

FIRST REGULAR SESSION

# HOUSE BILL NO. 796

100TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE POGUE.

1067H.011

DANA RADEMAN MILLER, Chief Clerk

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## AN ACT

To repeal sections 143.011 and 143.022, RSMo, and to enact in lieu thereof two new sections relating to income tax.

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Section A. Sections 143.011 and 143.022, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.022, to read as follows: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

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

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.

12	Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
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

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

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

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

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

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

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

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

42           4. Beginning with the 2017 calendar year, the brackets of Missouri taxable income  
43 identified in subsection 1 of this section shall be adjusted annually by the percent increase in  
44 inflation. The director shall publish such brackets annually beginning on or after October 1,  
45 2016. Modifications to the brackets shall take effect on January first of each calendar year and  
46 shall apply to tax years beginning on or after the effective date of the new brackets.

47           5. As used in this section, the following terms mean:

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

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

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

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

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

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

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

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

12           3. In the case of an S corporation described in section 143.471 or a partnership  
13 computing the deduction allowed under subsection 2 of this section, taxpayers described in  
14 subdivision (1) or (2) of this subsection shall be allowed such deduction apportioned in  
15 proportion to their share of ownership of the business as reported on the taxpayer's Schedule K-1,  
16 or its successor form, for the tax period for which such deduction is being claimed when  
17 determining the Missouri adjusted gross income of:

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

19           (2) The partners in a partnership.

20           4. The percentage to be subtracted under subsection 2 of this section shall be increased  
21 over a period of years. Each increase in the percentage shall be by five percent and no more than  
22 one increase shall occur in a calendar year. The maximum percentage that may be subtracted is  
23 twenty percent of business income. Any increase in the percentage that may be subtracted shall  
24 take effect on January first of a calendar year and such percentage shall continue in effect until  
25 the next percentage increase occurs. An increase shall only apply to tax years that begin on or  
26 after the increase takes effect.

27           5. An increase in the percentage that may be subtracted under subsection 2 of this section  
28 shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds  
29 the highest amount of net general revenue collected in any of the three fiscal years prior to such  
30 fiscal year [~~by at least one hundred fifty million dollars~~].

31           6. The first year that a taxpayer may make the subtraction under subsection 2 of this  
32 section is 2017, provided that the provisions of subsection 5 of this section are met. If the  
33 provisions of subsection 5 of this section are met, the percentage that may be subtracted in 2017  
34 is five percent.

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