

HOUSE RESEARCH

Bill Summary

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Subject: Income tax rate increase

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Overview

Increases the individual income tax rates from 5.35, 7.05, and 7.85 percent to 6, 8, and 8.5 percent, and the alternative minimum tax rate from 6.4 percent to 7 percent. The 6, 8, and 8.5 percent rates were in effect prior to 1999.

Section

- 1 Individual income tax rates.** Increases the individual income tax rates from 5.35, 7.05, and 7.85 percent to 6, 8, and 8.5 percent, effective in tax year 2007. These are the rates that were in effect prior to 1999. Adjusts the brackets to the levels in effect for tax year 2007 under current law as a result of annual adjustments for inflation.
- 2 Inflation adjustment of brackets.** Re-sets the base year for adjusting the income tax brackets for inflation to 2007.
- 3 Alternative minimum tax rate.** Increases the alternative minimum tax (AMT) rate from 6.4 percent to 7 percent, the rate that was in effect prior to 1999. Effective in tax year 2007.
- 4 Tentative minimum tax.** Increases the tentative minimum tax rate from 6.4 percent to 7 percent; this percentage is used in calculating alternative minimum tax.
- 5 Alternative minimum tax credit.** Increases the rate used in calculation of the alternative minimum tax credit from 6.4 percent to 7 percent.