

## **“Knight Plan” Offers Income Tax Fairness**

### **Background**

For the past three years, Representative John Knight has sponsored an income tax reform plan that would help make Alabama’s tax structure fairer and more balanced.

In 2003, the “Knight Plan” was a key component of the fairness measures in the proposed Tax and Accountability Plan (Amendment One). Even though the referendum failed on Sept. 9, 2003, the income tax reforms were among the most well-received portions of that complex package. This leaves the Knight Plan poised for serious attention when the time comes to consider new revenue proposals.

### **Under the Knight Plan, Alabama would stop taxing people deeper into poverty.**

- **Alabama is the only state where a family of 3 or 4 has to pay income tax on an income as low as \$4,600 a year.** The Knight Plan would move this threshold upward to at least \$15,000 for a family of 4 – and the threshold would rise every year to keep pace with inflation.
- **Alabama imposes the highest income tax in the nation on a family of 3 at the poverty line.** A mother with two children has to pay \$398 in income tax on a poverty-line wage of \$14,351 a year. The Knight Plan would reduce her tax bill by over \$300.

### **Here’s how it works:**

- **RAISE** the personal exemption from \$1,500 to \$3,050;
- **RAISE** the standard deduction from \$4,000 to \$7,950 (per couple);
- **RAISE** the dependent deduction from \$300 to \$3,050 (per child);
- **LINK** these benefits to federal levels, so that Alabama’s deductions and exemptions will keep pace with inflation and annual increases in cost of living; and
- **ELIMINATE** the deduction for federal income taxes paid, an unfair tax break for higher-income families.

**The Knight Plan would be a giant step toward tax fairness for low-income workers and their families.**