

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1867H.011  
 Bill No.: HB 816  
 Subject: Taxation and Revenue; Department of Revenue  
 Type: Original  
 Date: January 30, 2023

Bill Summary: This proposal modifies provisions relating to state sales tax and corporate income tax rates with a revenue trigger.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
General Revenue	(\$469,643,557)*	(\$745,211,784)	(\$834,094,619)	(\$923,246,803)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$469,643,557)</b>	<b>(\$745,211,784)</b>	<b>(\$834,094,619)</b>	<b>(\$923,246,803)</b>

\*The impact for FY 2024 is smaller because it reflects a partial year (6 months of corporate income tax collections and 9 months of sales tax collections). The fiscal impact (FY '26 & '27) reflects the triggered reduction in the corporate income tax rate to 1% (approximately \$178 million) would occur in calendar 2026 (\$143.071.5). The actual year of the trigger (from 2% to 1%) may be much later.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
State Road Bond Fund	(\$19,404,671)	(\$25,872,895)	(\$25,872,895)	(\$25,872,895)
State Road Fund	(\$14,165,410)	(\$18,887,213)	(\$18,887,213)	(\$18,887,213)
State Transp. Fund	(\$388,094)	(\$517,458)	(\$517,458)	(\$517,458)
<b>Total Estimated Net Effect on Other State Funds*</b>	<b>(\$33,958,175)</b>	<b>(\$45,277,566)</b>	<b>(\$45,277,566)</b>	<b>(\$45,277,566)</b>

\* The 3% sales tax on motor vehicles is deposited into the State Road Bond Fund (50%); the State Road Fund (36.5%); the State Transportation Fund (1%); and the Fuel Local Deposit Fund (FLOYD)(12.5%) instead of the General Revenue Fund.  
 Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>Local Government*</b>	<b>(\$4,851,168)</b>	<b>(\$32,864,556)</b>	<b>(\$32,864,556)</b>	<b>(46,062,723)</b>

The fiscal impact reflects the triggered reduction in the financial institutions tax rate (approximately \$13 million) would occur in calendar 2026 (§143.071.5 & §148.720). The actual year of trigger may be much later.

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 143.071 – Corporate Income Tax**

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal will reduce the corporate income tax 2%, starting with tax year 2024. Beginning with calendar year 2025, the corporate income tax may be reduced by an additional 1% when the revenue from tax on income of corporations exceeds the highest amount collected in any prior fiscal year by at least \$50 million.

Based on current revenue forecasts, B&P notes that the additional 1% reduction would not be triggered for tax year 2025, based on estimated FY24 revenues. Therefore, for the purpose of this fiscal note, B&P will assume that the additional reduction will be triggered for tax year 2026.

B&P notes that under Section 148.720, RSMo, the financial institutions tax (formerly known as the bank franchise taxes) (Sections 148.030, 148.140, and 148.620, RSMo.) shall be reduced by a proportional amount to any reduction in the corporate income tax. Such reduction shall occur in the calendar year in which the corporate tax rate is reduced. Table 1 shows the proposed tax rates for corporations and the corresponding reduced financial institution tax rates.

Table 1: Proposed Corporate  
Tax Rate

Tax Year	Corporate Rate	Franchise Tax Rate
2023	4.00%	4.48%
2024	2.00%	2.24%
2025	2.00%	2.24%
2026	1.00%	1.12%

\*Assumes additional 1%  
reduction is triggered for tax  
year 2026.

#### Corporate Income Tax

In FY22, net corporate tax collections were \$711,062,676 at a tax rate of 4.0%.

B&P estimates that reducing the corporate income tax could reduce GR by \$355.5M beginning with tax year 2024. Once fully implemented, B&P estimates this provision could reduce corporate income tax collections by \$533.3M annually.

However, because this proposal would take effect January 1, corporations would adjust their declarations payments during FY24. Based on historic remittance patterns, B&P notes that

corporate income tax collections are split approximately 50/50 between fiscal years. Table 2 shows the estimate impact on general revenue by fiscal year.

Table 2: Impact to GR  
 from Corporate Rate  
 Reduction

Tax Year	GR Impact
FY24	(\$177,765,669)
FY25	(\$355,531,338)
FY26	(\$444,414,173)
FY27	(\$533,297,007)

Financial Institution Tax

B&P notes that the financial institution tax is paid annually in the fiscal year following the end of a calendar year. In FY22, financial institutions tax collections were \$53,870,066 at a tax rate of 4.48%.

