<table>
<thead>
<tr>
<th>HB 998, 3rd Edition (House)</th>
<th>H998, 6th Edition (Senate)</th>
<th>Proposed Conference Committee Substitute</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDIVIDUAL INCOME TAX CHANGE</strong></td>
<td>Taxable years beginning on or after January 1, 2014</td>
<td></td>
</tr>
<tr>
<td><strong>Effective Date</strong></td>
<td><strong>Flat rate of 5.9%, 2014</strong></td>
<td><strong>Flat Rate of 5.75%, 2014</strong></td>
</tr>
<tr>
<td><strong>Rates</strong> 6%, 7%, 7.75%</td>
<td><strong>Eliminate</strong></td>
<td>Same in all three versions</td>
</tr>
<tr>
<td><strong>Personal exemption</strong> $2,500 up to $100,000 (MFJ), then $2,000</td>
<td><strong>$12,000 (MFJ)</strong></td>
<td><strong>$15,000 (MFJ)</strong></td>
</tr>
<tr>
<td><strong>Standard deduction</strong></td>
<td><strong>$9,600 (H/H)</strong></td>
<td><strong>$12,000 (H/H)</strong></td>
</tr>
<tr>
<td><strong>Taxpayer is allowed the standard deduction amount or the itemized deduction amount</strong> $6,000 (MFJ); $4,400 (H/H); $3,000 (Single, MFS)</td>
<td><strong>$6,000 (MFS/Single)</strong></td>
<td><strong>$7,500 (MFS/Single)</strong></td>
</tr>
<tr>
<td><strong>Itemized deductions</strong></td>
<td><strong>Limit itemized deductions to:</strong></td>
<td><strong>Limit itemized deductions to:</strong></td>
</tr>
<tr>
<td><strong>Taxpayer is allowed the itemized deduction amount from the federal return</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deduction: Retirement income ($4,000 government; $2,000 private)</strong></td>
<td><strong>No change</strong></td>
<td><strong>Eliminate</strong></td>
</tr>
<tr>
<td><strong>Deduction: Severance wages UI benefits taxable</strong></td>
<td><strong>Eliminate</strong></td>
<td>Same in all three versions</td>
</tr>
<tr>
<td>Deduction: $50,000 business income</td>
<td><strong>HB 998, 3rd Edition (House)</strong></td>
<td><strong>H998, 6th Edition (Senate)</strong></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------</td>
</tr>
</tbody>
</table>

| Child credit $100 for AGI up to $100,000 (MFJ) | AGI =/≤ $100K = $250 (MFJ) AGI > $100K = $100 (MFJ) | No change | AGI =/≤ $40,000 = $125 (MFJ) $40,000 > AGI < $100,000 = $100 (AGI) |

| Credits scheduled to sunset 2014 | No change; credits will sunset in 2014 as scheduled | Same in all three versions |

| Credits with no sunset | Retain all credits except the non-itemizer charitable contribution credit | Eliminate all credits except child credit | Eliminate all but the child credit |

