

FIRST REGULAR SESSION

HOUSE BILL NO. 846

100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE CARPENTER.

1763H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal section 143.011, RSMo, and to enact in lieu thereof two new sections relating to income tax, with a contingent effective date.

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

Section A. Section 143.011, RSMo, is repealed and two new sections enacted in lieu thereof, to be known as sections 135.760 and 143.011, to read as follows:

135.760. 1. This section shall be known and may be cited as the "Missouri Earned Income Tax Credit Act".

2. For purposes of this section, the following terms mean:

(1) "Department", the department of revenue;

(2) "Eligible taxpayer", a resident individual with a filing status of single, head of household, widowed, or married filing combined who is subject to the tax imposed under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265, and who is allowed a federal earned income tax credit under Section 32 of the Internal Revenue Code of 1986, as amended;

(3) "Tax credit", a credit against the tax otherwise due under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265.

3. For all tax years beginning on or after January 1, 2020, an eligible taxpayer shall be allowed a tax credit in an amount equal to twenty percent of the amount such taxpayer would receive under the federal earned income tax credit. The tax credit allowed by this section shall be claimed by such taxpayer at the time such taxpayer files a return and shall be applied against the income tax liability imposed by chapter 143 after reduction for all

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.

17 other credits allowed thereon. If the amount of the credit exceeds the tax liability, the
18 difference shall be refunded to the taxpayer.

19 4. Notwithstanding the provision of subsection 4 of section 32.057 to the contrary,
20 the department shall determine whether any taxpayer filing a report or return with the
21 department who did not apply for the credit authorized under this section may qualify for
22 the credit and, if so determines a taxpayer may qualify for the credit, shall notify such
23 taxpayer of his or her potential eligibility. In making a determination of eligibility under
24 this section, the department shall use any appropriate and available data including, but not
25 limited to, data available from the Internal Revenue Service, the U.S. Department of
26 Treasury, and state income tax returns from previous tax years.

27 5. The department shall prepare an annual report containing statistical information
28 regarding the tax credits issued under this section for the previous tax year, including the
29 total amount of revenue expended on the earned income tax credit, the number of credits
30 claimed, and the average value of the credits issued to taxpayers whose earned income falls
31 within various income ranges determined by the department.

32 6. The department shall contract with one or more nonprofit groups to provide
33 notice of the earned income tax credit to eligible taxpayers. The department shall require
34 evidence of the effectiveness of the nonprofit group, the connection with the community in
35 which the group operates, and the ability to contact taxpayers that are unlikely to claim
36 the federal earned income tax credit including, but not limited to, non-English speakers,
37 the elderly, tenants, and very low-income taxpayers who do not file tax returns annually.
38 The department shall give preference to nonprofit groups with members in low- and
39 moderate-income areas, to nonprofit groups with at least fifty-one percent of its board of
40 directors having low to moderate incomes and residing in target communities, and to
41 nonprofit groups that have a record of effective door-to-door outreach for similar
42 community projects.

43 7. The director of the department shall promulgate rules and regulations to
44 administer the provisions of this section. Any rule or portion of a rule, as that term is
45 defined in section 536.010, that is created under the authority delegated in this section shall
46 become effective only if it complies with and is subject to all of the provisions of chapter
47 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable, and
48 if any of the powers vested with the general assembly pursuant to chapter 536 to review,
49 to delay the effective date, or to disapprove and annul a rule are subsequently held
50 unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted
51 after August 28, 2019, shall be invalid and void.

143.011. 1. A tax is hereby imposed for every ~~taxable~~ tax 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 If the Missouri taxable income is:	The tax is:
5 Not over \$1,000.00	1 1/2% of the Missouri taxable income
6 Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over \$1,000
7 Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess over \$2,000
8 Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over \$3,000
9 Over \$4,000 but not over \$5,000	\$90 plus 3 1/2% of excess over \$4,000
10 Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
11 Over \$6,000 but not over \$7,000	\$165 plus 4 1/2% of excess over \$6,000
12 Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over \$7,000
13 Over \$8,000 but not over \$9,000	\$260 plus 5 1/2% of excess over \$8,000
14 Over \$9,000	\$315 plus 6% of excess over \$9,000

15 2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection
 16 1 of this section may be reduced over a period of years. Each reduction in the top rate of tax
 17 shall be by one-tenth of a percent and no more than one reduction shall occur in a calendar
 18 year. No more than five reductions shall be made under this subsection. Reductions in the
 19 rate of tax shall take effect on January first of a calendar year and such reduced rates shall
 20 continue in effect until the next reduction occurs.

