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SENATE FILE 165

BY MCKIBBEN

Passed Senate, Date _____ Passed House, Date _____
 Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
 Approved _____

A BILL FOR

1 An Act relating to the state individual income tax by imposing a
 2 single rate tax and including an effective and applicability
 3 date provision.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 165
 WAYS & MEANS

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DIVISION I
SINGLE TAX RATE

Section 1. Section 422.4, subsections 1 and 2, Code 2003, are amended by striking the subsections.

Sec. 2. Section 422.4, subsection 16, Code 2003, is amended to read as follows:

16. ~~The words "taxable~~ "Taxable income" mean means the net income as defined in section 422.7 minus the deductions allowed by section 422.9, in the case of individuals, ~~in.~~ In the case of estates or trusts, ~~the words "taxable income" mean~~ means the taxable income, ~~(without a deduction for personal exemption),~~ as computed for federal income tax purposes under the Internal Revenue Code, but with the adjustments specified in section 422.7 ~~plus the Iowa income tax deducted in computing the federal taxable income and minus federal income taxes as provided in section 422.9.~~

Sec. 3. Section 422.5, subsection 1, Code 2003, is amended by striking the subsection and inserting in lieu thereof the following:

1. a. A tax is imposed upon every resident and nonresident of the state which tax shall be levied, collected, and paid annually upon and with respect to the entire taxable income at the rate of three and one-half percent.

b. (1) The tax imposed upon the taxable income of a nonresident shall be computed by reducing the amount determined pursuant to paragraph "a" by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the nonresident's net income allocated to Iowa, as determined in section 422.8, subsection 2, paragraph "a", is the numerator and the nonresident's total net income computed under section 422.7 is the denominator. This provision also applies to individuals who are residents of Iowa for less than the entire tax year.

(2) The tax imposed upon the taxable income of a resident shareholder in an S corporation which has in effect for the

1 tax year an election under subchapter S of the Internal
2 Revenue Code and carries on business within and without the
3 state may be computed by reducing the amount determined
4 pursuant to paragraph "a" by the amounts of nonrefundable
5 credits under this division and by multiplying this resulting
6 amount by a fraction of which the resident's net income
7 allocated to Iowa, as determined in section 422.8, subsection
8 2, paragraph "b", is the numerator and the resident's total
9 net income computed under section 422.7 is the denominator.
10 If a resident shareholder has elected to take advantage of
11 this subparagraph, and for the next tax year elects not to
12 take advantage of this subparagraph, the resident shareholder
13 shall not reelect to take advantage of this subparagraph for
14 the three tax years immediately following the first tax year
15 for which the shareholder elected not to take advantage of
16 this subparagraph, unless the director consents to the
17 reelection. This subparagraph also applies to individuals who
18 are residents of Iowa for less than the entire tax year.

19 c. (1) A bill containing among its provisions an increase
20 in the tax rate under this section or the imposition upon
21 individuals or estates or trusts of an income surtax or
22 alternative minimum tax shall require the affirmative votes of
23 at least three-fourths of the members elected to each house of
24 the general assembly for passage.

25 (2) A lawsuit challenging the proper enactment of a bill
26 pursuant to subparagraph (1) shall be filed no later than one
27 year following the enactment. Failure to file such a lawsuit
28 within the one-year time limit shall negate the three-fourths
29 majority requirement as it applies to the bill.

30 (3) Each bill to which subparagraph (1) applies shall
31 include a separate provision describing the requirements for
32 enactment prescribed by subparagraphs (1) and (2).

33 Sec. 4. Section 422.5, subsections 5 and 7, Code 2003, are
34 amended by striking the subsections.

35 Sec. 5. Section 422.7, Code 2003, is amended by striking

1 the section and inserting in lieu thereof the following:

2 422.7 "NET INCOME" -- HOW COMPUTED.

3 The term "net income" means the adjusted gross income
4 before the net operating loss deduction as properly computed
5 for federal income tax purposes under the Internal Revenue
6 Code, with the following adjustments:

7 1. The adjusted gross income is adjusted by adding the sum
8 of the following:

9 a. Add the amount of federal income tax refunds received
10 in a tax year to the extent that the federal income tax was
11 deducted on an Iowa individual income tax return for a tax
12 year beginning prior to January 1, 2004.

