

FIRST REGULAR SESSION

# HOUSE BILL NO. 1182

## 99TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MITTEN.

1695H.021

D. ADAM CRUMBLISS, Chief Clerk

### AN ACT

To repeal sections 143.011, 143.022, and 143.151, RSMo, and to enact in lieu thereof two new sections relating to income taxes.

*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Sections 143.011, 143.022, and 143.151, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.151, to read as follows:

143.011. ~~[+]~~ A tax is hereby imposed for every taxable year on the Missouri taxable income of every resident. The tax shall be determined by applying the tax table or the rate provided in section 143.021, which is based upon the following rates:

4		
5	If the Missouri taxable income is:	The tax is:
6		
7	Not over \$1,000.00 . . . . .	1 1/2% of the Missouri
8		taxable income
9		
10	Over \$1,000 but not over \$2,000	\$15 plus 2% of excess
11		over \$1,000
12		
13	Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess
14		over \$2,000
15		
16	Over \$3,000 but not over \$4,000	\$60 plus 3% of excess
17		over \$3,000

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18

19 Over \$4,000 but not over \$5,000 \$90 plus 3 1/2% of excess  
20 over \$4,000

21

22 Over \$5,000 but not over \$6,000 \$125 plus 4% of excess  
23 over \$5,000

24

25 Over \$6,000 but not over \$7,000 \$165 plus 4 1/2% of  
26 excess over \$6,000

27

28 Over \$7,000 but not over \$8,000 \$210 plus 5% of excess  
29 over \$7,000

30

31 Over \$8,000 but not over \$9,000 \$260 plus 5 1/2% of  
32 excess over \$8,000

33

34 Over \$9,000 . . . . . \$315 plus 6% of excess  
35 over \$9,000

36 ~~[2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of~~  
37 ~~this section may be reduced over a period of years. Each reduction in the top rate of tax shall be~~  
38 ~~by one-tenth of a percent and no more than one reduction shall occur in a calendar year. The top~~  
39 ~~rate of tax shall not be reduced below five and one-half percent. Reductions in the rate of tax~~  
40 ~~shall take effect on January first of a calendar year and such reduced rates shall continue in effect~~  
41 ~~until the next reduction occurs.~~

42 ~~———(2) A reduction in the rate of tax shall only occur if the amount of net general revenue~~  
43 ~~collected in the previous fiscal year exceeds the highest amount of net general revenue collected~~  
44 ~~in any of the three fiscal years prior to such fiscal year by at least one hundred fifty million~~  
45 ~~dollars.~~

46 ~~———(3) Any modification of tax rates under this subsection shall only apply to tax years that~~  
47 ~~begin on or after a modification takes effect.~~

48 ~~———(4) The director of the department of revenue shall, by rule, adjust the tax tables under~~  
49 ~~subsection 1 of this section to effectuate the provisions of this subsection. The bracket for~~  
50 ~~income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced~~  
51 ~~to five and one-half of a percent.~~

52 ~~———3. Beginning with the 2017 calendar year, the brackets of Missouri taxable income~~  
53 ~~identified in subsection 1 of this section shall be adjusted annually by the percent increase in~~

54 ~~inflation. The director shall publish such brackets annually beginning on or after October 1,~~  
 55 ~~2016. Modifications to the brackets shall take effect on January first of each calendar year and~~  
 56 ~~shall apply to tax years beginning on or after the effective date of the new brackets.~~

57 ~~4. As used in this section, the following terms mean:~~

58 ~~(1) "CPI", the Consumer Price Index for All Urban Consumers for the United States as~~  
 59 ~~reported by the Bureau of Labor Statistics, or its successor index;~~

60 ~~(2) "CPI for the preceding calendar year", the average of the CPI as of the close of the~~  
 61 ~~twelve month period ending on August thirty-first of such calendar year;~~

62 ~~(3) "Percent increase in inflation", the percentage, if any, by which the CPI for the~~  
 63 ~~preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and ending~~  
 64 ~~August 31, 2015.]~~