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

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

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

32 3. (1) In addition to the rate reductions under subsection 2 of this section, beginning
33 with the 2019 calendar year, the top rate of tax under subsection 1 of this section shall be
34 reduced by four-tenths of one percent. Such reduction in the rate of tax shall take effect on
35 January first of the 2019 calendar year.

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

38 (3) The director of the department of revenue shall, by rule, adjust the tax tables
39 under subsection 1 of this section to effectuate the provisions of this subsection.

40 4. Beginning with the 2017 calendar year, the brackets of Missouri taxable income
41 identified in subsection 1 of this section shall be adjusted annually by the percent increase
42 in inflation. The director shall publish such brackets annually beginning on or after October
43 1, 2016. Modifications to the brackets shall take effect on January first of each calendar year
44 and shall apply to tax years beginning on or after the effective date of the new brackets.

45 5. (1) **As used in this subsection, the term "tax year" means a twelve-month**
46 **period ending on December thirty-first.**

47 (2) **For the tax year beginning on January 1, 2020, the director shall positively**
48 **adjust the amounts of the Missouri taxable income listed in subsection 1 of this section**
49 **by a percentage equal to the inflation rate that occurred in 1934. For each subsequent**
50 **tax year, the director shall positively adjust the amounts of the Missouri taxable income**
51 **by a rate equal to the amount of inflation experienced during the corresponding**
52 **historical tax year. If the corresponding historical tax year did not experience a**
53 **positive inflation rate, the director shall not adjust the amounts of Missouri taxable**
54 **income for that tax year under this subsection and shall resume adjustments in the next**
55 **tax year whose corresponding historical tax year did experience a positive inflation**
56 **rate. No adjustment under this subsection shall be in an amount that increases the**
57 **amounts of the Missouri taxable income beyond the limit of Article X, Section 18 or**
58 **18(e) of the Constitution of Missouri.**

59 (3) **The director shall make annual adjustments required under subdivision (2)**
60 **of this subsection until the amount of total adjustments resulting from this subsection**
61 **is equal to seventeen and seven-tenths percent, which was the inflation rate between tax**
62 **years 1934 and 2015, and shall not make adjustments under this subsection thereafter.**
63 **This subdivision shall not prevent the director from adjusting the amounts of Missouri**
64 **taxable income under provisions other than this subsection.**

65 (4) **Under section 23.253 of the Missouri sunset act:**

66 **(a) The provisions of the new program authorized under this subsection shall**
 67 **automatically sunset on December thirty-first two years after the effective date of this**
 68 **subsection unless reauthorized by an act of the general assembly;**

69 **(b) If such program is reauthorized, the program authorized under this**
 70 **subsection shall automatically sunset on December thirty-first two years after the**
 71 **effective date of the reauthorization of this subdivision unless reauthorized by an act**
 72 **of the general assembly; and**

73 **(c) This subsection shall terminate on September first of the calendar year**
 74 **immediately following the calendar year in which the program authorized under this**
 75 **subsection is sunset.**

76 **6. As used in this section, the following terms mean:**

77 **(1) "Corresponding historical tax year", the tax year eighty-six years prior to**
 78 **a tax year;**

79 **(2) "CPI", the Consumer Price Index for All Urban Consumers for the United States**
 80 **as reported by the Bureau of Labor Statistics, or its successor index;**

81 ~~[(2)]~~ **(3) "CPI for the preceding calendar year", the average of the CPI as of the close**
 82 **of the ~~[twelve-month]~~ twelve-month period ending on August thirty-first of such calendar**
 83 **year;**

84 **(4) "Inflation rate", the percentage that indicates the change in CPI, reported**
 85 **by the Bureau of Labor Statistics, in a given tax year;**

86 ~~[(3)]~~ **(5) "Net general revenue collected", all revenue deposited into the general**
 87 **revenue fund, less refunds and revenues originally deposited into the general revenue fund**
 88 **but designated by law for a specific distribution or transfer to another state fund;**

89 ~~[(4)]~~ **(6) "Percent increase in inflation", the percentage, if any, by which the CPI for**
 90 **the preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and**
 91 **ending August 31, 2015.**

2 Section B. The enactment of section 135.760 of this act shall become effective upon
 3 a growth in net general revenue by such an amount that such net general revenue increase,
 4 when combined with the projected annual revenue reduction of section 135.760, would still
 5 be sufficient to trigger a reduction of the individual income tax top rate under subsection 2
 of section 143.011.

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