equal to one percent
15 (1%) of federal income taxes paid or accrued for each one
16 thousand dollars (\$1,000) of adjusted gross income in excess
17 of one hundred thousand dollars (\$100,000).

18 c. For married taxpayers filing jointly with
19 adjusted gross income of more than two hundred thousand
20 dollars (\$200,000) the federal income tax deduction shall be
21 reduced by an amount equal to one percent (1%) of federal
22 income taxes paid or accrued for each two thousand dollars
23 (\$2,000) of adjusted gross income in excess of two hundred
24 thousand dollars (\$200,000).

25 (c) (1) Beginning January 1, 2011, the state sales
26 tax rate on the sale of food shall be reduced to two percent.

1 (2) Beginning January 1, 2012, the state sales tax
2 rate on the sale of food shall be reduced to one percent.

3 (3) Beginning January 1, 2013, the sale of food
4 shall be exempt from state sales tax.

5 (d) Local governments shall continue to levy sales
6 taxes on food at the same rate collected for the local portion
7 of the retail sales tax.

8 (e) For purposes of this amendment, food means food
9 as defined for food stamp purposes in the Federal Food Stamp
10 Act, 7 U.S.C. §2011, et seq., regardless of where or by what
11 means food is sold.

12 Section 2. An election upon the proposed amendment
13 shall be held in accordance with Sections 284 and 285 of the
14 Constitution of Alabama of 1901, as amended, and the election
15 laws of this state.

16 Section 3. The appropriate election official shall
17 assign a ballot number for the proposed constitutional
18 amendment on the election ballot and shall set forth the
19 following description of the substance or subject matter of
20 the proposed constitutional amendment:

21 "Proposing an amendment to the Constitution of
22 Alabama of 1901, the "Tax Fairness Amendment of 2009," which
23 would phase out the four percent state sales tax on food over
24 a three year period, and limit the individual income tax
25 deduction for federal income taxes paid or accrued.

26 "Proposed by Act _____."

1 This description shall be followed by the following
2 language:
3 "Yes () No ()."