

HOUSE RESEARCH

Bill Summary

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Subject: Income tax rate reduction

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Overview

Decreases the individual income tax rates from 5.35, 7.05, and 7.85 percent to 4.85, 6.3, and 7.35 percent with a corresponding reduction in the alternative minimum tax rate from 6.4 percent to 5.8 percent, effective beginning in tax year 2001.

Section

- 1 **Income tax rates.** Makes changes in the individual income tax rates:
 - the 5.35% rate is reduced to 4.85%;
 - the 7.05% rate is reduced to 6.3%; and
 - the 7.85% rate is reduced to 7.35%.
- 2 **Indexing.** Makes conforming changes in the indexing provisions to reflect that section 1 updates the tax brackets as they appear in statute to the amounts for tax year 2001.
- 3 **AMT rate.** Reduces the alternative minimum tax (AMT) rate from 6.4% to 5.8%.
- 4 **Tentative minimum tax.** Makes a conforming change in the definition of tentative minimum tax to reflect the change in the AMT rate.
- 5 **AMT credit.** Makes a conforming change in the AMT credit to reflect the change in the AMT rate.
- 6 **Enterprise zone credit.** Conforms the enterprise zone credit rate to the proposed maximum income tax rate of 7.35%.

Effect of proposed rate changes on example households