

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1252
102ND GENERAL ASSEMBLY

0732H.02C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.011, 143.021, and 143.171, RSMo, and to enact in lieu thereof five new sections relating to taxation.

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

Section A. Sections 143.011, 143.021, and 143.171, RSMo, are repealed and five new sections enacted in lieu thereof, to be known as sections 32.073, 143.011, 143.021, 143.171, and 144.1050, to read as follows: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) 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 deposited into the tax reform fund, not to exceed two hundred fifty million dollars. The tax reform fund balance shall be capped at two hundred fifty million dollars.

(2) If the tax reform fund reaches and maintains a balance of two hundred fifty million dollars in a subsequent year where a surplus of twenty million dollars or more is

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 realized, the personal income tax decrease under subsection 6 of section 143.011 and
 19 sales and use tax increase under section 144.1050 shall be triggered.

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

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

27 4. (1) If the department of revenue determines that the twenty million dollar
 28 surplus trigger under subdivision (2) of subsection 2 of this section was realized in the
 29 previous fiscal year, the personal income tax decrease under subsection 6 of section
 30 143.011 and the sales and use tax increase under section 144.1050 shall be implemented
 31 by the department of revenue to take effect on January first of the calendar year
 32 immediately following the close of the fiscal year in which the twenty million dollar
 33 surplus amount was realized.

34 (2) The department of revenue shall implement an annual process to review and
 35 report future reduction conditions at the same time and in the same manner as under
 36 chapter 143. The department may promulgate all necessary rules and regulations for
 37 the administration of this section. Any rule or portion of a rule, as that term is defined
 38 in section 536.010, that is created under the authority delegated in this section shall
 39 become effective only if it complies with and is subject to all of the provisions of chapter
 40 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable
 41 and if any of the powers vested with the general assembly pursuant to chapter 536 to
 42 review, to delay the effective date, or to disapprove and annul a rule are subsequently
 43 held unconstitutional, then the grant of rulemaking authority and any rule proposed or
 44 adopted after August 28, 2023, shall be invalid and void.

143.011. 1. For all tax years beginning on or before December 31, 2023, a tax is
 2 hereby imposed for every taxable year on the Missouri taxable income of every resident. The
 3 tax shall be determined by applying the tax table or the rate provided in section 143.021,
 4 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

10	Over \$2,000 but not over	\$35 plus 2 1/2% of excess over \$2,000
11	\$3,000	
12	Over \$3,000 but not over	\$60 plus 3% of excess over \$3,000
13	\$4,000	
14	Over \$4,000 but not over	\$90 plus 3 1/2% of excess over \$4,000
15	\$5,000	
16	Over \$5,000 but not over	\$125 plus 4% of excess over \$5,000
17	\$6,000	
18	Over \$6,000 but not over	\$165 plus 4 1/2% of excess over \$6,000
19	\$7,000	
20	Over \$7,000 but not over	\$210 plus 5% of excess over \$7,000
21	\$8,000	
22	Over \$8,000 but not over	\$260 plus 5 1/2% of excess over \$8,000
23	\$9,000	
24	Over \$9,000	\$315 plus 6% of excess over \$9,000

25 2. (1) Notwithstanding the provisions of subsection 1 of this section to the contrary,
 26 beginning with the 2023 calendar year, **but ending on or before December 31, 2023**, the top
 27 rate of tax pursuant to subsection 1 of this section shall be four and ninety-five hundredths
 28 percent.

29 (2) The modification of tax rates made pursuant to this subsection shall apply only to
 30 tax years that begin on or after January 1, 2023, **but before January 1, 2024**.

31 (3) The director of the department of revenue shall, by rule, adjust the tax table
 32 provided in subsection 1 of this section to effectuate the provisions of this subsection. The
 33 top remaining rate of tax shall apply to all income in excess of seven thousand dollars, as
 34 adjusted pursuant to subsection ~~[5]~~ 7 of this section.

35 3. (1) **For all tax years beginning on or after January 1, 2024, a tax of four**
 36 **percent is hereby imposed on the Missouri taxable income of every resident individual of**
 37 **this state. The tax shall be determined by the application of the income provisions**
 38 **provided under section 143.021.**

39 (2) **The department of revenue shall, by rule and by posting on the department's**
 40 **website, adjust the appropriate tax rate to effectuate the provisions of this subsection.**

41 4. (1) In addition to the rate reduction under subsection ~~[2]~~ 3 of this section,
 42 beginning with the 2024 calendar year, the ~~[top]~~ rate of tax under subsection ~~[+]~~ 3 of this
 43 section may be reduced by fifteen hundredths of a percent. A reduction in the rate of tax shall
 44 take effect on January first of a calendar year and such reduced rates shall continue in effect
 45 until the next reduction occurs.

