
DIGEST

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HB 78 Engrossed

2016 First Extraordinary Session

Ivey

Abstract: Eliminates the deductibility of federal income taxes paid when computing state individual and corporate income taxes and provides for the maximum rate for individual income tax.

Present constitution authorizes equal and uniform taxes to be levied on net income. Further authorizes the rates for these taxes to be graduated according to the amount of the taxpayer's net income; however, the state individual and joint income tax schedule of rates and brackets are prohibited from exceeding the rates and brackets as they existed on Jan. 1, 2003.

Present law provides for a tax to be assessed, levied, collected, and paid upon the taxable income of an individual at the following rates and brackets:

- (1) 2% on the first \$12,500 of net income;
- (2) 4% on the next \$37,500 of net income;
- (3) 6% on net income in excess of \$50,000.

Present constitution authorizes federal income taxes paid to be allowed as a deductible item in computing state income taxes for the same period and eliminates references to the maximum amount of the individual income tax rates and brackets from the constitution.

Proposed constitutional amendment changes present constitution by eliminating the deductibility of federal income taxes paid when computing both individual and corporate income tax liability.

Proposed constitutional amendment deletes the reference to the individual income tax rates and brackets in existence on Jan. 1, 2003, in favor of specifying that the maximum individual income tax rate shall not exceed 6%, which is the maximum rate in present law.

Effective January 1, 2017, and applicable to all tax years beginning on and after January 1, 2017.

Provides for submission of the proposed amendment to the voters at the statewide election to be held Nov. 8, 2016.

(Amends Const. Art. VII, §4(A))