

**Provisions of Income Tax Plan  
April 11, 2011**

**Tax Rate**

- Freeze tax rate at 4.35% until 1/1/2013 and then lower to 4.25%

**Exemptions**

- Personal exemption at \$3,700 as under current law and will be indexed beginning in 2013
- Phase out exemption for “total household resources” over \$75,000 single/\$150,000 joint
- Repeal \$2,300 special exemption for seniors and exemption for unemployment compensation greater than 50% of AGI
- Special exemption for disabled and exemption for disabled veterans remain unchanged
- Repeal \$600 child deduction

**Retirement Income Exemption**

- People younger than 60 in 2012 (born after 1952):
  - No exemption until they turn 67
  - When 67 and older they will receive a \$20,000 single/\$40,000 joint special senior exemption against all types of income. This exemption can be taken instead of the Social Security and personal exemptions if it would result in more generous tax treatment
- People 60 – 66 in 2012 (born in 1946 through 1952):
  - \$20,000 single/\$40,000 joint retirement income exemption in addition to Social Security exemption and personal exemption until age 67
  - When 67 and older they will receive \$20,000 single/\$40,000 joint special senior exemption against all income in addition to Social Security and personal exemptions
- People 67 and older in 2012 (born before 1946):
  - Held harmless—receive current law retirement income exemptions; dividend, interest, and capital gains exemption; Social Security exemption; and personal exemption
- For people born in 1946 and after, these retirement income and special senior exemptions are phased out if “total household resources” exceed \$75,000 single/\$150,000 joint. People born before 1946 are held harmless
- Military pensions will continue to be tax exempt

**Deductions/Subtractions**

- Retain senior interest, dividends, and capital gains deduction for most current seniors
- Repeal deduction for reinvestment of gain from strategic fund investments
- Repeal certain miscellaneous deductions (political donations; prizes won in state-regulated bingo, raffle, or charity games; charitable gifts from retirement plans)
- Eliminate deduction for expenses associated with non-taxable income (often referred to as the oil and gas double deduction)
- Repeal Renaissance Zone deduction

### **Non-refundable Credits**

- Repeal credit for city income taxes
- Repeal credit for public contributions
- Repeal credit for contributions to homeless shelters, food banks, and community foundations
- Repeal credit for contributions to medical savings account
- Repeal credit for donation to Family Development Program
- Repeal film credit for wage withholding
- Repeal credit for automobile donation
- Repeal credit for tuition and fees
- End credits for historic rehabilitation plans certified after 2011

### **Refundable Credits**

- Reduce phase-out for homestead property tax credit to \$41,000 - \$50,000
- Property tax credit for seniors and non-seniors will equal the difference between property taxes and 3.5% of household income times the following percentages:
  - Household incomes \$0 - \$20,000: 100%
  - Household incomes \$20,001 - \$30,000: Phased down from 100% to 60%
  - Household incomes greater than \$30,000: 60%
- No change in calculation of credit for the disabled or for veterans
- People whose home has a tax value in excess of \$200,000 would not be eligible for the credit and business losses will not be included in household income
- Repeal earned income tax credit
- End credits for farmland preservation agreements entered into after 2011
- Repeal credit for excess adoption expenses
- Repeal credit for stillbirths

### **Miscellaneous**

- Adopt 100% sales factor apportionment
- Repeal obsolete provisions
- End tax voucher program for Early Stage Venture Investment agreements entered into after 2011
- Effective date 1/1/12