

FIRST REGULAR SESSION
[PERFECTED]
HOUSE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 356
102ND GENERAL ASSEMBLY

0903H.03P

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.022, 143.114, 143.124, and 273.050, 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Section A. Sections 143.022, 143.114, 143.124, and 273.050, RSMo, are repealed and
2 three new sections enacted in lieu thereof, to be known as sections 143.022, 143.114, and
3 143.124, to read as follows:

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 **(3) The total combined profit as properly reported to the Internal Revenue**
9 **Service on each Schedule F, or its successor form, filed; and**

10 **(4) The total combined profit as properly reported to the Internal Revenue**
11 **Service on each Form 4835, or its successor form, filed.**

12 2. In addition to all other modifications allowed by law, there shall be subtracted from
13 the federal adjusted gross income of an individual taxpayer a percentage of such individual's
14 business income, to the extent that such amounts are included in federal adjusted gross
15 income when determining such individual's Missouri adjusted gross income **and are not**

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.

16 **otherwise subtracted or deducted in determining such individual's Missouri taxable**
17 **income.**

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

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

25 (2) The partners in a partnership.

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

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

37 6. The first year that a taxpayer may make the subtraction under subsection 2 of this
38 section is 2017, provided that the provisions of subsection 5 of this section are met. If the
39 provisions of subsection 5 of this section are met, the percentage that may be subtracted in
40 2017 is five percent.

143.114. 1. As used in this section, the following terms mean:

2 (1) "Commercial domicile", the principal place from which the trade or business of
3 the taxpayer is directed or managed;

4 (2) "Deduction", an amount subtracted from the taxpayer's Missouri adjusted gross
5 income to determine Missouri taxable income for the tax year in which such deduction is
6 claimed;

7 (3) "Employer securities", the same meaning as defined under Section 409(l) of the
8 Internal Revenue Code **of 1986, as amended**;

9 (4) "Missouri corporation", a corporation whose commercial domicile is in this state;

10 (5) "Qualified Missouri employee stock ownership plan", an employee stock
11 ownership plan, as defined under Section 4975(e)(7) of the Internal Revenue Code **of 1986,**

12 **as amended**, and trust that is established by a Missouri corporation for the benefit of the
13 employees of the corporation;

14 (6) "Taxpayer", an individual, firm, partner in a firm, corporation, partnership,
15 shareholder in an S corporation, or member of a limited liability company subject to the
16 income tax imposed under chapter 143, excluding withholding tax imposed by sections
17 143.191 to 143.265.

18 2. For all tax years beginning on or after January 1, ~~[2017]~~ **2023**, in addition to all
19 other modifications allowed by law, a taxpayer shall be allowed a deduction from the
20 taxpayer's federal adjusted gross income when determining Missouri adjusted gross income in
21 an amount equal to fifty percent of the net capital gain from the sale or exchange of employer
22 securities of a Missouri corporation to a qualified Missouri employee stock ownership plan if,
23 upon completion of the transaction, the qualified Missouri employee stock ownership plan
24 owns at least thirty percent of all outstanding employer securities issued by the Missouri
25 corporation.

26 3. Whenever an employee leaves a Missouri corporation with a qualified Missouri
27 employee stock ownership plan, the Missouri corporation shall inform the former employee
28 of the deadline for when the former employee shall decide whether they will receive their
29 shares of employer securities or compensation for their shares of employer securities.

30 4. The department of revenue may promulgate rules and regulations for the
31 administration of this section. Any rule or portion of a rule, as that term is defined in section
32 536.010, that is created under the authority delegated in this section shall become effective
33 only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable,
34 section 536.028. This section and chapter 536 are nonseverable and if any of the powers
35 vested with the general assembly pursuant to chapter 536 to review, to delay the effective
36 date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant
37 of rulemaking authority and any rule proposed or adopted after August 28, 2016, shall be
38 invalid and void.

39 ~~[5. Under section 23.253 of the Missouri sunset act:~~

40 ~~(1) The provisions of the new program authorized under this section shall~~
41 ~~automatically sunset on December thirty-first, six years after October 14, 2016, unless~~
42 ~~reauthorized by an act of the general assembly;—~~

43 ~~(2) If such program is reauthorized, the program authorized under this section shall~~
44 ~~automatically sunset on December thirty-first, twelve years after the effective date of the~~
45 ~~reauthorization of this section; and—~~

46 ~~(3) This section shall terminate on September first of the calendar year immediately~~
47 ~~following the calendar year in which the program authorized under this section is sunset.]~~

143.124. 1. Other provisions of law to the contrary notwithstanding, for tax years ending on or before December 31, 2006, the total amount of all annuities, pensions, or retirement allowances above the amount of six thousand dollars annually provided by any law of this state, the United States, or any other state to any person except as provided in subsection 4 of this section, shall be subject to tax pursuant to the provisions of this chapter, in the same manner, to the same extent and under the same conditions as any other taxable income received by the person receiving it. For purposes of this section, "annuity, pension, retirement benefit, or retirement allowance" shall be defined as an annuity, pension or retirement allowance provided by the United States, this state, any other state or any political subdivision or agency or institution of this or any other state. For all tax years beginning on or after January 1, 1998, for purposes of this section, annuity, pension or retirement allowance shall be defined to include 401(k) plans, deferred compensation plans, self-employed retirement plans, also known as Keogh plans, annuities from a defined pension plan and individual retirement arrangements, also known as IRAs, as described in the Internal Revenue Code, but not including Roth IRAs, as well as an annuity, pension or retirement allowance provided by the United States, this state, any other state or any political subdivision or agency or institution of this or any other state. An individual taxpayer shall only be allowed a maximum deduction equal to the amounts provided under this section for each taxpayer on the combined return.

