

HJR 23 -- TAXATION

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Upon voter approval, this proposed constitutional amendment phases out the state individual income tax and replaces the current state sales and use tax with a state sales tax on retail sales of new tangible personal property and taxable services. From January 1, 2017, to January 1, 2019, the state individual income tax rate cannot exceed 3%. After that date, the individual income tax is repealed. From January 1, 2017, to January 1, 2019, the state sales tax rate cannot exceed 5% and cannot exceed 4% for food. After that date, the sum of the rate on food and the rate for the conservation sales tax and the parks and soils sales tax cannot exceed 5.5% and the sum of the state sales tax rate and the rate for the conservation sales tax and the parks and soils sales tax cannot exceed 7%.

The tax revenue from the new sales tax will be deposited into the General Revenue Fund and appropriated by the General Assembly to provide continued funding for programs and deposited into the School District Trust Fund in the amount needed so that the moneys received by the school districts is at least as much as the average of the amount received in fiscal years 2011 to 2015. The General Assembly may increase taxes or fees in the event of an emergency.

Property purchased to be a component part or ingredient of a new tangible personal property to be sold at retail; government purchases including federal, state, and local governments; purchases of inventory; real property transactions; purchases of utilities; purchases of medical services including medications; purchases of professional services; purchases of child care and elderly care; purchases between consolidated entities; purchases of services rendered by employees for his or her employer; business-to-business transactions including agriculture; purchases for investment; purchases involving gambling at licensed bingo, racing, or gambling boats; purchases relating to common carriers; purchases of railroad rolling stock; purchases of barges and cargo; tuition and fees for education; purchases of insurance products and services; purchases of used tangible personal property; purchases by charities; and any purchase of tangible goods or service exempted by a majority vote of two-thirds of each house of the General Assembly and approved by the Governor will be exempt from the new sales tax. Beginning January 1, 2017, exemptions not specifically listed in this resolution will be eliminated.

The General Assembly must enact a law with an effective date of no later than January 1, 2019, to continue the Senior Citizens Property Tax Credit after the individual income tax is eliminated.

The local sales taxes and the conservation sales tax and the parks and soils sales tax will be recalculated to produce substantially the same amount of revenue based on the average collections over a five-year period. The resolution requires the General Assembly to provide a process for the approval or appeal of the Department of Revenue's calculation of the adjusted sales tax rate.

The new sales tax rate plus the conservation sales tax rate, the parks and soils sales tax rate, and local tax rates, excluding transportation district taxes and community improvement district taxes, cannot exceed 10% unless the increase is imposed by voters or the temporary result of the recalculation of local taxes.

The resolution creates a property tax relief credit equal to 50% of the increase in taxes on a homestead to be used on the taxpayer's current property tax bill if the prior year's tax liability on the residence increased in value more than 5% in a year of general reassessment or 2.5% in a year without a reassessment. To qualify for the credit, a taxpayer must be at least 65 years of age; have total household income of no more than \$75,000, adjusted annually based on the change in the federal Consumer Price Index from the previous year; and own a residence of no more than \$400,000 appraised value, adjusted annually based on the change in the federal Consumer Price Index from the previous year. Any taxpayer who claims this credit cannot claim the Senior Citizen Property Tax Credit or any similar credit.