

GOVERNOR JUSTICE'S STATE INCOME TAX REPEAL PLAN

Bill Abstract

Reduce State income tax brackets as follows:

- Tax rates for all filers reduced by 60%
- Will reduce PIT by 60% (\$1,035,650,000) on income earned from:
 - Wages and Salaries
 - Pensions, Annuities, IRAs, Social Security & Unemployment
- The reduction excludes income earned from the following:
 - Schedule C Business Profits
 - Schedule E Rents, Royalties and Pass-Through Entity Profits
 - Schedule D Capital Gains
 - Schedule F Farm Income
 - Supplemental Gains and Losses
 - Taxable Interest Income
 - Dividend Income
 - Miscellaneous Income
- Will rebate \$52,000,000 of PIT

- Change State consumer sales tax from 6.0% to 7.9%
\$475,000,000
- Expand CST base to include:
\$180,000,000
 - Computer hardware/software
 - Legal services
 - Accounting services
 - Other professional services
 - Selected advertising
 - Electronic data processing
 - Health and fitness memberships
 - Sales of lottery tickets
- Create luxury items tax for certain specified items
\$20,000,000

FROM	TO	TAX RATE
\$5,000	\$10,000	3.0%
Above \$10,000	\$30,000	2.75%
Above \$30,000	\$100,000	2.50%
Above \$100,000	\$500,000	2.25%
Above \$500,000	\$1,000,000	1.75%
Over \$1,000,000		1.0%

- Change natural gas severance tax from 5% to the following tiered rates: \$12,500,000

Less than \$0.85	4.0%
\$0.85 - \$1.29	5.0%
\$1.30 - \$1.79	6.0%
\$1.80 - \$2.49	6.5%
Above \$2.50	7.0%

- Change wet gas severance tax from 5% to 6.5%: \$5,000,000
- Change the coal thin seam severance tax rates from 1.0% or 2.0% to the following tiered structure: \$7,500,000

< 37"

Price Per Ton	Tax Rate
Under \$65.00	0.75%
\$65 to \$84.99	1.0%
\$85 to \$104.99	1.5%
\$105 to \$124.99	2.0%
\$125 to \$174.99	3.0%
Above \$175	4.0%

37" to 45"

Price Per Ton	Tax Rate
Under \$65.00	1.5%
\$65 to \$84.99	2.0%
\$85 to \$104.99	2.5%
\$105 to \$124.99	3.0%
\$125 to \$174.99	4.0%
Above \$175	5.0%

- Change the coal severance tax from 3.0% on steam and 5% on met and other coal to the following tiered rates: \$16,000,000

MET AND OTHER NON-STEAM COAL

Price Per Ton	Tax Rate
Under \$65.00	4.0%
\$65 to \$84.99	5.0%
\$85 to \$104.99	5.5%
\$105 to \$124.99	6.0%
\$125 to \$174.99	6.5%
Above \$175	7.0%

STEAM COAL

Price Per Ton	Tax Rate
Under \$35.00	2.0%
\$35.00 to \$52.99	3.0%
\$53.00 to \$59.99	3.5%
\$60.00 to \$69.99	4.0%
\$70.00 to \$79.99	5.0%
\$80.00 to \$89.99	6.0%
Above \$90.00	7.0%

- Change oil severance tax from 5% to the following tiered rates: \$1,000,000

Less than \$35.00	4.0%
\$35 - \$54.99	5.0%
\$55 - \$67.99	5.5%
\$68 - \$89.99	6.0%
\$90 and above	7.0%

- Change the cigarette tax to \$2.25 per pack
\$70,000,000
- Change other tobacco products tax to 19.5% of wholesale prices \$8,200,000
- Change E-cigarette tax to 75 cents per milliliter
\$8,000,000
- Change beer barrel tax to \$29.25 per barrel
\$26,000,000
- Change wine tax to \$4.00 per gallon
\$5,500,000
- Change liquor wholesale mark-up to 39.25%
\$5,400,000
- Change soft drink taxes as follows: \$62,500,000
 - 6 cents per 16.9 fluid ounce or fraction thereof
 - \$4.00 per gallon on syrup
 - 5 cents per each 28.35 grams of dry mixture

TOTAL INCREASE:	\$ 902,600,000
Total Tax Reduction	\$1,035,650,000
Plus Rebate Checks	<u>52,000,000</u>
TOTAL TAX REDUCTION	\$1,087,650,000

OPTIONS TO CONSIDER

Senate Proposed Reductions	\$	25,000,000
Reductions of General Fund payroll due to employment attrition		10,000,000
Projected Annual Revenue Growth		60,000,000