

HCS HB 1644 -- CORPORATE INCOME TAX RATES

SPONSOR: Smith, 14 (Muschany)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Tax Reform by a vote of 7 to 3.

This substitute authorizes a gradual reduction in the corporate income tax rate from 6.25% to 5% for 2009; 3.75% for 2010; 2.5% for 2011; 1.25% for 2012; and no corporate income tax will be imposed for 2013 and thereafter.

Currently, the federal income tax deduction for an individual on his or her Missouri income tax is limited to \$5,000 for a single taxpayer, \$10,000 for married taxpayers, and 50% of the federal income tax for a corporation. The substitute allows any amount greater than the current deduction limit to be allowed as follows: 20% for 2009; 40% for 2010; 60% for 2011; 80% for 2012; and 100% of all federal income tax liability for all tax years beginning January 1, 2013, to be deducted from an individual's state income tax. For corporate income tax, the substitute increases the federal income tax deduction to 60% for 2009, 70% for 2010, 80% for 2011, 90% for 2012, and allows full deductibility from state income tax of all federal income tax liability for all tax years beginning January 1, 2013.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2009, \$214,600,000 in FY 2010, and \$391,400,000 in FY 2011. No impact on Other State Funds in FY 2009, FY 2010, and FY 2011.

PROPOSERS: Supporters say that the bill makes any amount of federal corporate tax paid completely deductible. Prior to 1993, it was completely deductible. The money spent for federal tax is not available to spend, so this is a tax on a tax. Beginning in 1993, the deduction went to a 50% deduction. Large and small businesses pay this and will benefit from the bill. This is an unfavorable business practice.

Testifying for the bill were Representative Onder; Missouri Chamber of Commerce and Industry; Taxpayers Research Institute of Missouri; and Associated Industries of Missouri.

OPPOSERS: Those who oppose the bill say that it is negative to tax fairness, and it creates a concern for adequacy of revenue for the future.

Testifying against the bill were Missouri National Education Association; Missourians for Tax Justice; and Missouri Association for Social Welfare.