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Corporate Income Tax Changes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rate</strong> 6.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014 – 6.5%</td>
<td>2014 – 6.4%</td>
<td>2014 – 6%</td>
</tr>
<tr>
<td>2015 – 6.35%</td>
<td>2015 – 5%</td>
<td>2015 – 5%</td>
</tr>
<tr>
<td>2016 – 6.2%</td>
<td>2016 – 4%</td>
<td>2016 and 2017 – trigger tax rate, possible reduction in 2016 to 4% and possible reduction in 2017 to 3% if target reached both years; if target reached one year, rate would be 4%; if target not reached each year, rate would remain at 5%</td>
</tr>
<tr>
<td>2017 – 5.6%</td>
<td>2017 – 2%</td>
<td></td>
</tr>
<tr>
<td>Thereafter – 5.4%</td>
<td>2018 – Eliminate</td>
<td></td>
</tr>
<tr>
<td><strong>Credit – low-income housing Scheduled to sunset 2015</strong></td>
<td>Limit to tier 1 and 2 Remove sunset</td>
<td>Limit to tier 1 and 2 Phase it down 25% a year until it is eliminated in 2018</td>
</tr>
<tr>
<td></td>
<td>Revenue Laws Study Committee</td>
<td></td>
</tr>
<tr>
<td>CIT &amp; PIT credits without a sunset</td>
<td>HB 998, 3rd Edition (House)</td>
<td>H998, 6th Edition (Senate)</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>No change</td>
<td>Eliminate, 2014</td>
<td>Eliminate Credits for construction of dwelling units for handicapped, certain real property donations, conservation tillage equipment, gleaned crop, construction of poultry composting facility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Remaining CIT &amp; PIT credits with sunsets</th>
<th>No change</th>
<th>No change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow to sunset as scheduled</td>
<td>Allow to sunset as scheduled</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CIT credits without a sunset</th>
<th>No change</th>
<th>CIT eliminated in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Eliminate 2 credits: Certain telephone subscriber fees and savings and loan supervisory fee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No change to credit for investing in major recycling facility</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td><strong>BUSINESS PRIVILEGE TAX (NEW)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate</td>
<td>$1.50 per $1000</td>
<td>Lower rate to $1.35 per $1,000, effective 2015</td>
</tr>
<tr>
<td>FRANCHISE TAX CHANGES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross receipts</td>
<td>Same in all three versions</td>
<td>Same in all three versions</td>
</tr>
<tr>
<td>franchise tax on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>electricity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual report fee</td>
<td>No change</td>
<td>Eliminate, 2015</td>
</tr>
<tr>
<td>PRIVILEGE TAX CHANGES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amusements,</td>
<td>Same in all three versions</td>
<td>Same in all three versions</td>
</tr>
<tr>
<td>movies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SALES TAX CHANGES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Rate = 4.75%</td>
<td>No change</td>
<td>Same in all three plans</td>
</tr>
<tr>
<td>Local Rate = 2%</td>
<td>No change</td>
<td>Same in all three versions</td>
</tr>
<tr>
<td>Optional ¼ cent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax rate:</td>
<td>No change</td>
<td>State general rate; not in local base</td>
</tr>
<tr>
<td>manufactured home</td>
<td>State general rate; not in local base</td>
<td>January 1, 2014</td>
</tr>
<tr>
<td>2%, $300 maximum</td>
<td>July 1, 2014</td>
<td></td>
</tr>
<tr>
<td>Tax rate:</td>
<td>No change</td>
<td>State general rate; not in local base</td>
</tr>
<tr>
<td>modular homes</td>
<td>State general rate; not in local base</td>
<td>January 1, 2014</td>
</tr>
<tr>
<td>2.5%</td>
<td>July 1, 2014</td>
<td></td>
</tr>
<tr>
<td>Tax rate: Electricity</td>
<td>Repeal 3% franchise tax on electricity; require Utilities Commission to adjust rate accordingly</td>
<td>Tax electricity at the combined general rate of 7%</td>
</tr>
<tr>
<td>• 3%</td>
<td>July 1, 2014</td>
<td></td>
</tr>
<tr>
<td>• Plus 3% GR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>franchise tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>HB 998, 3rd Edition (House)</strong></td>
<td><strong>H998, 6th Edition (Senate)</strong></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Add – service contracts</td>
<td>Yes</td>
<td>Same in all three versions (changed effective date from July 1, 2014)</td>
</tr>
<tr>
<td>Add – alteration, repair, maintenance, installation</td>
<td>Yes</td>
<td>July 1, 2014 Exempt if to an item exempt from tax</td>
</tr>
<tr>
<td>Add - amusements from privilege gross receipts franchise tax</td>
<td>Yes</td>
<td>Same in all three versions (changed effective date from October 1, 2013)</td>
</tr>
<tr>
<td>Add – attractions for which admission charged</td>
<td>Yes</td>
<td>October 1, 2013</td>
</tr>
<tr>
<td>Amusement exemptions</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Add – piped natural gas</td>
<td>Repeal excise tax on piped natural gas</td>
<td>Tax piped natural gas at combined general rate of 7%</td>
</tr>
<tr>
<td></td>
<td>Nutritional supplements sold by chiropractors; sales tax holiday for energy star products</td>
<td>Nutritional supplements sold by chiropractors; newspapers; penny vending machine sales; 50% of sales from vending machines; meals sold in higher educational institutions; certain bakery items; both sales tax holidays</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th><strong>Farm Exemptions</strong></th>
<th><strong>Proposed Conference Committee Substitute</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>Annual gross income requirement of $10,000 July 1, 2014</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Refunds:</strong> Local governments</th>
<th><strong>Refunds:</strong> Nonprofits</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>Cap refunds: 2014-15 - $10.5 million (State and local) 2015-16 - $7 million (State and local) 2016-17 - $5 (State and local) 2017-18 - $2.85 (State and local)</td>
</tr>
<tr>
<td></td>
<td>Cap refund at $45 million (State and local) Revenue Laws Study Committee</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Refunds:</strong> Various</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
</tr>
<tr>
<td>Phased elimination over four years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Refunds – existing sunset of 2014</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
</tr>
<tr>
<td>No change, except as follows:</td>
</tr>
<tr>
<td>- Passenger air carrier moved to phased elimination of refund</td>
</tr>
<tr>
<td>- Motorsports extended 6 months, until July 1, 2014</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Excise Tax Changes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise tax on piped natural gas</td>
</tr>
<tr>
<td>Same in all three versions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excise tax on motor fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate rose from 37.5 cents/gallon on July 1, 2013, to 37.6 cents</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>Cap for two years at 38.5 cents, beginning September 1, 2013 – until June 30, 2015</td>
</tr>
</tbody>
</table>

