

HCS HB 1644 -- INCOME AND FUEL TAXES (Muschany)

COMMITTEE OF ORIGIN: Committee on Tax Reform

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.

The individual income tax rate is reduced from 1.5% to 0% for Missouri taxable incomes of less than \$1,000.

The substitute establishes a motor fuel tax holiday which authorizes the state motor fuel tax paid on the purchase of motor fuel in Missouri for personal use by a retail consumer for the period beginning on Memorial Day weekend and ending on Labor Day weekend to be refunded by the state. No state and local sales and use tax will be assessed on fuel purchased during the holiday period.

The substitute contains an emergency clause for the provisions regarding the motor fuel tax holiday.

FISCAL NOTE: Estimated Cost on General Revenue Fund of Less than \$143,392,000 in FY 2009, \$215,108,000 in FY 2010, and \$391,908,000 in FY 2011. No impact on Other State Funds in FY 2009, FY 2010, and FY 2011.