

SECOND REGULAR SESSION

HOUSE BILL NO. 2619

100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MORGAN.

5510H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.011, 143.021, 143.141, and 143.171, RSMo, and to enact in lieu thereof five new sections relating to individual income tax, with a referendum clause.

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

Section A. Sections 143.011, 143.021, 143.141, and 143.171, RSMo, are repealed and five new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.141, 143.171, and 143.178, to read as follows:

143.011. 1. A tax is hereby imposed for every ~~taxable~~ tax year on the Missouri taxable income of every resident.

2. For all tax years ending on or before December 31, 2021, 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:

| If the Missouri taxable income is: | The tax is: |
|------------------------------------|-----------------------------------------|
| Not over \$1,000.00 | 1 1/2% of the Missouri taxable income |
| Over \$1,000 but not over \$2,000 | \$15 plus 2% of excess over \$1,000 |
| Over \$2,000 but not over \$3,000 | \$35 plus 2 1/2% of excess over \$2,000 |
| Over \$3,000 but not over \$4,000 | \$60 plus 3% of excess over \$3,000 |
| Over \$4,000 but not over \$5,000 | \$90 plus 3 1/2% of excess over \$4,000 |
| Over \$5,000 but not over \$6,000 | \$125 plus 4% of excess over \$5,000 |

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.

| | | |
|----|-----------------------------------|------------------------------------------|
| 13 | Over \$6,000 but not over \$7,000 | \$165 plus 4 1/2% of excess over \$6,000 |
| 14 | Over \$7,000 but not over \$8,000 | \$210 plus 5% of excess over \$7,000 |
| 15 | Over \$8,000 but not over \$9,000 | \$260 plus 5 1/2% of excess over \$8,000 |
| 16 | Over \$9,000 | \$315 plus 6% of excess over \$9,000 |
| 17 | | |

18 ~~[2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of~~
 19 ~~this section may be reduced over a period of years. Each reduction in the top rate of tax shall be~~
 20 ~~by one-tenth of a percent and no more than one reduction shall occur in a calendar year. No~~
 21 ~~more than five reductions shall be made under this subsection. Reductions in the rate of tax shall~~
 22 ~~take effect on January first of a calendar year and such reduced rates shall continue in effect until~~
 23 ~~the next reduction occurs.~~

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

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

30 ~~———(4) The director of the department of revenue shall, by rule, adjust the tax tables under~~
 31 ~~subsection 1 of this section to effectuate the provisions of this subsection. The bracket for~~
 32 ~~income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced~~
 33 ~~to five and one-half percent, and the top remaining rate of tax shall apply to all income in excess~~
 34 ~~of the income in the second highest remaining income bracket.]~~

35 3. (1) [In addition to the rate reductions under subsection 2 of this section, beginning
 36 with the 2019 calendar year, the top rate of tax under subsection 1 of this section shall be reduced
 37 by four-tenths of one percent. Such reduction in the rate of tax shall take effect on January first
 38 of the 2019 calendar year.

39 ~~———(2) The modification of tax rates under this subsection shall only apply to tax years that~~
 40 ~~begin on or after the date the modification takes effect.~~

41 ~~———(3) The director of the department of revenue shall, by rule, adjust the tax tables under~~
 42 ~~subsection 1 of this section to effectuate the provisions of this subsection.] **For all tax years**
 43 **beginning on or after January 1, 2022, the tax shall be determined by calculating the sum**
 44 **of the following percentages:**~~

| | | |
|----|------------------------------------------------|--------------------|
| 45 | For the portion of the Missouri taxable | The tax is: |
| 46 | income that is: | |

| | | |
|----|------------------------------------------------|-------------------------------------------------------------|
| 47 | Over \$100.00 but not over \$2,500.00 | 2 1/2% of such amount of the Missouri taxable income |
| 48 | Over \$2,500 but not over \$5,000 | 3 1/2% of such amount of the Missouri taxable income |
| 49 | Over \$5,000 but not over \$10,000 | 4 1/2% of such amount of the Missouri taxable income |
| 50 | Over \$10,000 but not over \$25,000 | 5 1/2% of such amount of the Missouri taxable income |
| 51 | Over \$25,000 but not over \$50,000 | 6% of such amount of the Missouri taxable income |
| 52 | Over \$50,000 but not over \$100,000 | 6 1/2% of such amount of the Missouri taxable income |
| 53 | Over \$100,000 but not over \$250,000 | 7% of such amount of the Missouri taxable income |
| 54 | Over \$250,000 but not over \$500,000 | 7 1/4% of such amount of the Missouri taxable income |
| 55 | Over \$500,000 but not over \$1,000,000 | 7 1/2% of such amount of the Missouri taxable income |
| 56 | Over \$1,000,000 | 7 3/4% of such amount of the Missouri taxable income |