13 b. Add interest and dividends from foreign securities and
14 from securities of state and other political subdivisions
15 exempt from federal income tax under the Internal Revenue
16 Code.

17 c. Add interest and dividends from regulated investment
18 companies exempt from federal income tax under the Internal
19 Revenue Code.

20 d. Add, to the extent not already included, income from
21 the sale of obligations of the state and its political
22 subdivisions. Income from the sale of these obligations is
23 exempt from the taxes imposed by this division only if the law
24 authorizing these obligations specifically exempts the income
25 from the sale from the state individual income tax.

26 e. Add the amount resulting from the cancellation of a
27 participation agreement refunded to the taxpayer as a
28 participant in the Iowa educational savings plan trust under
29 chapter 12D to the extent previously deducted as a
30 contribution to the trust.

31 2. The adjusted gross income is adjusted by subtracting
32 the sum of the following:

33 a. Subtract the amount of federal income taxes paid or
34 accrued, as the case may be, to the extent the federal tax
35 payment is for a tax year beginning prior to January 1, 2004.

1 b. Subtract interest and dividends from federal
2 securities.

3 c. Subtract the loss on the sale or exchange of a share of
4 a regulated investment company held for six months or less to
5 the extent the loss was disallowed under section 852(b)(4)(B)
6 of the Internal Revenue Code.

7 d. (1) Subtract, to the extent included, the amount of
8 additional social security benefits taxable under the Internal
9 Revenue Code for tax years beginning before January 1, 2008.
10 The amount of social security benefits taxable as provided in
11 section 86 of the Internal Revenue Code, as amended up to and
12 including January 1, 1993, continues to apply for state income
13 tax purposes for tax years beginning before January 1, 2008.

14 (2) Subtract, to the extent included after the subtraction
15 in subparagraph (1), the following:

16 (a) For tax years beginning in the 2004 calendar year,
17 one-fifth of taxable social security benefits received.

18 (b) For tax years beginning in the 2005 calendar year,
19 two-fifths of taxable social security benefits received.

20 (c) For tax years beginning in the 2006 calendar year,
21 three-fifths of taxable social security benefits received.

22 (d) For tax years beginning in the 2007 calendar year,
23 four-fifths of taxable social security benefits received.

24 (3) Married taxpayers, who file a joint federal income tax
25 return and who elect to file separate returns or who elect
26 separate filing on a combined return for state income tax
27 purposes, shall allocate between the spouses the amount of
28 benefits subtracted under subparagraphs (1) and (2) from net
29 income in the ratio of the social security benefits received
30 by each spouse to the total of these benefits received by both
31 spouses.

32 (4) Subtract, to the extent included, the amount of social
33 security benefits taxable under section 86 of the Internal
34 Revenue Code for tax years beginning on or after January 1,
35 2008.

1 e. (1) Subtract, to the extent included, for tax years
2 beginning before January 1, 2008, for a person who is
3 disabled, or is fifty-five years of age or older, or is the
4 surviving spouse of an individual or a survivor having an
5 insurable interest in an individual who would have qualified
6 for the exemption under this paragraph for the tax year, the
7 total amount of a governmental or other pension or retirement
8 pay, including, but not limited to, defined benefit or defined
9 contribution plans, annuities, individual retirement accounts,
10 plans maintained or contributed to by an employer, or
11 maintained or contributed to by a self-employed person as an
12 employer, and deferred compensation plans or any earnings
13 attributable to the deferred compensation plans, up to a
14 maximum of six thousand dollars for a person, other than a
15 husband or wife, who files a separate state income tax return
16 and up to a maximum of twelve thousand dollars for a husband
17 and wife who file a joint state income tax return.

18 (2) Subtract, to the extent included after the subtraction
19 in subparagraph (1), the following:

20 (a) For tax years beginning in the 2004 calendar year,
21 one-fifth of the amount of governmental or other pension or
22 retirement pay included.

23 (b) For tax years beginning in the 2005 calendar year,
24 two-fifths of the amount of governmental or other pension or
25 retirement pay included.

26 (c) For tax years beginning in the 2006 calendar year,
27 three-fifths of the amount of governmental or other pension or
28 retirement pay included.

29 (d) For tax years beginning in the 2007 calendar year,
30 four-fifths of the amount of governmental or other pension or
31 retirement pay included.