B&P notes that the financial institutions tax is distributed to GR (2%) and local funds (98%) on an annual basis and that tax payments for tax year 1 are distributed in FY2. For example: tax payments for 2024 will be collected and distributed during FY25. Table 3 shows the estimated impact on state and local funds by fiscal year.

Table 3: State and Local Impact from  
 Bank Franchise Tax Reduction

Tax Year	GR (2%)	Local (98%)
FY24	\$0	\$0
FY25	(\$538,701)	(\$26,396,332)
FY26	(\$538,701)	(\$26,396,332)
FY27	(\$808,051)	(\$39,594,499)

Corporate Summary

B&P estimates that this provision may reduce TSR and GR by \$177.8M in FY24. Once fully implemented, this proposal could annually reduce TSR and GR by \$534.1M. This proposal could also reduce local funds by \$39.6M annually once fully implemented. Table 4 shows the impacts by state and local fund by fiscal year.

Table 4: State and Local Impact from Corporate Rate Reduction

	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
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<u>State Impact</u>					
Corporate Tax Rate Reduction		(\$177,765,669)	(\$355,531,338)	(\$444,414,173)	(\$533,297,007)
Financial Institutions Tax Rate Reduction		\$0	(\$538,701)	(\$538,701)	(\$808,051)
Total GR Loss		(\$177,765,669)	(\$356,070,039)	(\$444,952,874)	(\$534,105,058)
<u>Local Impact</u>					
	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	
Financial Institutions Tax Rate Reduction	\$0	(\$26,396,332)	(\$26,396,332)	(\$39,594,499)	

\*Assumes additional 1% reduction is triggered for tax year 2026.

Officials from the **Department of Revenue (DOR)** note starting January 1, 2024, this proposal will reduce the corporate tax rate to 2% for tax year 2024. The starting in 2025 it will allow for another reduction of the corporate tax rate to 1% if certain revenue growth triggers occur. Based on current revenue estimates DOR assumes it will not trigger in tax year 2025 but will trigger in tax year 2026. The corporate tax rate would then remain at 1% for all future tax years. The current corporate tax rate is 4%.

FY 2022 net collections were \$711.1M. Since this proposal is effective January 1, 2024 it is assumed only 6 months of collections will be impacted in FY 2024.

Per Section 148.720 whenever there is a reduction in the corporate tax rate there shall be a proportional decrease in the financial institutions tax. The financial institutions tax is currently 4.48% with 98% of it distributed to locals and 2% retained by general revenue. In FY 2022, DOR collected \$53,870,066 in tax. Per Section 148.720 the reduction in the financial institutions tax is reduced in the following year. The tax rates are expected to be:

Tax Year	Corporate Rate	Financial Institutions Rate
2023 current	4.0%	4.48%
2024	2.0%	2.24%
2025	2.0%	2.24%
2026+	1.0%	1.12%

The Department used its internal Income Tax Model that contains confidential taxpayer data from the 2020 tax year (the most recent complete tax year data) to calculate the fiscal impact.

Impact to Funds from reduction:

State and Local Impact from Corporate Rate Reduction

	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
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<u>State Impact</u>			
Corporate Tax Rate Reduction	(\$177,765,669)	(\$355,531,338)	(\$444,414,173)
Financial Institutions Tax Rate Reduction	\$0	(\$538,701)	(\$538,701)
<b>Total GR Loss</b>	<b>(\$177,765,669)</b>	<b>(\$356,070,039)</b>	<b>(\$444,952,873)</b>
<u>Local Impact</u>			
	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Financial Institutions Tax Rate Reduction	\$0	(\$26,396,332)	(\$26,396,332)

This proposal will require the Department of Revenue to change their forms, computer programs and website. These changes are estimated at \$7,193.

**Oversight** assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the form and programming costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

**Sections 144.020 and 144.021 – Sales Tax Reduction**

B&P notes these sections would reduce the statewide sales tax rate from 4.0% to 3.575%. B&P notes that the 4% statewide rate includes the 1% designated for the School District Trust Fund. For the purpose of this fiscal note, B&P assumes that the rate reduction would only apply to the 3% general tax and would not impact the 1% education tax.

Therefore, beginning August 28, 2023, the general tax rate will be reduced from 3% to 2.575% (4.0% - 3.757% = 0.425% -> 3.0% - 0.425% = 2.575%). B&P notes that sales tax collections are one month behind actual sales; therefore, this provision will reduce revenues for 9 months in FY24.

B&P notes that the 3% general tax on tangible goods is deposited into the state General Revenue (GR) fund. However, the 3% general tax on motor vehicles, trailers, boats, and outboard motors are deposited into multiple road related funds.