57

58 **(2) Beginning with the 2022 calendar year and every year thereafter, the director**
 59 **of revenue shall adjust the dollar amounts listed under subdivision (1) of this subsection**
 60 **for inflation. The adjustment shall reflect the amount of inflation that occurred between**
 61 **September 1, 2020, and August thirty-first of the year that immediately precedes the year**
 62 **for which the tax rate shall apply. Inflation shall be determined by using the Consumer**
 63 **Price Index for All Urban Consumers for the United States as reported by the Bureau of**
 64 **Labor Statistics or its successor index.**

65 ~~[4. Beginning with the 2017 calendar year, the brackets of Missouri taxable income~~
 66 ~~identified in subsection 1 of this section shall be adjusted annually by the percent increase in~~
 67 ~~inflation. The director shall publish such brackets annually beginning on or after October 1,~~

68 ~~2016. Modifications to the brackets shall take effect on January first of each calendar year and~~
 69 ~~shall apply to tax years beginning on or after the effective date of the new brackets.~~

70 ~~——— 5. As used in this section, the following terms mean:~~

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

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

75 ~~——— (3) "Net general revenue collected", all revenue deposited into the general revenue fund,~~
 76 ~~less refunds and revenues originally deposited into the general revenue fund but designated by~~
 77 ~~law for a specific distribution or transfer to another state fund;~~

78 ~~——— (4) "Percent increase in inflation", the percentage, if any, by which the CPI for the~~
 79 ~~preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and ending~~
 80 ~~August 31, 2015.]~~

143.021. **1. For all tax years ending before January 1, 2021**, every resident having
 2 a taxable income shall determine his or her tax from the rates provided in **subsection 2 of section**
 3 143.011. There shall be no tax on a taxable income of less than one hundred dollars.

4 **2. For all tax years beginning on or after January 1, 2021, every resident having a**
 5 **taxable income shall determine his or her tax from the rates provided under subsection 3**
 6 **of section 143.011.**

143.141. If federal taxable income of a resident individual is determined by itemizing
 2 deductions from his **or her** federal adjusted gross income, ~~[he]~~ **the individual** may elect to
 3 deduct his **or her** Missouri itemized deduction in lieu of his **or her** Missouri standard deduction.
 4 **No itemized deduction shall exceed twenty thousand dollars.** The Missouri itemized
 5 deduction of a resident individual means the allowable federal itemized deductions which consist
 6 of allowable federal deductions other than those allowable in arriving at federal adjusted gross
 7 income and other than the federal deductions for personal and dependency exemptions, with the
 8 following modifications:

9 (1) Reduced by the proportional amount thereof representing the tax imposed by sections
 10 143.011 to 143.998;

11 (2) Reduced by the proportional amount thereof representing any income taxes imposed
 12 by another state of the United States or a political subdivision thereof or the District of
 13 Columbia;

14 (3) Increased by the fair market value of a literary, musical, scholarly, or artistic
 15 composition contributed to any tax exempt agency or institution which is operated on a
 16 not-for-profit basis by any taxpayer whose personal efforts created such composition less the
 17 amount deducted from federal adjusted gross income attributable to such contribution. The fair

18 market value of such literary, musical, scholarly or artistic composition shall be determined by
 19 written appraisal of the property by a person qualified to make such an appraisal other than the
 20 taxpayer, the donee, or any "related taxpayer" within the meaning of such term as defined by
 21 sections 267(b) and 1313(c) of the Internal Revenue Code, as amended. The appraisal shall be
 22 made within one year of the date of the donation and attached to the taxpayer's income tax return;

23 (4) Increased to the extent not otherwise deductible, by the taxes for the same taxable
 24 year for which the return is being filed that are imposed by the following provisions of the
 25 Internal Revenue Code:

26 (a) Section 3101, relating to the tax on employees under the Federal Insurance
 27 Contributions Act;

28 (b) Sections 3201 and 3211, relating to the taxes on railroad employees and railroad
 29 employee representatives under the Railroad Retirement Tax Act;

30 (c) Section 1401, relating to tax on self-employment income, to the extent that such taxes
 31 were not deducted in the computation of the taxpayer's federal adjusted gross income under the
 32 Internal Revenue Code of 1986, as amended.

