

SENATE BILL NO. 245

101ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR ONDER.

0966S.011

ADRIANE D. CROUSE, Secretary

AN ACT

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Section A. Sections 143.011 and 143.022, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.022, to read as follows:

143.011. 1. 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:

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

EXPLANATION-Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

16	Over \$4,000 but not	\$90 plus 3 1/2% of excess
17	over \$5,000	over \$4,000
18	Over \$5,000 but not	\$125 plus 4% of excess over
19	over \$6,000	\$5,000
20	Over \$6,000 but not	\$165 plus 4 1/2% of excess
21	over \$7,000	over \$6,000
22	Over \$7,000 but not	\$210 plus 5% of excess over
23	over \$8,000	\$7,000
24	Over \$8,000 but not	\$260 plus 5 1/2% of excess
25	over \$9,000	over \$8,000
26	Over \$9,000	\$315 plus 6% of excess over
27		\$9,000

28 2. (1) Beginning with the 2017 calendar year, the top
 29 rate of tax under subsection 1 of this section may be
 30 reduced over a period of years. Each reduction in the top
 31 rate of tax shall be by one-tenth of a percent and no more
 32 than one reduction shall occur in a calendar year. No more
 33 than [five] **three** reductions shall be made under this
 34 subsection. Reductions in the rate of tax shall take effect
 35 on January first of a calendar year and such reduced rates
 36 shall continue in effect until the next reduction occurs.

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

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

46 (4) The director of the department of revenue shall,
47 by rule, adjust the tax tables under subsection 1 of this
48 section to effectuate the provisions of this subsection.
49 The bracket for income subject to the top rate of tax shall
50 be eliminated once the top rate of tax has been reduced to
51 five and one-half percent, and the top remaining rate of tax
52 shall apply to all income in excess of the income in the
53 second highest remaining income bracket.

54 3. (1) In addition to the rate reductions under
55 subsection 2 of this section, beginning with the 2019
56 calendar year, the top rate of tax under subsection 1 of
57 this section shall be reduced by four-tenths of one
58 percent. Such reduction in the rate of tax shall take
59 effect on January first of the 2019 calendar year.

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

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

66 **4. (1) In addition to the rate reductions under**
67 **subsections 2 and 3 of this section, beginning with the 2022**
68 **calendar year, the top rate of tax under subsection 1 of**
69 **this section may be reduced over a period of years. Each**
70 **reduction in the top rate of tax shall be by one-fifth of**
71 **one percent and no more than one reduction shall occur in a**
72 **calendar year, provided that the aggregate amount of**
73 **reductions made under this subsection shall not exceed seven-**
74 **tenths of one percent. Reductions in the rate of tax shall**
75 **take effect on January first of a calendar year and such**
76 **reduced rates shall continue in effect until the next**
77 **reduction occurs.**

78 (2) A reduction in the rate of tax shall only occur if
79 the amount of net general revenue collected in the previous
80 fiscal year exceeds the highest amount of net general
81 revenue collected in any of the three fiscal years prior to
82 such fiscal year by at least one hundred fifty million
83 dollars.

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

87 (4) The director of the department of revenue shall,
88 by rule, adjust the tax tables under subsection 1 of this
89 section to effectuate the provisions of this subsection.
90 The bracket for income subject to the top rate of tax shall
91 be eliminated once the top rate of tax has been reduced to
92 five and one-half percent, and the top remaining rate of tax
93 shall apply to all income in excess of the income in the
94 second highest remaining income bracket.

95 5. Beginning with the 2017 calendar year, the brackets
96 of Missouri taxable income identified in subsection 1 of
97 this section shall be adjusted annually by the percent
98 increase in inflation. The director shall publish such
99 brackets annually beginning on or after October 1, 2016.
100 Modifications to the brackets shall take effect on January
101 first of each calendar year and shall apply to tax years
102 beginning on or after the effective date of the new brackets.

103 [5.] 6. As used in this section, the following terms
104 mean:

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

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

111 (3) "Net general revenue collected", all revenue
112 deposited into the general revenue fund, less refunds and
113 revenues originally deposited into the general revenue fund
114 but designated by law for a specific distribution or
115 transfer to another state fund;

116 (4) "Percent increase in inflation", the percentage,
117 if any, by which the CPI for the preceding calendar year
118 exceeds the CPI for the year beginning September 1, 2014,
119 and ending August 31, 2015.

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

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

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

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

18 3. In the case of an S corporation described in
19 section 143.471 or a partnership computing the deduction
20 allowed under subsection 2 of this section, taxpayers

21 described in subdivision (1) or (2) of this subsection shall
22 be allowed such deduction apportioned in proportion to their
23 share of ownership of the business as reported on the
24 taxpayer's Schedule K-1, or its successor form, for the tax
25 period for which such deduction is being claimed when
26 determining the Missouri adjusted gross income of:

27 (1) The shareholders of an S corporation as described
28 in section 143.471;

29 (2) The partners in a partnership.

30 4. The percentage to be subtracted under subsection 2
31 of this section shall be increased over a period of years.
32 **For all tax years beginning on or after January 1, 2017, and**
33 **beginning on or before December 31, 2021,** each increase in
34 the percentage shall be by five percent and no more than one
35 increase shall occur in a calendar year. **For all tax years**
36 **beginning on or after January 1, 2022, each increase in the**
37 **percentage shall be by ten percent, and no more than one**
38 **increase shall occur in a calendar year.** The maximum
39 percentage that may be subtracted is [twenty] **fifty** percent
40 of business income. Any increase in the percentage that may
41 be subtracted shall take effect on January first of a
42 calendar year and such percentage shall continue in effect
43 until the next percentage increase occurs. An increase
44 shall only apply to tax years that begin on or after the
45 increase takes effect.

46 5. An increase in the percentage that may be
47 subtracted under subsection 2 of this section shall only
48 occur if the amount of net general revenue collected in the
49 previous fiscal year exceeds the highest amount of net
50 general revenue collected in any of the three fiscal years
51 prior to such fiscal year by at least one hundred fifty
52 million dollars.

53 6. The first year that a taxpayer may make the
54 subtraction under subsection 2 of this section is 2017,
55 provided that the provisions of subsection 5 of this section
56 are met. If the provisions of subsection 5 of this section
57 are met, the percentage that may be subtracted in 2017 is
58 five percent.

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