32 (3) However, a surviving spouse who is not disabled or
33 fifty-five years of age or older can only exclude the amount
34 of pension or retirement pay received as a result of the death
35 of the other spouse. A husband and wife filing separate state

1 income tax returns or separately on a combined state return
2 are allowed a combined maximum exclusion under this paragraph
3 "e" of up to the amount allowed for a husband and wife who
4 file a joint state income tax return. The exclusion shall be
5 allocated to the husband or wife in the proportion that each
6 spouse's respective pension and retirement pay received bears
7 to total combined pension and retirement pay received.

8 (4) Subtract, to the extent included, the total amount of
9 governmental or other pension or retirement pay for tax years
10 beginning on or after January 1, 2008.

11 f. Notwithstanding the method for computing income from an
12 installment sale under section 453 of the Internal Revenue
13 Code, as defined in section 422.3, the method to be used in
14 computing income from an installment sale shall be the method
15 under section 453 of the Internal Revenue Code, as amended up
16 to and including January 1, 2000. A taxpayer affected by this
17 paragraph shall make adjustments in the adjusted gross income
18 pursuant to rules adopted by the director.

19 The adjustment to net income provided in this paragraph is
20 repealed for tax years beginning on or after January 1, 2002.
21 However, to the extent that a taxpayer using the accrual
22 method of accounting reported the entire capital gain from the
23 sale or exchange of property on the Iowa return for the tax
24 year beginning in the 2001 calendar year and the capital gain
25 was reported on the installment method on the federal income
26 tax return, any additional installment from the capital gain
27 reported for federal income tax purposes is not to be included
28 in net income in tax years beginning on or after January 1,
29 2002.

30 g. Subtract, if the taxpayer is the owner of an individual
31 development account certified under chapter 541A at any time
32 during the tax year, all of the following:

33 (1) Contributions made to the account by persons and
34 entities, other than the taxpayer, as authorized in chapter
35 541A.

1 (2) The amount of any savings refund authorized under
2 section 541A.3, subsection 1.

3 (3) Earnings from the account.

4 h. (1) Subtract the maximum contribution rate that may be
5 deducted for income tax purposes as a participant in the Iowa
6 educational savings plan trust pursuant to section 12D.3,
7 subsection 1, paragraph "a".

8 (2) Subtract, to the extent included, income from interest
9 and earnings received from the Iowa educational savings plan
10 trust created in chapter 12D.

11 (3) Subtract, to the extent not deducted for federal
12 income tax purposes, the amount of any gift, grant, or
13 donation made to the Iowa educational savings plan trust for
14 deposit in the endowment fund of that trust.

15 Sec. 6. Section 422.8, subsection 2, paragraph a, Code
16 2003, is amended to read as follows:

17 a. Nonresident's net income allocated to Iowa is the net
18 income, or portion of net income, which is derived from a
19 business, trade, profession, or occupation carried on within
20 this state or income from any property, trust, estate, or
21 other source within Iowa. However, income derived from a
22 business, trade, profession, or occupation carried on within
23 this state and income from any property, trust, estate, or
24 other source within Iowa shall not include distributions from
25 pensions, including defined benefit or defined contribution
26 plans, annuities, individual retirement accounts, and deferred
27 compensation plans or any earnings attributable thereto so
28 ~~long-as-the-distribution-is-directly-related-to-an~~
29 ~~individual's-documented-retirement-and-received-while-the~~
30 ~~individual-is-a-nonresident-of-this-state.~~ If a business,
31 trade, profession, or occupation is carried on partly within
32 and partly without the state, only the portion of the net
33 income which is fairly and equitably attributable to that part
34 of the business, trade, profession, or occupation carried on
35 within the state is allocated to Iowa for purposes of section

1 422.5, subsection 1, paragraph "j" "b", and section 422.13 and
2 income from any property, trust, estate, or other source
3 partly within and partly without the state is allocated to
4 Iowa in the same manner, except that annuities, interest on
5 bank deposits and interest-bearing obligations, and dividends
6 are allocated to Iowa only to the extent to which they are
7 derived from a business, trade, profession, or occupation
8 carried on within the state.

9 Sec. 7. Section 422.8, subsection 4, Code 2003, is amended
10 by striking the subsection.

11 Sec. 8. Section 422.9, unnumbered paragraph 1 and
12 subsections 1 and 2, Code 2003, are amended by striking the
13 unnumbered paragraph and the subsections and inserting in lieu
14 thereof the following:

15 In computing taxable income of individuals, there shall be
16 deducted from net income the following:

17 1. A standard deduction equal to the following:

18 a. For a single individual, or a married person filing
19 separately, two thousand dollars.