General Revenue

In FY22, GR sales tax collections were \$2,746,882,903. Therefore, B&P estimates that reducing the GR sales tax rate could reduce collections by \$291,856,309 in FY24. Once fully implemented, this provision could reduce GR by \$389,141,745.

Motor Vehicle Sales Tax

B&P notes that the 3% tax on motor vehicles is deposited into the State Road Bond Fund (50%); the State Road Fund (36.5%); the State Transportation Fund (1%); and the Fuel Local Deposit Fund (FLOYD)(12.5%) which is then distributed to local jurisdictions.

In FY22, the state 3% MV sales tax collections were \$365,264,400. Therefore, B&P estimates that reducing the 3% tax rate could reduce collections by \$51,745,790, of which \$6,468,224 would be distributed to locals.

Sales Tax Summary

B&P estimates that this provision could reduce state funds by \$325,814,484 and GR by \$291,856,309 in FY24. Once fully implemented this provision could reduce state revenues by \$434,419,311 and GR by \$389,141,745 annually. In addition, this provision could reduce local funding by \$6,468,224 annually once fully implemented. Table 5 shows the estimated impact by fund.

Table 5: Sales Tax Reduction by Fund

<u>State Funds</u>	FY 2024	FY 2025+
General Revenue	(\$291,856,309)	(\$389,141,745)
State Road Bond Fund	(\$19,404,671)	(\$25,872,895)
State Road Fund	(\$14,165,410)	(\$18,887,213)
State Transportation Fund	(\$388,094)	(\$517,458)
<b>Total State Impact</b>	<b>(\$325,814,484)</b>	<b>(\$434,419,311)</b>
<u>Local Funds</u>		
Fuel Local Deposit (FLOYD)	(\$4,851,168)	(\$6,468,224)

Bill Summary

B&P estimates that this proposal could reduce state funds by \$503,580,153 and GR by \$469,621,978 in FY24. Once the corporate income tax has fully implemented, this proposal may reduce state revenues by \$968,524,369 and GR by \$923,246,803. In addition, this proposal could reduce local tax collections by \$46,062,723 once fully implemented. Table 6 shows the estimated impact by provision and fund.

Table 6: Estimated Impact by Fund

<u>State Funds</u>	FY 2024	FY 2025	FY 2026	FY 2027
General Revenue				
Corporate Reduction	(\$177,765,669)	(\$355,531,338)	(\$444,414,173)	(\$533,297,007)
Financial Institutions Tax Rate Reduction	\$0	(\$538,701)	(\$538,701)	(\$808,051)
Sales Tax Reduction	(\$291,856,309)	(\$389,141,745)	(\$389,141,745)	(\$389,141,745)
<b>Total GR Impact</b>	<b>(\$469,621,978)</b>	<b>(\$745,211,784)</b>	<b>(\$834,094,619)</b>	<b>(\$923,246,803)</b>
State Road Bond Fund - Sales Tax Reduction	(\$19,404,671)	(\$25,872,895)	(\$25,872,895)	(\$25,872,895)

State Road Fund - Sales Tax Reduction	(\$14,165,410)	(\$18,887,213)	(\$18,887,213)	(\$18,887,213)
State Transportation Fund - Sales Tax Reduction	(\$388,094)	(\$517,458)	(\$517,458)	(\$517,458)
<b>Total State Impact</b>	<b>(\$503,580,153)</b>	<b>(\$790,489,350)</b>	<b>(\$879,372,185)</b>	<b>(\$968,524,369)</b>
<b>Local Funds</b>				
Financial Institutions Tax Rate Reduction	\$0	(\$26,396,332)	(\$26,396,332)	(\$39,594,499)
Fuel Local Deposit (FLOYD) - Sales Tax Reduction	(\$4,851,168)	(\$6,468,224)	(\$6,468,224)	(\$6,468,224)
<b>Total Local Impact</b>	<b>(\$4,851,168)</b>	<b>(\$32,864,556)</b>	<b>(\$32,864,556)</b>	<b>(\$46,062,723)</b>

**DOR** notes in Section 144.020 items that are sold, except for motor vehicles, are subject to state and local sales and use tax. The state sales tax is 4.225%. That sales tax is broken down as:

General Revenue	3%
School District	1%
Conservation Commission	.125
Parks, Soil & Water Funds	.1%

In Section 144.020, motor vehicles that are sold are subject to state and local sales and use tax. The state sales tax is 4.225%. That sales tax is broken down as:

State Road Bond Fund 50% (1.5%)  
 Highway Use 50% (1.5%)

Highway Use is constitutionally divided as follow:

- 10% counties- Local money goes into the FLOYD FUND
- 15% cities – Local money goes into the FLOYD FUND
- 2% transportation fund
- 73% state road fund

Conservation is .125%

Parks, Soil & Water is .1%

The 1% to school districts goes to:

- 50% to School District Trust Fund
- 50% to Highway Use (as listed above)

This proposal lowers the 3% sales tax on all items purchased. Since the 3% on motor vehicles and the 3% on the other items are the same tax, it will impact not only general revenue but the motor vehicle funds as well.