<p>| Cap for two years at 37.5 cents, beginning October 1, 2013 – until June 30, 2015 |</p>
<table>
<thead>
<tr>
<th><strong>LOCAL GOVERNMENT DISTRIBUTIONS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIT earmark for Public School Fund</strong></td>
</tr>
<tr>
<td>Eliminate</td>
</tr>
<tr>
<td><strong>Gross receipts tax on electricity distributed to cities</strong></td>
</tr>
<tr>
<td>Re-calculate formula every 5 years, beginning 2020</td>
</tr>
<tr>
<td><strong>Excise tax on piped natural gas distributed to cities</strong></td>
</tr>
<tr>
<td><strong>Earmarking 20% of sales tax from modular homes to counties</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ESTATE TAX</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Levy</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>TOBACCO DISCOUNTS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2% discount to taxpayers of cigarettes and OTP</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>REVENUE LAWS STUDY (NEW)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Law Study</strong></td>
</tr>
</tbody>
</table>

---
ability to fulfill their stated mission.
- The benefits of allowing corporations to deduct NOLs instead of NELs.
- The simplification of the franchise tax base calculation and the elimination of the franchise tax.
- The feasibility of expanding the sales tax base to additional services.
- Application of corporate income tax rate trigger
- Low-income housing tax credit

<table>
<thead>
<tr>
<th></th>
<th>HB 998, 3rd Edition (House)</th>
<th>H998, 6th Edition (Senate)</th>
<th>Proposed Conference Committee Substitute</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL PLAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY13-14</td>
<td>20.47</td>
<td>21.39</td>
<td>22.31</td>
</tr>
<tr>
<td>FY14-15</td>
<td>20.46</td>
<td>21.03</td>
<td>21.92</td>
</tr>
<tr>
<td>FY15-16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY16-17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY17-18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total GF Revenues Forecast ($ billions)</strong></td>
<td>20.47</td>
<td>21.39</td>
<td>22.31</td>
</tr>
<tr>
<td>Difference from Forecast ($ millions)(^1)</td>
<td>(4.7)</td>
<td>(353.4)</td>
<td>(383.2)</td>
</tr>
<tr>
<td><strong>Senate Version 6th Edition</strong></td>
<td>20.29</td>
<td>20.90</td>
<td>21.55</td>
</tr>
<tr>
<td>Difference from Forecast ($ millions) (^1)</td>
<td>(174.1)</td>
<td>(492.8)</td>
<td>(759.6)</td>
</tr>
<tr>
<td><strong>Proposed Conference Committee Substitute</strong></td>
<td>20.38</td>
<td>20.95</td>
<td>21.66</td>
</tr>
<tr>
<td>Difference from Forecast ($ millions) (^1)</td>
<td>(86.6)</td>
<td>(437.8)</td>
<td>(644.6)</td>
</tr>
</tbody>
</table>

\(^1\) This item includes the estate tax repeal in HB 101.