

# HOUSE BILL NO. 2734

## 99TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MORGAN.

6798H.011

D. ADAM CRUMBLISS, 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Section A. Sections 143.011, 143.021, 143.141, and 143.171, RSMo, are repealed and five new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.141, 143.171, and 143.178, to read as follows: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, 2019**, 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

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19 ~~[2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of~~  
 20 ~~this section may be reduced over a period of years. Each reduction in the top rate of tax shall be~~  
 21 ~~by one-tenth of a percent and no more than one reduction shall occur in a calendar year. The top~~  
 22 ~~rate of tax shall not be reduced below five and one-half percent. Reductions in the rate of tax~~  
 23 ~~shall take effect on January first of a calendar year and such reduced rates shall continue in effect~~  
 24 ~~until the next reduction occurs.~~

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

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

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

35 **3. [Beginning with the 2017 calendar year, the brackets of Missouri taxable income**  
 36 **identified in subsection 1 of this section shall be adjusted annually by the percent increase in**  
 37 **inflation. The director shall publish such brackets annually beginning on or after October 1,**  
 38 **2016. Modifications to the brackets shall take effect on January first of each calendar year and**  
 39 **shall apply to tax years beginning on or after the effective date of the new brackets] (1) For all**  
 40 **tax years beginning on or after January 1, 2020, the tax shall be determined by calculating**  
 41 **the sum of the following percentages:**

42	<b>If the Missouri taxable income is:</b>	<b>The tax is:</b>
43	<b>Over \$100.00 but not over \$2,500.00</b>	<b>2 1/2% of such amount of the Missouri</b>
44		<b>taxable income</b>
45	<b>Over \$2,500 but not over \$5,000</b>	<b>3 1/2%</b>

46	<b>Over \$5,000 but not over \$10,000</b>	<b>4 1/2%</b>
47	<b>Over \$10,000 but not over \$25,000</b>	<b>5 1/2%</b>
48	<b>Over \$25,000 but not over \$50,000</b>	<b>6%</b>
49	<b>Over \$50,000 but not over \$100,000</b>	<b>6 1/2%</b>
50	<b>Over \$100,000 but not over \$250,000</b>	<b>7%</b>
51	<b>Over \$250,000 but not over \$500,000</b>	<b>7 1/4%</b>
52	<b>Over \$500,000 but not over \$1,000,000</b>	<b>7 1/2%</b>
53	<b>Over \$1,000,000</b>	<b>7 3/4%</b>

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55       **(2) Beginning with the 2020 calendar year and every year thereafter, the director**  
 56 **of revenue shall adjust the dollar amounts listed under subdivision (1) of this subsection**  
 57 **for inflation. The adjustment shall reflect the amount of inflation that occurred between**  
 58 **September 1, 2018, and the August thirty-first of the year that immediately precedes the**  
 59 **year for which the tax rate shall apply. Inflation shall be determined by using the**  
 60 **Consumer Price Index for All Urban Consumers for the United States as reported by the**  
 61 **Bureau of Labor Statistics or its successor index.**

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

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

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

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

143.021. **1. For all tax years ending before January 1, 2019, 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, 2019, 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 federal adjusted gross income, ~~he~~ **the individual** may elect to deduct his

3 **or her** Missouri itemized deduction in lieu of his Missouri standard deduction. **No itemized**  
4 **deduction shall exceed twenty thousand dollars.** The Missouri itemized deduction of a  
5 resident individual means the allowable federal itemized deductions which consist of allowable  
6 federal deductions other than those allowable in arriving at federal adjusted gross income and  
7 other than the federal deductions for personal and dependency exemptions, with the following  
8 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, **but ending on or**  
2 **before December 31, 2018**, an individual taxpayer shall be allowed a deduction for his federal  
3 income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for  
4 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 Section 31 (tax  
 8 withheld on wages), Section 27 (tax of foreign country and United States possessions), and  
 9 Section 34 (tax on certain uses of gasoline, special fuels, and lubricating oils).

10 2. For all tax years beginning on or after September 1, 1993, a corporate taxpayer shall  
 11 be allowed a deduction for fifty percent of its federal income tax liability under Chapter 1 of the  
 12 Internal Revenue Code for the same taxable year for which the Missouri return is being filed  
 13 after reduction for all credits thereon, except the credit for payments of federal estimated tax, the  
 14 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue  
 15 Code by Section 31 (tax withheld on wages), Section 27 (tax of foreign country and United  
 16 States possessions), and Section 34 (tax on certain uses of gasoline, special fuels and lubricating  
 17 oils).

