

FIRST REGULAR SESSION

HOUSE BILL NO. 1252

102ND GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE DAVIDSON.

0732H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal section 143.011, RSMo, and to enact in lieu thereof three new sections relating to taxation.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Section 143.011, RSMo, is repealed and three new sections enacted in lieu thereof, to be known as sections 32.073, 143.011, and 144.1050, to read as follows:

32.073. 1. (1) There is hereby created in the state treasury the "Tax Reform Fund", which shall consist of moneys collected under subsection 2 of this section. The state treasurer shall be custodian of the fund. In accordance with sections 30.170 and 30.180, the state treasurer may approve disbursements. The fund shall be a dedicated fund and, upon appropriation, moneys in this fund shall be used solely as provided in this section.

(2) Notwithstanding the provisions of section 33.080 to the contrary, any moneys remaining in the fund at the end of the biennium shall not revert to the credit of the general revenue fund.

(3) The state treasurer shall invest moneys in the fund in the same manner as other funds are invested. Any interest and moneys earned on such investments shall be credited to the fund.

2. (1) For all fiscal years beginning on or after July 1, 2023, if the amount of net general revenue collected, as defined under section 143.011, exceeds the anticipated general fund revenue collections for a fiscal year by fifty million dollars or more, each fiscal year that such surplus is realized, fifty million dollars of such surplus shall be

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.

17 deposited into the tax reform fund, not to exceed two hundred million dollars. The tax
18 reform fund balance shall be capped at two hundred million dollars.

19 (2) If the tax reform fund reaches and maintains a balance of two hundred
20 million dollars in a subsequent year where a surplus of twenty million dollars or more is
21 realized, the personal income tax decrease under subsection 5 of section 143.011 and
22 sales and use tax increase under section 144.1050 shall be triggered.

23 (3) The general assembly may appropriate funds to the credit of the tax reform
24 fund to reach the balance described under this section in order to trigger the affected
25 taxes under subdivision (2) of this subsection earlier.

26 3. In any fiscal year that the state experiences a budgetary shortfall following the
27 implementation of the personal income tax decrease and sales and use tax increase
28 triggers under subdivision (2) of subsection 2 of this section, the tax reform fund shall be
29 used to supplement areas of necessary funding, subject to appropriation.

30 4. (1) Beginning not later than October 1, 2023, and each October first
31 thereafter, the department of revenue, with the assistance of the division of the budget
32 and budget director, shall review the revenue conditions as they apply to the previous
33 fiscal year ending June thirtieth of such year and make a determination of whether the
34 conditions under this section have been met.

35 (2) If the department of revenue determines that the twenty million dollar
36 surplus trigger under subdivision (2) of subsection 2 of this section was realized in the
37 previous fiscal year, the personal income tax decrease under subsection 5 of section
38 143.011 and the sales and use tax increase under section 144.1050 shall be implemented
39 by the department of revenue to take effect on January first of the calendar year
40 immediately following the close of the fiscal year in which the twenty million dollar
41 surplus amount was realized.

42 (3) The department of revenue shall implement an annual process to review and
43 report future reduction conditions at the same time and in the same manner as under
44 chapter 143. The department may promulgate all necessary rules and regulations for
45 the administration of this section. Any rule or portion of a rule, as that term is defined
46 in section 536.010, that is created under the authority delegated in this section shall
47 become effective only if it complies with and is subject to all of the provisions of chapter
48 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable
49 and if any of the powers vested with the general assembly pursuant to chapter 536 to
50 review, to delay the effective date, or to disapprove and annul a rule are subsequently
51 held unconstitutional, then the grant of rulemaking authority and any rule proposed or
52 adopted after August 28, 2023, shall be invalid and void.

143.011. 1. A tax is hereby imposed for every taxable 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) Notwithstanding the provisions of subsection 1 of this section to the contrary, beginning with the 2023 calendar year, the top rate of tax pursuant to subsection 1 of this section shall be four and ninety-five hundredths percent.

(2) The modification of tax rates made pursuant to this subsection shall apply only to tax years that begin on or after January 1, 2023.

(3) The director of the department of revenue shall, by rule, adjust the tax table provided in subsection 1 of this section to effectuate the provisions of this subsection. The top remaining rate of tax shall apply to all income in excess of seven thousand dollars, as adjusted pursuant to subsection 5 of this section.

