SPONSOR: Rep. Longhurst

HOUSE OF REPRESENTATIVES
149th GENERAL ASSEMBLY

HOUSE AMENDMENT NO. 5
TO
HOUSE BILL NO. 240

AMEND House Bill No. 240 by striking lines 22 through 28 in their entirety and substituting in lieu thereof the following:

2.2% of taxable income in excess of $2,000 but not in excess of $5,000;

3.9% of taxable income in excess of $5,000 but not in excess of $10,000;

4.8% of taxable income in excess of $10,000 but not in excess of $20,000;

5.2% of taxable income in excess of $20,000 but not in excess of $25,000;

5.55% of taxable income in excess of $25,000 but not in excess of $60,000;

6.8% of taxable income in excess of $60,000 but not in excess of $150,000;

7.1% of taxable income in excess of $150,000.

FURTHER AMEND House Bill No. 240 by striking lines 60 through 129 and inserting in lieu thereof the following:

Section 4. Amend § 1109 through § 1110, Title 30 of the Delaware Code by making deletions as shown by strike through and insertions as shown by underline as follows:

§ 1109 Itemized deductions ~~[For application of this section, see 66 Del. Laws, c. 86, § 8]~~

(a) General. — In determining taxable income under this chapter, in lieu of the standard deduction provided by § 1108 of this title, a resident individual may elect to deduct an amount equal to one half of the amount of itemized deductions computed for Delaware purposes pursuant to paragraph (1), below.

(1) Itemized deductions computed for Delaware purposes shall equal:

a. ~~t~~The sum of the itemized deductions claimed on the federal income tax return as shall be permitted under the laws of the United States as the same are or shall become effective for any taxable year in determining the federal taxable income, or, if the person does not itemize deductions or elects the credit for foreign taxes paid on the federal return, ~~the person may deduct~~ the sum of the itemized deductions to which the person would have been entitled had the person itemized the deductions (including the deduction for foreign taxes paid) on the federal return~~:~~ ;

~~(1)~~ b. Reduced by:

1. ~~a.~~ The amount thereof representing income taxes imposed by this State; and

2. ~~b.~~ The amount of any income tax imposed on the person for the taxable year by another state of the United States or a political subdivision thereof or the District of Columbia on income derived from sources therein if the person elected to take such amount as a credit in accordance with § 1111(a) of this title; and

~~(2)~~ c. Increased by:

1. ~~a.~~ An amount equal to the excess of the state employee automobile mileage reimbursement allowance over the standard mileage rate allowed as a charitable deduction for federal income tax purposes for unreimbursed automobile transportation expense incurred by an individual while serving as a volunteer for a charitable organization as defined in § 170(c), Internal Revenue Code [26 U.S.C. § 170(c)]; and

2. ~~b.~~ In the case of a self-employed individual, the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse and dependents, less the amount allowed the taxpayer as a deduction pursuant to § 162(l)(26 U.S.C. § 162(l)) or successor provision of the Internal Revenue Code. For purposes of this subparagraph, "self-employed taxpayer" shall mean a resident individual whose gross income is more than one-half derived from a trade, business or profession and not derived as an employee. Income in the nature of interest, dividends or other investment income shall not constitute self-employment income. No self-employed taxpayer whose total cost of insurance for health care for the taxpayer, spouse and dependents exceeds the gross income from the trade, business or profession shall be entitled to the deduction under this subparagraph.

(b) Spouses. — Spouses, both of whom are required to file returns under this chapter, shall be allowed to itemize their deductions only if both elect to do so.

(c) For purposes of subsection (a) of this section, the amount of itemized deductions representing income taxes imposed by: (i) this State, or (ii) another state of the United States or a political subdivision thereof or the District of Columbia on income derived from sources therein if a resident elected to take such amount as a credit in accordance with § 1111(a) of this title shall be deemed to equal the amount of such taxes reduced by the amount of such taxes multiplied by the percentage determined under § 68(a) of the Internal Revenue Code [26 U.S.C. § 68(a)] or successor provision thereof.

FURTHER AMEND House Bill No. 240 on line 165 by striking "10,310" and inserting in lieu thereof "8,737".

FURTHER AMEND House Bill No. 240 on line 168 by striking "15,310" and inserting in lieu thereof "14,167".

SYNOPSIS

This amendment eliminates the tax rate increases for all existing brackets below $60,000, while allowing taxpayers to elect to deduct the greater of the current standard deduction or 50% of their itemized deductions. Additionally, this amendment increases the tax rate to 7.1% in the bracket over $150,000.