Fund	Current Rate	Proposed Rate
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General Revenue	3%	2.575%
State Road Bond Funds	1.5%	1.2875%
Highway Use Funds	1.5%	1.2875%

This proposal would become effective on August 28, 2023. It should be noted that sales tax is distributed one month behind the collection. Therefore, DOR will show the loss as 9 months due to the delayed distribution.

Impacts to State Funds by Fiscal Year for Sales Tax Rate Reduction			
	FY 2024	FY 2025	FY 2026
<b>State Funds</b>			
General Revenue	(\$291,856,309)	(\$389,141,745)	(\$389,141,745)
State Road Bond Fund	(\$19,404,671)	(\$25,872,895)	(\$25,872,895)
State Road Fund	(\$14,165,410)	(\$18,887,213)	(\$18,887,213)
State Transportation Fund	(\$388,093)	(\$517,458)	(\$517,458)
<b>TSR Impact</b>	<b>(\$325,814,483)</b>	<b>(\$434,419,311)</b>	<b>(\$434,419,311)</b>
<b>Local Funds</b>			
Fuel Local Deposit (FLOYD)- Cities & Counties	(\$4,851,168)	(\$6,468,224)	(\$6,468,224)

This proposal will require the Department to change numerous forms, computer programs and their website. These changes are estimated at **\$21,579**.

**Oversight** will show the cost of system, forms, and website modifications as estimated by DOR as a one-time cost in FY 2024.

### Summary

This proposal will impact state and local funds, from the corporate and sales tax rate reductions:

Impact to State & Local Funds			
	FY 2024	FY 2025	FY 2026
<b>State Funds</b>			
General Revenue	(\$469,621,978)	(\$745,211,784)	(\$834,094,618)
State Road Bond Fund	(\$19,404,671)	(\$25,872,895)	(\$25,872,895)
State Road Fund	(\$14,165,410)	(\$18,887,213)	(\$18,887,213)
State Transportation Fund	(\$388,093)	(\$517,458)	(\$517,458)
<b>TSR Impact</b>	<b>(\$503,580,152)</b>	<b>(\$790,489,350)</b>	<b>(\$879,372,184)</b>
<b>Local Funds</b>			

Fuel Local Deposit (FLOYD)- Cities & Counties	(\$4,851,168)	(\$6,468,224)	(\$6,468,224)
Local Political Subdivision Funds	\$0	(\$26,396,332)	(\$26,396,332)
<b>Total Local Impact</b>	<b>(\$4,851,168)</b>	<b>(\$32,864,556)</b>	<b>(\$32,864,556)</b>

Officials from the **Department of Economic Development** and the **Department of Commerce and Insurance** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Department of Public Safety – Highway Patrol** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Officials from the **Department of Natural Resources** and the **Missouri Department of Transportation** both defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Officials from the **Missouri Department of Conservation** assume this proposal would have an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **City of Kansas City, City of O’Fallon, City of Springfield, Little Blue Valley Sewer District - 7B Sewer, Metropolitan St. Louis Sewer District - 7B Sewer, Morgan County Pwsd #2, and the Wayne County Pwsd #2**, each assume the proposal will have no fiscal impact on their respective organizations.

According to DOR [reports](#), **Oversight** notes the following collections in corporate income tax, financial institutions tax (franchise tax), general sales tax, and motor vehicle sales tax, for FY 2021 & FY 2020.