20 b. For a head of household, or a husband and wife filing a
21 joint return, four thousand dollars.

22 c. For each dependent, an additional two thousand dollars.

23 As used in this section, the term "dependent" has the same
24 meaning as provided by the Internal Revenue Code.

25 2. In addition to the amount in subsection 1, the
26 following:

27 a. For a single individual, husband, wife, or head of
28 household, an additional exemption of one thousand dollars for
29 each such individual who has attained the age of sixty-five
30 years before the close of the tax year or on the first day
31 following the end of the tax year.

32 b. For a single individual, husband, wife, or head of
33 household, an additional exemption of one thousand dollars for
34 each such individual who is blind at the close of the tax
35 year. For the purposes of this paragraph, an individual is

1 blind only if the individual's central visual acuity does not
2 exceed twenty-two hundredths in the better eye with correcting
3 lenses, or if the individual's visual acuity is greater than
4 twenty-two hundredths but is accompanied by a limitation in
5 the fields of vision such that the widest diameter of the
6 visual field subtends an angle no greater than twenty degrees.

7 Sec. 9. Section 422.9, subsections 4 through 7, Code 2003,
8 are amended by striking the subsections.

9 Sec. 10. Section 422.12, subsection 1, Code 2003, is
10 amended by striking the subsection and inserting in lieu
11 thereof the following:

12 1. A personal exemption credit in the following amounts:

13 a. If the net income of an estate or trust, a single
14 individual, or a married person filing a separate return is no
15 more than twenty-five thousand dollars, forty dollars.

16 b. If the net income of a head of household or a husband
17 and wife filling a joint return is no more than fifty thousand
18 dollars, eighty dollars.

19 c. For each dependent of a taxpayer described in paragraph
20 "a" or "b", an additional forty dollars. As used in this
21 section, "dependent" means the same as provided in the
22 Internal Revenue Code.

23 Sec. 11. Section 422.13, subsection 1, paragraph c, and
24 subsection 1A, Code 2003, are amended to read as follows:

25 c. However, if that part of the net income of a
26 nonresident which is allocated to Iowa pursuant to section
27 422.8, subsection 2, is less than one thousand dollars the
28 nonresident is not required to make and sign a return ~~except~~
29 ~~when-the-nonresident-is-subject-to-the-state-alternative~~
30 ~~minimum-tax-imposed-pursuant-to-section-422-57-subsection-1,~~
31 ~~paragraph-"k"~~.

32 1A. Notwithstanding any other provision in this section, a
33 resident of this state is not required to make and file a
34 return if the person's net income is equal to or less than the
35 ~~appropriate-dollar-amount-listed-in-section-422-57-subsection~~

1 ~~27-upon-which-tax-is-not-imposed~~ fifteen thousand dollars in
2 the case of married persons filing jointly, unmarried heads of
3 households, and surviving spouses, or is equal to or less than
4 eleven thousand dollars in the case of all other persons. A
5 nonresident of this state is not required to make and file a
6 return if the person's total net income ~~in-section-422-5,~~
7 ~~subsection-17-paragraph-"j",~~ is equal to or less than the
8 ~~appropriate-dollar-amount-provided-in-section-422-5,~~
9 ~~subsection-27-upon-which-tax-is-not-imposed~~ fifteen thousand
10 dollars in the case of married persons filing jointly,
11 unmarried heads of households, and surviving spouses, or is
12 equal to or less than eleven thousand dollars in the case of
13 all other persons. For purposes of this subsection, the
14 amount of a lump sum distribution subject to separate federal
15 tax shall be included in net income for purposes of
16 determining if a resident is required to file a return and the
17 portion of the lump sum distribution that is allocable to Iowa
18 is included in total net income for purposes of determining if
19 a nonresident is required to make and file a return.

20 Sec. 12. Section 422.21, unnumbered paragraph 5, Code
21 2003, is amended by striking the unnumbered paragraph.

22 Sec. 13. Section 422.11B, Code 2003, is repealed.

23 DIVISION II

24 COORDINATING AMENDMENTS

25 Sec. 14. Section 12D.9, subsection 2, Code 2003, is
26 amended to read as follows:

27 2. State income tax treatment of the Iowa educational
28 savings plan trust shall be as provided in section 422.7,
29 ~~subsections-327-337,-and-34~~ subsection 1, paragraph "e", and
30 subsection 2, paragraph "h", and section 422.35, subsection
31 14.