3. (1) In addition to the rate reduction under subsection 2 of this section, beginning with the 2024 calendar year, the top rate of tax under subsection 1 of this section may be reduced by fifteen hundredths of a percent. A reduction in the rate of tax shall take effect on

36 January first of a calendar year and such reduced rates shall continue in effect until the next
37 reduction occurs.

38 (2) A reduction in the rate of tax shall only occur if the amount of net general revenue
39 collected in the previous fiscal year exceeds the highest amount of net general revenue
40 collected in any of the three fiscal years prior to such fiscal year by at least one hundred
41 seventy-five million dollars.

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

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

46 4. (1) In addition to the rate reductions under subsections 2 and 3 of this section,
47 beginning with the calendar year immediately following the calendar year in which a
48 reduction is made pursuant to subsection 3 of this section, the top rate of tax under subsection
49 1 of this section may be further reduced over a period of years. Each reduction in the top rate
50 of tax shall be by one-tenth of a percent and no more than one reduction shall occur in a
51 calendar year. No more than three reductions shall be made under this subsection.
52 Reductions in the rate of tax shall take effect on January first of a calendar year and such
53 reduced rates shall continue in effect until the next reduction occurs.

54 (2) (a) A reduction in the rate of tax shall only occur if:

55 a. The amount of net general revenue collected in the previous fiscal year exceeds the
56 highest amount of net general revenue collected in any of the three fiscal years prior to such
57 fiscal year by at least two hundred million dollars; and

58 b. The amount of net general revenue collected in the previous fiscal year exceeds the
59 amount of net general revenue collected in the fiscal year five years prior, adjusted annually
60 by the percentage increase in inflation over the preceding five fiscal years.

61 (b) The amount of net general revenue collected required by subparagraph a. of
62 paragraph (a) of this subdivision in order to make a reduction pursuant to this subsection shall
63 be adjusted annually by the percent increase in inflation beginning with January 2, 2023.

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

66 (4) The director of the department of revenue shall, by rule, adjust the tax tables under
67 subsection 1 of this section to effectuate the provisions of this subsection. The bracket for
68 income subject to the top rate of tax shall be eliminated once the top rate of tax has been
69 reduced below the rate applicable to such bracket, and the top remaining rate of tax shall
70 apply to all income in excess of the income in the second highest remaining income bracket.

71 **5. (1) In addition to the rate reductions under subsections 2, 3, and 4 of this**
72 **section, beginning with the 2024 calendar year, the rate of each tax bracket under**

73 subsection 1 of this section may be reduced by fifteen-hundredths of one percent. A
74 reduction in the rates of tax shall take effect on January first of the immediately
75 succeeding calendar year and such reduced rates shall continue in effect until the next
76 reduction occurs.

77 (2) A reduction in the rates of tax shall occur only if the amount of net general
78 revenue collected in the previous fiscal year meets the trigger threshold of twenty
79 million in surplus revenue and the tax reform fund has reached and maintained a
80 funding amount of two hundred million dollars, as described under section 32.073.

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

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

85 6. Beginning with the 2017 calendar year, the brackets of Missouri taxable income
86 identified in subsection 1 of this section shall be adjusted annually by the percent increase in
87 inflation. The director shall publish such brackets annually beginning on or after October 1,
88 2016. Modifications to the brackets shall take effect on January first of each calendar year
89 and shall apply to tax years beginning on or after the effective date of the new brackets.

90 ~~6.~~ 7. As used in this section, the following terms mean:

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

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

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

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

**144.1050. 1. In addition to all other taxes imposed under this chapter, if the
2 surplus conditions for the tax reform fund established under section 32.073 are met and
3 a personal income tax decrease is triggered under subsection 5 of section 143.011, there
4 shall be implemented a one-tenth of one percent increase in all state sales and use taxes
5 imposed under this state law, effective January first of the calendar year immediately
6 following the close of the fiscal year in which the surplus under section 32.073 was
7 realized.**

8 **2. The department of revenue may promulgate all necessary rules and
9 regulations for the administration of this section. Any rule or portion of a rule, as that**

10 term is defined in section 536.010, that is created under the authority delegated in this
11 section shall become effective only if it complies with and is subject to all of the
12 provisions of chapter 536 and, if applicable, section 536.028. This section and chapter
13 536 are nonseverable and if any of the powers vested with the general assembly
14 pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul
15 a rule are subsequently held unconstitutional, then the grant of rulemaking authority
16 and any rule proposed or adopted after August 28, 2023, shall be invalid and void.

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