

## KNIGHT'S PROPOSED HB116 COMPROMISE

Presented 04/01/2009 – Alabama House of Representatives

### Summary – Year 1

- Reduce sales tax on food by 2%
- Phase out the federal income tax deduction (FIT) as follows:

#### SINGLE FILERS

- *FULL DEDUCTION*: Single taxpayers making less than \$400,000 in adjusted gross income (AGI) may deduct 100% of federal income taxes paid.
- *PHASE-OUT*: Single taxpayers making between \$400,000 - \$600,000 (AGI) may deduct a portion of federal income taxes paid.
- *THRESHOLD*: Single taxpayers making more than \$600,000 (AGI) may not deduct any portion of federal income taxes paid.

#### MARRIED FILING JOINTLY

- *FULL DEDUCTION*: Married taxpayers filing jointly making less than \$800,000 in adjusted gross income may deduct 100% of federal income taxes paid.
- *PHASE-OUT*: Married taxpayers filing jointly making between \$800,000 - \$1,200,000 (AGI) may deduct a portion of federal income taxes paid.
- *THRESHOLD*: Married taxpayers filing jointly making more than \$1,200,000 (AGI) may not deduct any portion of federal income taxes paid.

### Summary – Year 2

- Reduce sales tax on food by an additional 1% (3% total reduction over two years)
- Phase out the federal income tax deduction (FIT) at to-be-determined levels between Year 1 and Year 3 thresholds.

### Summary – Year 3

- Reduce sales tax on food by an additional 1% (4% total reduction over three years)
- Phase out the federal income tax deduction (FIT) as follows:

### **SINGLE FILERS**

- *FULL DEDUCTION*: Single taxpayers making less than \$75,000 in adjusted gross income (AGI) may deduct 100% of federal income taxes paid.
- *PHASE-OUT*: Single taxpayers making between \$75,000 - \$200,000 (AGI) may deduct a portion of federal income taxes paid.
- *THRESHOLD*: Single taxpayers making more than \$200,000 (AGI) may not deduct any portion of federal income taxes paid

### **MARRIED FILING JOINTLY**

- *FULL DEDUCTION*: Married taxpayers filing jointly making less than \$125,000 in adjusted gross income may deduct 100% of federal income taxes paid.
- *PHASE-OUT*: Married taxpayers filing jointly making between \$125,000 - \$400,000 (AGI) may deduct a portion of federal income taxes paid.
- *THRESHOLD*: Married taxpayers filing jointly making more than \$400,000 (AGI) may not deduct any portion of federal income taxes paid.