143.151. For all taxable years beginning before January 1, 1999, a resident shall be  
 2 allowed a deduction of one thousand two hundred dollars for himself or herself and one thousand  
 3 two hundred dollars for his or her spouse if he or she is entitled to a deduction for such personal  
 4 exemptions for federal income tax purposes. For all taxable years beginning on or after January  
 5 1, 1999, a resident shall be allowed a deduction of two thousand one hundred dollars for himself  
 6 or herself and two thousand one hundred dollars for his or her spouse if he or she is entitled to  
 7 a deduction for such personal exemptions for federal income tax purposes. ~~[For all tax years~~  
 8 ~~beginning on or after January 1, 2017, a resident with a Missouri adjusted gross income of less~~  
 9 ~~than twenty thousand dollars shall be allowed an additional deduction of five hundred dollars for~~  
 10 ~~himself or herself and an additional five hundred dollars for his or her spouse if he or she is~~  
 11 ~~entitled to a deduction for such personal exemptions for federal income tax purposes and his or~~  
 12 ~~her spouse's Missouri adjusted gross income is less than twenty thousand dollars.]~~

13

~~[143.022. 1. As used in this section, "business income" means the~~  
 2 ~~income greater than zero arising from transactions in the regular course of all of~~  
 3 ~~a taxpayer's trade or business and shall be limited to the Missouri source net~~  
 4 ~~profit from the combination of the following:~~

5 ~~(1) The total combined profit as properly reported to the Internal Revenue~~  
 6 ~~Service on each Schedule C, or its successor form, filed; and~~

7 ~~(2) The total partnership and S corporation income or loss properly~~  
 8 ~~reported to the Internal Revenue Service on Part II of Schedule E, or its successor~~  
 9 ~~form.~~

10 ~~2. In addition to all other modifications allowed by law, there shall be~~  
 11 ~~subtracted from the federal adjusted gross income of an individual taxpayer a~~  
 12 ~~percentage of such individual's business income, to the extent that such amounts~~  
 13 ~~are included in federal adjusted gross income when determining such individual's~~  
 14 ~~Missouri adjusted gross income.~~

15 ~~3. In the case of an S corporation described in section 143.471 or a~~  
16 ~~partnership computing the deduction allowed under subsection 2 of this section,~~  
17 ~~taxpayers described in subdivision (1) or (2) of this subsection shall be allowed~~  
18 ~~such deduction apportioned in proportion to their share of ownership of the~~  
19 ~~business as reported on the taxpayer's Schedule K-1, or its successor form, for the~~  
20 ~~tax period for which such deduction is being claimed when determining the~~  
21 ~~Missouri adjusted gross income of:~~

22 ~~(1) The shareholders of an S corporation as described in section 143.471;~~

23 ~~(2) The partners in a partnership.~~

24 ~~4. The percentage to be subtracted under subsection 2 of this section shall~~  
25 ~~be increased over a period of years. Each increase in the percentage shall be by~~  
26 ~~five percent and no more than one increase shall occur in a calendar year. The~~  
27 ~~maximum percentage that may be subtracted is twenty-five percent of business~~  
28 ~~income. Any increase in the percentage that may be subtracted shall take effect~~  
29 ~~on January first of a calendar year and such percentage shall continue in effect~~  
30 ~~until the next percentage increase occurs. An increase shall only apply to tax~~  
31 ~~years that begin on or after the increase takes effect.~~

32 ~~5. An increase in the percentage that may be subtracted under subsection~~  
33 ~~2 of this section shall only occur if the amount of net general revenue collected~~  
34 ~~in the previous fiscal year exceeds the highest amount of net general revenue~~  
35 ~~collected in any of the three fiscal years prior to such fiscal year by at least one~~  
36 ~~hundred fifty million dollars.~~

37 ~~6. The first year that a taxpayer may make the subtraction under~~  
38 ~~subsection 2 of this section is 2017, provided that the provisions of subsection 5~~  
39 ~~of this section are met. If the provisions of subsection 5 of this section are met,~~  
40 ~~the percentage that may be subtracted in 2017 is five percent.]~~

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