

HB 318 -- Elimination of Income Tax

Sponsor: Kelly

This bill requires the Department of Revenue to submit a report to the General Assembly by January 1, 2011, with recommendations for specific methods for replacing the state individual and corporate income tax and the estate tax with a fair tax based on all new retail sales and services. The income tax will be replaced beginning January 1, 2012, with the new department-proposed sales tax. Sales tax exemptions will be eliminated, and tax credits will be phased-out as the fair tax rate is adjusted to provide continued funding for programs. Each sales tax collector and the department will be allowed to retain one-fourth of 1% of the amount collected. Each family will receive a monthly sales tax rebate adjusted annually based on the number of members in the family and the federal poverty level guidelines to offset the sales tax on basic necessities.

The bill contains a referendum clause and will be submitted to qualified voters in November 2009.