Model Legislation

{Title, enacting clause, etc.}

Section 1. {Title}
This Act may be cited as The Flat Tax Option Act.

Section 2. {Statement of Purpose}
It is the intent of the LEGISLATIVE BODY to give business and personal income taxpayers in the state of [Insert State] the option of paying either a broad-based, low rate income tax, or continuing to pay income taxes under current law.

Section 3. {Amendment to State Income Tax Code}
(A) Choice of Flat Income Tax or Existing Income Tax: An individual or business otherwise required to pay income taxes under the laws of the state of [Insert State], shall have the option of continuing to pay taxes under current law, or may pay taxes according to the schedule outlined in this section.

(B) Individual Income: An individual income taxpayer making an election under §3(A) shall compute taxable income by taking the value of all income from wages, salary, pensions, and income derived from the individual's operation of a business, or as a partner in a business, or as an independent contractor as determined on federal income tax forms 1040C and 1040F after elimination of interest and dividend income. Income does not include income from capital gains, interest, dividend income or social security and other government benefits.

(C) Business Income: A business taxpayer making an election under §3(A) shall compute taxable income by determining the net profits as determined on the federal corporate tax return after elimination of interest, dividend and capital gains income that are included in those returns.

(D) Determination of Rate: A taxpayer making an election under §3(A) shall pay the following tax rate on income:

(1) Personal flat tax: For each year beginning on or after January 1, 200__, there is hereby imposed a tax on personal taxable income at a single percentage rate of ____%.

(2) Business flat tax: For each year beginning on or after January 1, 200__, there is hereby imposed a tax on business taxable income at a single percentage rate of ___%.

(E) Changes to Flat Tax Option: No change can be made to this section except pursuant to an act of the legislature adopted with the concurrence of two-thirds (2/3) of all members of each House. This section shall not apply to an act lowering the rates of taxation in §3(D).

Section 4. {Severability Clause}

Section 5. {Repealer Clause}

Section 6. {Effective Date}
In June 2009, the Rhode Island House Finance Committee approved legislation similar to this model.