Year	Corporate Income Tax	Franchise Tax	General Sales Tax	Motor Vehicle Sales Tax
FY 2022 (as responded above)	\$711,062,676	\$53,870,060	\$2,746,882,903	\$365,264,400
FY 2021	\$798,110,636	\$38,617,438	\$2,425,320,477	\$456,192,054
FY 2020	\$463,129,080	\$48,890,911	\$2,272,941,599	\$368,721,134

**Oversight** will utilize DOR and B&P’s estimated impact for this proposal.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation

but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (9 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>GENERAL REVENUE</b>				
<u>Revenue Reduction - §143.071 - Corporate Income Tax Rate Reduction p. (3-6)</u>	(\$177,765,669)	(\$355,531,338)	(\$444,414,173)	(\$533,297,007)
<u>Revenue Reduction - §143.071 - Financial Institutions Tax Rate Reduction p. (3-6)</u>	\$0	(\$538,701)	(\$538,701)	(\$808,051)
<u>Revenue Reduction - §144.020 - Sales Tax Rate Reduction p. (6-9)</u>	(\$291,856,309)	(\$389,141,745)	(\$389,141,745)	(\$389,141,745)
Costs – §144.020 - DOR – sales tax computer updates p. (9)	(\$21,579)	\$0	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$469,643,557)</b>	<b>(\$745,211,784)</b>	<b>(\$834,094,619)</b>	<b>(\$923,246,803)</b>
<b>STATE ROAD BOND FUND</b>				
<u>Revenue Reduction - §144.020 - Sales Tax Rate Reduction p. (6-9)</u>	(\$19,404,671)	(\$25,872,895)	(\$25,872,895)	(\$25,872,895)
<b>ESTIMATED NET EFFECT ON STATE ROAD BOND FUND</b>	<b>(\$19,404,671)</b>	<b>(\$25,872,895)</b>	<b>(\$25,872,895)</b>	<b>(\$25,872,895)</b>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (9 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>STATE ROAD FUND</b>				
<u>Revenue Reduction - §144.020 - Sales Tax Rate Reduction p. (6-9)</u>	(\$14,165,410)	(\$18,887,213)	(\$18,887,213)	(\$18,887,213)
<b>ESTIMATED NET EFFECT ON STATE ROAD FUND</b>	<b>(\$14,165,410)</b>	<b>(\$18,887,213)</b>	<b>(\$18,887,213)</b>	<b>(\$18,887,213)</b>
<b>STATE TRANSPORTATION FUND</b>				
<u>Revenue Reduction - §144.020 - Sales Tax Rate Reduction p. (6-9)</u>	(\$388,094)	(\$517,458)	(\$517,458)	(\$517,458)
<b>ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND</b>	<b>(\$388,094)</b>	<b>(\$517,458)</b>	<b>(\$517,458)</b>	<b>(\$517,458)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (9 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Revenue Reduction - §143.071 - Financial</u>	\$0	(\$26,396,332)	(\$26,396,332)	(\$39,594,499)

Institutions Tax Rate Reduction p. (3-6)*				
<u>FISCAL IMPACT – Local Government (continued)</u>	FY 2024 (9 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2027)
<u>Revenue Reduction - §144.020 - Sales Tax Rate Reduction p. (6-9)</u>	(\$4,851,168)	(\$6,468,224)	(\$6,468,224)	(\$6,468,224)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>(\$4,851,168)</b>	<b>(\$32,864,556)</b>	<b>(\$32,864,556)</b>	<b>(46,062,723)</b>

\***Oversight** notes per Section 148.720 whenever there is a reduction in the corporate tax rate there shall be a proportional decrease in the financial institutions tax. Oversight further notes that the financial institutions tax is distributed to GR (2%) and local funds (98%) on an annual basis and that tax payments for tax year 1 are distributed in FY2.

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that is obligated to pay corporate income tax, financial institutions tax, or sales tax as such small business would pay a reduced amount of such tax(es).

FISCAL DESCRIPTION

Currently, there is a 4% rate of tax imposed on corporate income. Beginning January 1, 2024, this bill lowers the rate of taxation on corporate income to 2%.

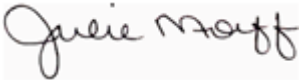
Beginning 2025, a further reduction of 1% to corporate income tax may be made if the amount of revenue from corporate income tax collected in the immediately preceding fiscal year exceeds the highest amount of revenue from corporate income tax collected in any fiscal year prior to the immediately preceding fiscal year by at least \$50 million. Such a reduction shall only be made once and shall continue in effect for all subsequent years.

Currently, there is a 4% rate of tax imposed on the sale of certain items. Beginning January 1, 2024, this bill lowers the rate of sales tax to 3.575%.

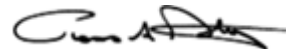
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Economic Development  
Department of Natural Resources  
Department of Revenue  
Department of Public Safety – Highway Patrol  
Missouri Department of Conservation  
Missouri Department of Transportation



Julie Morff  
Director  
January 30, 2023



Ross Strobe  
Assistant Director  
January 30, 2023