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

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

52 (4) The director of the department of revenue shall, by rule, adjust the tax ~~tables~~
53 **rate** under subsection ~~[4]~~ **3** of this section to effectuate the provisions of this subsection.

54 ~~[4.]~~ **5.** (1) In addition to the rate reductions under subsections ~~[2 and]~~ **3 and 4** of this
55 section, beginning with the calendar year immediately following the calendar year in which a
56 reduction is made pursuant to subsection ~~[3]~~ **4** of this section, the ~~top~~ rate of tax under
57 subsection ~~[4]~~ **3** of this section may be further reduced over a period of years. Each reduction
58 in the ~~top~~ rate of tax shall be by one-tenth of a percent and no more than one reduction shall
59 occur in a calendar year. No more than three reductions shall be made under this subsection.
60 Reductions in the rate of tax shall take effect on January first of a calendar year and such
61 reduced rates shall continue in effect until the next reduction occurs.

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

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

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

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

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

74 (4) The director of the department of revenue shall, by rule, adjust the tax ~~tables~~
75 **rate** under subsection ~~[4]~~ **3** of this section to effectuate the provisions of this subsection. ~~[The~~
76 ~~bracket for income subject to the top rate of tax shall be eliminated once the top rate of tax has~~
77 ~~been reduced below the rate applicable to such bracket, and the top remaining rate of tax shall~~
78 ~~apply to all income in excess of the income in the second highest remaining income bracket.~~

79 ~~5.]~~ **6.** (1) **In addition to the rate reductions under subsections 3, 4, and 5 of this**
80 **section, beginning with the 2024 calendar year, the tax rate under subsection 3 of this**
81 **section may be reduced by one-half of one percent. A reduction in the rate of tax shall**
82 **take effect on January first of the immediately succeeding calendar year and such**

83 **reduced rate shall continue in effect until the next reduction occurs. The reduction in**
84 **the rate of tax shall occur only once per calendar year.**

85 (2) **A reduction in the rate of tax shall occur only if the amount of net general**
86 **revenue collected in the previous fiscal year meets the trigger threshold of twenty**
87 **million in surplus revenue and the tax reform fund has reached and maintained a**
88 **funding amount of two hundred fifty million dollars, as described under section 32.073.**

89 (3) **Any modification of the tax rate under this subsection shall apply only to tax**
90 **years that begin on or after a modification takes effect.**

91 (4) **The director of the department of revenue shall adjust and publish the tax**
92 **rate under subsection 3 of this section to effectuate the provisions of this subsection.**

93 7. Beginning with the 2017 calendar year, **and ending on or before December 31,**
94 **2023**, the brackets of Missouri taxable income identified in subsection 1 of this section shall
95 be adjusted annually by the percent increase in inflation. The director shall publish such
96 brackets annually beginning on or after October 1, 2016. Modifications to the brackets shall
97 take effect on January first of each calendar year and shall apply to tax years beginning on or
98 after the effective date of the new brackets.

99 ~~[6.]~~ 8. As used in this section, the following terms mean:

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

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

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

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

143.021. 1. Every resident having a taxable income shall determine his or her tax
2 from the rates provided in section 143.011. For all tax years beginning on or before
3 December 31, 2022, there shall be no tax on a taxable income of less than one hundred
4 dollars.

5 2. (1) Notwithstanding the provisions of subsection 1 of section 143.011 to the
6 contrary, for all tax years beginning on or after January 1, 2023, **but on or before December**
7 **31, 2023**, there shall be no tax on taxable income of less than or equal to one thousand dollars,
8 as adjusted pursuant to subsection 5 of section 143.011.

9 (2) The modifications made pursuant to this subsection shall only apply to tax years
10 that begin on or after January 1, 2023, **but on or before December 31, 2023.**

11 (3) The director of the department of revenue shall, by rule, adjust the tax table
12 provided in subsection 1 of section 143.011 to effectuate the provisions of this subsection.