32 Sec. 15. Section 217.39, Code 2003, is amended to read as
33 follows:

34 217.39 PERSECUTED VICTIMS OF WORLD WAR II -- REPARATIONS
35 -- HEIRS.

1 Notwithstanding any other law of this state, payments paid
2 to and income from lost property of a victim of persecution
3 for racial, ethnic, or religious reasons by Nazi Germany or
4 any other Axis regime or as an heir of such victim ~~which is~~
5 ~~exempt from state income tax as provided in section 422.77~~
6 ~~subsection 357~~ shall not be considered as income or an asset
7 for determining the eligibility for state or local government
8 benefit or entitlement programs. The proceeds are not subject
9 to recoupment for the receipt of governmental benefits or
10 entitlements, and liens, except liens for child support, are
11 not enforceable against these sums for any reason.

12 Sec. 16. Section 257.21, unnumbered paragraph 2, Code
13 2003, is amended to read as follows:

14 The instructional support income surtax shall be imposed on
15 the state individual income tax for the calendar year during
16 which the school's budget year begins, or for a taxpayer's
17 fiscal year ending during the second half of that calendar
18 year and after the date the board adopts a resolution to
19 participate in the program or the first half of the succeeding
20 calendar year, and shall be imposed on all individuals
21 residing in the school district on the last day of the
22 applicable tax year. As used in this section, "state
23 individual income tax" means the taxes computed under section
24 422.5, less the credits allowed in sections 422.11A, ~~422.11B7~~
25 422.12, and 422.12B.

26 Sec. 17. Section 422.6, unnumbered paragraph 1, Code 2003,
27 is amended to read as follows:

28 The tax imposed by section 422.5 less the credits allowed
29 under sections 15.333, 15.335, 422.10, 422.11, and 422.11A,
30 ~~and 422.11B7~~ and the personal exemption credit allowed under
31 section 422.12 apply to and are a charge against estates and
32 trusts with respect to their taxable income, and the rates are
33 the same as those applicable to individuals. The fiduciary
34 shall make the return of income for the estate or trust for
35 which the fiduciary acts, whether the income is taxable to the

1 estate or trust or to the beneficiaries. However, for tax
2 years ending after August 5, 1997, if the trust is a qualified
3 preneed funeral trust as set forth in section 685 of the
4 Internal Revenue Code and the trustee has elected the special
5 tax treatment under section 685 of the Internal Revenue Code,
6 neither the trust nor the beneficiary is subject to Iowa
7 income tax on income accruing to the trust.

8 Sec. 18. Section 422.12C, subsection 1, unnumbered
9 paragraph 1, Code 2003, is amended to read as follows:

10 The taxes imposed under this division, less the credits
11 allowed under sections 422.11A, ~~422.11B~~, 422.12, and 422.12B
12 shall be reduced by a child and dependent care credit equal to
13 the following percentages of the federal child and dependent
14 care credit provided in section 21 of the Internal Revenue
15 Code:

16 Sec. 19. Section 422.120, subsection 1, paragraph b,
17 subparagraph (3), Code 2003, is amended to read as follows:

18 (3) The annual index factor for the 1997 calendar year is
19 one hundred percent. For ~~each-subsequent~~ the 1998 through
20 2002 calendar year years, the annual index factor equals the
21 annual inflation factor for that calendar year as computed in
22 section 422.4 for purposes of the individual income tax. For
23 the 2003 calendar year and each subsequent calendar year the
24 annual index factor shall be determined by the department by
25 October 15 of the calendar year preceding the calendar year
26 for which the factor is determined, which reflects the
27 purchasing power of the dollar as a result of inflation during
28 the fiscal year ending in the calendar year preceding the
29 calendar year for which the factor is determined. In
30 determining the annual index factor, the department shall use
31 the annual percent change, but not less than zero percent, in
32 the gross domestic product price deflator computed for the
33 second quarter of the calendar year by the bureau of economic
34 analysis of the United States department of commerce and shall
35 add all of that percent change to one hundred percent. The

1 annual index factor and the cumulative index factor shall each
2 be expressed as a percentage rounded to the nearest one-tenth
3 of one percent. The annual index factor shall not be less
4 than one hundred percent.

