

FIRST REGULAR SESSION

HOUSE BILL NO. 834

100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE RIGGS.

1818H.011

DANA RADEMAN MILLER, Chief Clerk

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Section A. Sections 143.011 and 143.022, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.022, to read as follows: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~~ 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
Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
Over \$6,000 but not over \$7,000	\$165 plus 4 1/2% of excess over \$6,000
Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over \$7,000
Over \$8,000 but not over \$9,000	\$260 plus 5 1/2% of excess over \$8,000
Over \$9,000	\$315 plus 6% of excess over \$9,000

2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of this section may be reduced over a period of years. Each reduction in the top rate of tax shall be by one-tenth of a percent and no more than one reduction shall occur in a calendar year. No

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.

18 more than ~~[five]~~ **two** reductions shall be made under this subsection. Reductions in the rate of
19 tax shall take effect on January first of a calendar year and such reduced rates shall continue in
20 effect until the next reduction occurs.

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

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

27 (4) The director of ~~[the department of]~~ revenue shall, by rule, adjust the tax tables under
28 subsection 1 of this section to effectuate the provisions of this subsection. The bracket for
29 income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced
30 to five and one-half percent, and the top remaining rate of tax shall apply to all income in excess
31 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 reduced
34 by four-tenths of one percent. Such reduction in the rate of tax shall take effect on January first
35 of the 2019 calendar year.

36 (2) The modification of tax rates under this subsection shall only apply to tax years that
37 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 under
39 subsection 1 of this section to effectuate the provisions of this subsection.

40 4. **(1) In addition to the rate reductions under subsections 2 and 3 of this section,**
41 **beginning with the 2020 calendar year, the top rate of tax under subsection 1 of this section**
42 **may be reduced over a period of years. Each reduction in the top rate of tax shall be by**
43 **one-fifth of one percent and no more than one reduction shall occur in a calendar year.**
44 **The aggregate amount of reductions made under this subsection shall not exceed four-fifths**
45 **of one percent. Reductions in the rate of tax shall take effect on January first of a calendar**
46 **year and such reduced rates shall continue in effect until the next reduction occurs.**

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

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

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

58 **5.** Beginning with the 2017 calendar year, the brackets of Missouri taxable income
59 identified in subsection 1 of this section shall be adjusted annually by the percent increase in
60 inflation. The director shall publish such brackets annually beginning on or after October 1,
61 2016. Modifications to the brackets shall take effect on January first of each calendar year and
62 shall apply to tax years beginning on or after the effective date of the new brackets.

63 ~~[5-]~~ **6.** As used in this section, the following terms mean:

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

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

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

71 (4) "Percent increase in inflation", the percentage, if any, by which the CPI for the
72 preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and ending
73 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. **For all tax years beginning on or after January 1, 2017, and**
22 **beginning on or before December 31, 2019**, each increase in the percentage shall be by five
23 percent and no more than one increase shall occur in a calendar year. **For all tax years**
24 **beginning on or after January 1, 2020, each increase in the percentage shall be by ten**
25 **percent, and no more than one increase shall occur in a calendar year.** The maximum
26 percentage that may be subtracted is ~~twenty~~ **fifty** percent of business income. Any increase in
27 the percentage that may be subtracted shall take effect on January first of a calendar year and
28 such percentage shall continue in effect until the next percentage increase occurs. An increase
29 shall only apply to tax years that begin on or after the increase takes effect.

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

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

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