18 3. If a federal income tax liability for a tax year prior to the applicability of sections  
 19 143.011 to 143.996 for which ~~he~~ **the taxpayer** was not previously entitled to a Missouri  
 20 deduction is later paid or accrued, ~~he~~ **the taxpayer** may deduct the federal tax in the later year  
 21 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, 2019, 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.**

**5 2. Individuals who qualify as eligible individuals, and the amount of the credit, are  
 6 as follows:**

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

**10 (2) Any resident taxpayer whose filing status is single or married filing separately  
 11 and whose federal adjusted gross income is at least thirty thousand dollars but not more  
 12 than fifty thousand dollars, a credit for the taxpayer, the taxpayer's spouse, and any other  
 13 individual such taxpayer is authorized to claim as a dependent on the taxpayer's income  
 14 tax returns in an amount as follows:**

<b>15 If the taxpayer's federal adjusted gross</b>	<b>The tax credit per eligible person is:</b>
<b>16 income is:</b>	
<b>17 \$30,000 to 31,000</b>	<b>\$191.00</b>
<b>18 \$31,001 to 32,000</b>	<b>\$181.00</b>
<b>19 \$32,001 to 33,000</b>	<b>\$172.00</b>

20	<b>\$33,001 to 34,000</b>	<b>\$162.00</b>
21	<b>\$34,001 to 35,000</b>	<b>\$153.00</b>
22	<b>\$35,001 to 36,000</b>	<b>\$143.00</b>
23	<b>\$36,001 to 37,000</b>	<b>\$134.00</b>
24	<b>\$37,001 to 38,000</b>	<b>\$124.00</b>
25	<b>\$38,001 to 39,000</b>	<b>\$115.00</b>
26	<b>\$39,001 to 40,000</b>	<b>\$105.00</b>
27	<b>\$40,001 to 41,000</b>	<b>\$96.00</b>
28	<b>\$41,001 to 42,000</b>	<b>\$86.00</b>
29	<b>\$42,001 to 43,000</b>	<b>\$77.00</b>
30	<b>\$43,001 to 44,000</b>	<b>\$67.00</b>
31	<b>\$44,001 to 45,000</b>	<b>\$58.00</b>
32	<b>\$45,001 to 46,000</b>	<b>\$48.00</b>
33	<b>\$46,001 to 47,000</b>	<b>\$39.00</b>
34	<b>\$47,001 to 48,000</b>	<b>\$29.00</b>
35	<b>\$48,001 to 49,000</b>	<b>\$20.00</b>
36	<b>\$49,001 to 50,000</b>	<b>\$10.00</b>

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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 not**  
 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	<b>If the taxpayer's federal adjusted gross</b>	<b>The tax credit per eligible person is:</b>
47	<b>income is:</b>	

48	<b>\$60,000 to 61,000</b>	<b>\$191.00</b>
49	<b>\$61,001 to 62,000</b>	<b>\$181.00</b>
50	<b>\$62,001 to 63,000</b>	<b>\$172.00</b>
51	<b>\$63,001 to 64,000</b>	<b>\$162.00</b>
52	<b>\$64,001 to 65,000</b>	<b>\$153.00</b>
53	<b>\$65,001 to 66,000</b>	<b>\$143.00</b>
54	<b>\$66,001 to 67,000</b>	<b>\$134.00</b>
55	<b>\$67,001 to 68,000</b>	<b>\$124.00</b>
56	<b>\$68,001 to 69,000</b>	<b>\$115.00</b>
57	<b>\$69,001 to 70,000</b>	<b>\$105.00</b>
58	<b>\$70,001 to 71,000</b>	<b>\$96.00</b>
59	<b>\$71,001 to 72,000</b>	<b>\$86.00</b>
60	<b>\$72,001 to 73,000</b>	<b>\$77.00</b>
61	<b>\$73,001 to 74,000</b>	<b>\$67.00</b>
62	<b>\$74,001 to 75,000</b>	<b>\$58.00</b>
63	<b>\$75,001 to 76,000</b>	<b>\$48.00</b>
64	<b>\$76,001 to 77,000</b>	<b>\$39.00</b>
65	<b>\$77,001 to 78,000</b>	<b>\$29.00</b>
66	<b>\$78,001 to 79,000</b>	<b>\$20.00</b>
67	<b>\$79,001 to 80,000</b>	<b>\$10.00</b>

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

72           **4. Beginning with the 2020 calendar year and every year thereafter, the director**  
73 **of revenue shall adjust the dollar amounts listed under subdivision (1) of this subsection**

74 **for inflation. The adjustment shall reflect the amount of inflation that occurred between**  
75 **September 1, 2018, and the August thirty-first of the year that immediately precedes the**  
76 **year for which the tax rate shall apply. Inflation shall be determined by using the**  
77 **Consumer Price Index for All Urban Consumers for the United States as reported by the**  
78 **Bureau of Labor Statistics or its successor index.**

79 **5. The department of revenue may promulgate rules to implement the provisions**  
80 **of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that**  
81 **is created under the authority delegated in this section shall become effective only if it**  
82 **complies with and is subject to all of the provisions of chapter 536 and, if applicable,**  
83 **section 536.028. This section and chapter 536 are nonseverable, and if any of the powers**  
84 **vested with the general assembly pursuant to chapter 536 to review, to delay the effective**  
85 **date, or to disapprove and annul a rule are subsequently held unconstitutional, then the**  
86 **grant of rulemaking authority and any rule proposed or adopted after August 28, 2018,**  
87 **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, 2018, 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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