13 **3. Notwithstanding the provisions of subsection 3 of section 143.011 to the**
14 **contrary, for all tax years beginning on or after January 1, 2024, there shall be no tax on**
15 **taxable income of less than or equal to one thousand dollars.**

143.171. 1. For all tax years beginning on or after January 1, 1994, and ending on or
2 before December 31, 2018, an individual taxpayer shall be allowed a deduction for his or her
3 federal income tax liability under Chapter 1 of the Internal Revenue Code for the same
4 taxable year for which the Missouri return is being filed, not to exceed five thousand dollars
5 on a single taxpayer's return or ten thousand dollars on a combined return, after reduction for
6 all credits thereon, except the credit for payments of federal estimated tax, the credit for the
7 overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26
8 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

9 2. (1) Notwithstanding any other provision of law to the contrary, for all tax years
10 beginning on or after January 1, 2019, **but on or before December 31, 2023**, an individual
11 taxpayer shall be allowed a deduction equal to a percentage of his or her federal income tax
12 liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the
13 Missouri return is being filed, not to exceed five thousand dollars on a single taxpayer's return
14 or ten thousand dollars on a combined return, after reduction for all credits thereon, except the
15 credit for payments of federal estimated tax, the credit for the overpayment of any federal tax,
16 and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C.
17 Section 27, and 26 U.S.C. Section 34. The deduction percentage is determined according to
18 the following table:

19 If the Missouri gross income on the return 20 is:	The deduction percentage is:
21 \$25,000 or less	35 percent
22 From \$25,001 to \$50,000	25 percent
23 From \$50,001 to \$100,000	15 percent
24 From \$100,001 to \$125,000	5 percent
25 \$125,001 or more	0 percent

26 (2) Notwithstanding any provision of law to the contrary, the amount of any tax
27 credits reducing a taxpayer's federal tax liability pursuant to Public Law 116-136 or 116-260,
28 enacted by the 116th United States Congress, for the tax year beginning on or after January 1,
29 2020, and ending on or before December 31, 2020, and the amount of any tax credits reducing
30 a taxpayer's federal tax liability under any other federal law that provides direct economic
31 impact payments to taxpayers to mitigate financial challenges related to the COVID-19

32 pandemic shall not be considered in determining a taxpayer's federal tax liability for the
33 purposes of subdivision (1) of this subsection.

34 3. For all tax years beginning on or after September 1, 1993, **but on or before**
35 **December 31, 2023**, a corporate taxpayer shall be allowed a deduction for fifty percent of its
36 federal income tax liability under Chapter 1 of the Internal Revenue Code for the same
37 taxable year for which the Missouri return is being filed after reduction for all credits thereon,
38 except the credit for payments of federal estimated tax, the credit for the overpayment of any
39 federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26
40 U.S.C. Section 27, and 26 U.S.C. Section 34.

41 4. **For all tax years beginning on or before December 31, 2023**, if a federal income
42 tax liability for a tax year prior to the applicability of sections 143.011 to 143.996 for which
43 he **or she** was not previously entitled to a Missouri deduction is later paid or accrued, he **or**
44 **she** may deduct the federal tax in the later year to the extent it would have been deductible if
45 paid or accrued in the prior year.

46 5. **For all tax years beginning on or after January 1, 2024, there shall be no**
47 **federal income tax deduction for any individual or corporate taxpayer under this**
48 **section.**

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 6 of section 143.011, there**
4 **shall be implemented a one-fourth 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. The increase in the rate of tax under this section shall occur only once per**
8 **calendar year. The increase in the rate of all state sales and use taxes provided under**
9 **this section shall be capped once the total amount of state sales tax imposed under state**
10 **law reaches a rate of six and two hundred twenty-five thousandths percent.**

11 2. **The department of revenue may promulgate all necessary rules and**
12 **regulations for the administration of this section. Any rule or portion of a rule, as that**
13 **term is defined in section 536.010, that is created under the authority delegated in this**
14 **section shall become effective only if it complies with and is subject to all of the**
15 **provisions of chapter 536 and, if applicable, section 536.028. This section and chapter**
16 **536 are nonseverable and if any of the powers vested with the general assembly**
17 **pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul**

18 **a rule are subsequently held unconstitutional, then the grant of rulemaking authority**
19 **and any rule proposed or adopted after August 28, 2023, shall be invalid and void.**

✓