5 Sec. 20. Section 422D.2, Code 2003, is amended to read as
6 follows:

7 422D.2 LOCAL INCOME SURTAX.

8 A county may impose by ordinance a local income surtax as
9 provided in section 422D.1 at the rate set by the board of
10 supervisors, of up to one percent, on the state individual
11 income tax of each individual residing in the county at the
12 end of the individual's applicable tax year. However, the
13 cumulative total of the percents of income surtax imposed on
14 any taxpayer in the county shall not exceed twenty percent.
15 The reason for imposing the surtax and the amount needed shall
16 be set out in the ordinance. The surtax rate shall be set to
17 raise only the amount needed. For purposes of this section,
18 "state individual income tax" means the tax computed under
19 section 422.5, less the credits allowed in sections 422.11A,
20 ~~422.11B~~, 422.12, and 422.12B.

21 Sec. 21. Section 425.23, subsection 4, paragraph b, Code
22 2003, is amended to read as follows:

23 b. The annual adjustment factor for the 1998 base year is
24 one hundred percent. For ~~each-subsequent~~ the 1999 through
25 2002 base year years, the annual adjustment factor equals the
26 annual inflation factor for the calendar year, in which the
27 base year begins, as computed in section 422.4 for purposes of
28 the individual income tax. For the 2003 base year and each
29 subsequent base year, the annual adjustment factor equals the
30 annual index factor, in which the base year begins, as
31 computed in section 422.120, subsection 1, for purposes of the
32 livestock production tax credit.

33 Sec. 22. Section 450.4, subsection 8, Code 2003, is
34 amended to read as follows:

35 8. On the value of that portion of any lump sum or

1 installment payments which are received by a beneficiary under
2 an annuity which was purchased under an employee's pension or
3 retirement plan which was excluded from net income ~~as set~~
4 ~~forth-in~~ under section 422.7~~-subsection-3~~.

5 Sec. 23. Section 541A.2, subsection 7, unnumbered
6 paragraph 1, Code 2003, is amended to read as follows:

7 An individual development account closed in accordance with
8 this subsection is not subject to the limitations and benefits
9 provided by this chapter but is subject to state tax in
10 accordance with the provisions of section 422.7, subsection 28
11 2, paragraph "g", and section 450.4, subsection 6. An
12 individual development account may be closed for any of the
13 following reasons:

14 Sec. 24. Section 541A.3, subsection 2, Code 2003, is
15 amended to read as follows:

16 2. Income earned by an individual development account is
17 not subject to state tax, in accordance with the provisions of
18 section 422.7, subsection 28 2, paragraph "g".

19 DIVISION III

20 EFFECTIVE AND APPLICABILITY DATE PROVISION

21 Sec. 25. This Act takes effect January 1, 2004, for tax
22 years beginning on or after that date.

23 EXPLANATION

24 This bill rewrites the state individual income tax by
25 setting a flat rate of 3.5 percent of the taxable income.
26 Most adjustments to federal adjusted gross income are
27 eliminated. However, deductions for the amount of all social
28 security and pensions received are phased in over a five-year
29 period. In arriving at the taxable income, all of the
30 itemized deductions allowed for federal tax purposes are
31 eliminated. A standard deduction is provided which is equal
32 to \$2,000 for each personal exemption the taxpayer is allowed
33 under the federal tax code. An additional \$1,000 deduction is
34 allowed if the individual or the individual's spouse is 65 or
35 older or blind. The present personal credit is made

1 contingent on the amount of net income. This amounts to a
2 maximum income of \$25,000 for single filers and \$50,000 for
3 joint filers and heads of households. The deduction for
4 federal income taxes paid is eliminated. The alternative
5 minimum tax is eliminated. The bill also retains the present
6 credits that are allowed except for the minimum tax credit.
7 The bill requires a three-fourths vote of members elected to
8 each house to pass legislation that would increase the income
9 tax rate or would impose an alternative minimum tax or
10 individual income surtax. A person is not required to file a
11 return if the person's net income is no more than \$15,000 for
12 joint filers, heads of households, and surviving spouses, or
13 no more than \$11,000 for single filers.

14 The bill takes effect January 1, 2004, for tax years
15 beginning on or after that date.

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