143.171. 1. For all tax years beginning on or after January 1, 1994, and ending on or
 2 before December 31, 2018, an individual taxpayer shall be allowed a deduction for his or her
 3 federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable
 4 year for which the Missouri return is being filed, not to exceed five thousand dollars on a single
 5 taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits
 6 thereon, except the credit for payments of federal estimated tax, the credit for the overpayment
 7 of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section
 8 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

9 2. Notwithstanding any other provision of law to the contrary, for all tax years beginning
 10 on or after January 1, 2019, an individual taxpayer shall be allowed a deduction equal to a
 11 percentage of his or her federal income tax liability under Chapter 1 of the Internal Revenue
 12 Code for the same taxable year for which the Missouri return is being filed, not to exceed five
 13 thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after
 14 reduction for all credits thereon, except the credit for payments of federal estimated tax, the
 15 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue
 16 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction
 17 percentage is determined according to the following table:

| | |
|------------------------------|------------------------------|
| 18 If the Missouri gross | The deduction percentage is: |
| 19 income on the return is: | |
| 20 \$25,000 or less | 35 percent |
| 21 From \$25,001 to \$50,000 | 25 percent |

| | | |
|----|-----------------------------|------------|
| 22 | From \$50,001 to \$100,000 | 15 percent |
| 23 | From \$100,001 to \$125,000 | 5 percent |
| 24 | \$125,001 or more | 0 percent |

25 3. For all tax years beginning on or after September 1, 1993, a corporate taxpayer shall
 26 be allowed a deduction for fifty percent of its federal income tax liability under Chapter 1 of the
 27 Internal Revenue Code for the same taxable year for which the Missouri return is being filed
 28 after reduction for all credits thereon, except the credit for payments of federal estimated tax, the
 29 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue
 30 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

31 4. If a federal income tax liability for a tax year prior to the applicability of sections
 32 143.011 to 143.996 for which ~~he~~ **the taxpayer** was not previously entitled to a Missouri
 33 deduction is later paid or accrued, ~~he~~ **the taxpayer** may deduct the federal tax in the later year
 34 to the extent it would have been deductible if paid or accrued in the prior year.

**143.178. 1. For all tax years beginning on or after January 1, 2021, a resident
 2 taxpayer shall be allowed a credit against the tax otherwise due under this chapter,
 3 excluding withholding tax imposed under sections 143.191 to 143.265, for each eligible
 4 individual under subsection 2 of this section.**

**2. Individuals who qualify as eligible individuals and the amounts of the credits for
 6 such individuals are as follows:**

**(1) For any resident taxpayer whose filing status is single or married filing
 8 separately and whose federal adjusted gross income is less than thirty thousand dollars,
 9 a credit of two hundred dollars;**

**(2) For any resident taxpayer whose filing status is single or married filing
 11 separately and whose federal adjusted gross income is at least thirty thousand dollars but
 12 no more than fifty thousand dollars, a credit for the taxpayer, the taxpayer's spouse, and
 13 any other individual such taxpayer is authorized to claim as a dependent on the taxpayer's
 14 income tax returns in an amount as follows:**

| 15 | If the taxpayer's federal adjusted gross | The tax credit per eligible person is: |
|----|-------------------------------------------------|-----------------------------------------------|
| 16 | income is: | |
| 17 | \$30,000 to \$31,000 | \$191.00 |
| 18 | \$31,001 to \$32,000 | \$181.00 |
| 19 | \$32,001 to \$33,000 | \$172.00 |
| 20 | \$33,001 to \$34,000 | \$162.00 |
| 21 | \$34,001 to \$35,000 | \$153.00 |

| | | |
|----|-----------------------------|-----------------|
| 22 | \$35,001 to \$36,000 | \$143.00 |
| 23 | \$36,001 to \$37,000 | \$134.00 |
| 24 | \$37,001 to \$38,000 | \$124.00 |
| 25 | \$38,001 to \$39,000 | \$115.00 |
| 26 | \$39,001 to \$40,000 | \$105.00 |
| 27 | \$40,001 to \$41,000 | \$96.00 |
| 28 | \$41,001 to \$42,000 | \$86.00 |
| 29 | \$42,001 to \$43,000 | \$77.00 |
| 30 | \$43,001 to \$44,000 | \$67.00 |
| 31 | \$44,001 to \$45,000 | \$58.00 |
| 32 | \$45,001 to \$46,000 | \$48.00 |
| 33 | \$46,001 to \$47,000 | \$39.00 |
| 34 | \$47,001 to \$48,000 | \$29.00 |
| 35 | \$48,001 to \$49,000 | \$20.00 |
| 36 | \$49,001 to \$50,000 | \$10.00 |

