



HOUSE OF REPRESENTATIVES

ALABAMA STATE HOUSE

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MONTGOMERY COUNTY

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PUBLIC SAFETY

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PRESS RELEASE

Federal Income Tax Deduction Loophole Loses Millions in State Revenue

MONTGOMERY, Ala.- During today's session of the Alabama House of Representatives, Rep. John Knight shared with members, illustrations of how many Alabama business owners utilize the federal income tax deduction to avoid paying thousands of dollars in state income taxes. A copy of the examples referenced during his remarks follows.

These are examples of the current income tax for a resident of Alabama who:

1. Owns an LLC that does one-third of its business in Alabama, one-third in Georgia, and one-third in Florida
2. Has no other sources of income
3. Is married with two dependent children

*HB116 impact is based on the bill as reported by the Education Appropriations Committee

	Current			Taxes with HB116
	Alabama	Georgia	Federal	Alabama (HB116)*
Income	100,000	100,000	300,000	100,000
Itemized deductions	46,400	13,556	40,668	46,400
Federal income tax deduction	60,133	0	0	60,133
Personal exemptions	4,000	3,800	12,653	4,000
Taxable Income	-10,533	82,644	246,679	-10,533
Tax Due	0	4,699	60,133	0

	Alabama	Georgia	Federal	Alabama (HB116)
Income	200,000	200,000	600,000	200,000
Itemized deductions	87,021	26,556	79,668	87,021
Federal income tax deduction	153,351	0	0	102,745
Personal exemptions	3,600	3,800	973	3,600
Taxable Income	-43,972	169,644	519,359	6,634
Tax Due	0	9,919	153,351	252

	Alabama	Georgia	Federal	Alabama (HB116)
Income	500,000	500,000	1,500,000	500,000
Itemized deductions	207,621	65,556	196,668	207,621
Federal income tax deduction	427,741	0	0	0
Personal exemptions	3,600	3,800	0	3,600
Taxable Income	-138,962	430,644	1,303,332	288,779
Tax Due	0	25,579	427,741	14,359

	Alabama	Georgia	Federal	Alabama (HB116)
Income	7,000,000	7,000,000	21,000,000	7,000,000
Itemized deductions	1,350,621	420,556	1,261,668	1,350,621
Federal income tax deduction	6,879,991	0	0	0
Personal exemptions	3,600	3,800	0	3,600
Taxable Income	-1,234,212	6,575,644	19,738,332	5,645,779
Tax Due	0	394,279	6,879,991	282,209

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