37

38 **(3) Any resident taxpayer whose filing status is head of household or married filing**
 39 **jointly and whose federal adjusted gross income is less than sixty thousand dollars may**
 40 **claim a credit of two hundred dollars for the taxpayer;**

41 **(4) Any resident taxpayer whose filing status is head of household or married filing**
 42 **jointly and whose federal adjusted gross income is at least sixty thousand dollars but no**
 43 **more than eighty thousand dollars may claim a credit for the taxpayer, the taxpayer's**
 44 **spouse, and any other individual such taxpayer is authorized to claim as a dependent on**
 45 **the taxpayer's income tax returns in an amount as follows:**

46 **If the taxpayer's federal adjusted gross The tax credit per eligible person is:**
 47 **income is:**

| | | |
|----|-----------------------------|-----------------|
| 48 | \$60,000 to \$61,000 | \$191.00 |
| 49 | \$61,001 to \$62,000 | \$181.00 |

| | | |
|----|-----------------------------|-----------------|
| 50 | \$62,001 to \$63,000 | \$172.00 |
| 51 | \$63,001 to \$64,000 | \$162.00 |
| 52 | \$64,001 to \$65,000 | \$153.00 |
| 53 | \$65,001 to \$66,000 | \$143.00 |
| 54 | \$66,001 to \$67,000 | \$134.00 |
| 55 | \$67,001 to \$68,000 | \$124.00 |
| 56 | \$68,001 to \$69,000 | \$115.00 |
| 57 | \$69,001 to \$70,000 | \$105.00 |
| 58 | \$70,001 to \$71,000 | \$96.00 |
| 59 | \$71,001 to \$72,000 | \$86.00 |
| 60 | \$72,001 to \$73,000 | \$77.00 |
| 61 | \$73,001 to \$74,000 | \$67.00 |
| 62 | \$74,001 to \$75,000 | \$58.00 |
| 63 | \$75,001 to \$76,000 | \$48.00 |
| 64 | \$76,001 to \$77,000 | \$39.00 |
| 65 | \$77,001 to \$78,000 | \$29.00 |
| 66 | \$78,001 to \$79,000 | \$20.00 |
| 67 | \$79,001 to \$80,000 | \$10.00 |

68 **3. If the amount allowable as a credit exceeds the income tax reduced by other**
69 **credits, the excess shall be considered an overpayment of the income tax and shall be**
70 **refundable.**

71 **4. Beginning with the 2022 calendar year and every year thereafter, the director**
72 **of revenue shall adjust the dollar amounts listed under subsection 2 of this section for**
73 **inflation. The adjustment shall reflect the amount of inflation that occurred between**
74 **September 1, 2020, and August thirty-first of the year that immediately precedes the year**
75 **for which the tax rate shall apply. Inflation shall be determined by using the Consumer**

76 **Price Index for All Urban Consumers for the United States as reported by the Bureau of**
77 **Labor Statistics or its successor index.**

78 **5. The department of revenue may promulgate rules to implement the provisions**
79 **of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that**
80 **is created under the authority delegated in this section shall become effective only if it**
81 **complies with and is subject to all of the provisions of chapter 536 and, if applicable,**
82 **section 536.028. This section and chapter 536 are nonseverable, and if any of the powers**
83 **vested with the general assembly pursuant to chapter 536 to review, to delay the effective**
84 **date, or to disapprove and annul a rule are subsequently held unconstitutional, then the**
85 **grant of rulemaking authority and any rule proposed or adopted after the effective date**
86 **of this act shall be invalid and void.**

Section B. This act is hereby submitted to the qualified voters of this state for approval
2 or rejection at an election, which is hereby ordered and which shall be held and conducted on the
3 Tuesday immediately following the first Monday in November, 2020, or at a special election to
4 be called by the governor for that purpose, under the laws and constitutional provisions of this
5 state applicable to general elections and the submission of referendum measures by initiative
6 petition, and it shall become effective when approved by a majority of the votes cast thereon at
7 such election and not otherwise.

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