2. For the period beginning July 1, 1989, and ending December 31, 1989, there shall be subtracted from Missouri adjusted gross income for that period, determined pursuant to section 143.121, the first three thousand dollars of retirement benefits received by each taxpayer:

(1) If the taxpayer's filing status is single, head of household or qualifying widow(er) and the taxpayer's Missouri adjusted gross income is less than twelve thousand five hundred dollars; or

(2) If the taxpayer's filing status is married filing combined and their combined Missouri adjusted gross income is less than sixteen thousand dollars; or

(3) If the taxpayer's filing status is married filing separately and the taxpayer's Missouri adjusted gross income is less than eight thousand dollars.

3. For the tax years beginning on or after January 1, 1990, but ending on or before December 31, 2006, there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of the first six thousand dollars of retirement benefits received by each taxpayer from sources other than privately funded sources, and for tax years beginning on or after January 1, 1998, there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of the first one thousand dollars of any retirement allowance received from any privately funded

38 source for tax years beginning on or after January 1, 1998, but before January 1, 1999, and a
39 maximum of the first three thousand dollars of any retirement allowance received from any
40 privately funded source for tax years beginning on or after January 1, 1999, but before
41 January 1, 2000, and a maximum of the first four thousand dollars of any retirement
42 allowance received from any privately funded source for tax years beginning on or after
43 January 1, 2000, but before January 1, 2001, and a maximum of the first five thousand dollars
44 of any retirement allowance received from any privately funded source for tax years
45 beginning on or after January 1, 2001, but before January 1, 2002, and a maximum of the first
46 six thousand dollars of any retirement allowance received from any privately funded sources
47 for tax years beginning on or after January 1, 2002, **but before January 1, 2024, and a**
48 **maximum of the first twelve thousand dollars of any retirement allowance received from**
49 **any privately funded sources for tax years beginning on or after January 1, 2024.** A
50 taxpayer shall be entitled to the maximum exemption provided by this subsection:

51 (1) If the taxpayer's filing status is single, head of household or qualifying widow(er)
52 and the taxpayer's Missouri adjusted gross income is less than ~~[twenty-five]~~ **fifty** thousand
53 dollars; or

54 (2) If the taxpayer's filing status is married filing combined and their combined
55 Missouri adjusted gross income is less than ~~[thirty-two]~~ **sixty-four** thousand dollars; or

56 (3) If the taxpayer's filing status is married filing separately and the taxpayer's
57 Missouri adjusted gross income is less than ~~[sixteen]~~ **thirty-two** thousand dollars.

58 4. If a taxpayer's adjusted gross income exceeds the adjusted gross income ceiling for
59 such taxpayer's filing status, as provided in subdivisions (1), (2) and (3) of subsection 3 of this
60 section, such taxpayer shall be entitled to an exemption equal to the greater of zero or the
61 maximum exemption provided in subsection 3 of this section reduced by one dollar for every
62 dollar such taxpayer's income exceeds the ceiling for his or her filing status.

63 5. For purposes of this subsection, the term "maximum Social Security benefit
64 available" shall mean thirty-two thousand five hundred dollars for the tax year beginning on
65 or after January 1, 2007, and for each subsequent tax year such amount shall be increased by
66 the percentage increase in the Consumer Price Index for All Urban Consumers, or its
67 successor index, as such index is defined and officially reported by the United States
68 Department of Labor, or its successor agency. For the tax year beginning on or after January
69 1, 2007, but ending on or before December 31, 2007, there shall be subtracted from Missouri
70 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount
71 equal to the greater of: six thousand dollars in retirement benefits received from sources other
72 than privately funded sources, to the extent such benefits are included in the taxpayer's federal
73 adjusted gross income; or twenty percent of the retirement benefits received from sources
74 other than privately funded sources in the tax year, but not to exceed the maximum Social

75 Security benefit available for such tax year. For the tax year beginning on or after January 1,
76 2008, but ending on or before December 31, 2008, there shall be subtracted from Missouri
77 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount
78 equal to the greater of: six thousand dollars in retirement benefits received from sources other
79 than privately funded sources, to the extent such benefits are included in the taxpayer's federal
80 adjusted gross income; or thirty-five percent of the retirement benefits received from sources
81 other than privately funded sources in the tax year, but not to exceed the maximum Social
82 Security benefit available for such tax year. For the tax year beginning on or after January 1,
83 2009, but ending on or before December 31, 2009, there shall be subtracted from Missouri
84 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount
85 equal to the greater of: six thousand dollars in retirement benefits received from sources other
86 than privately funded sources, to the extent such benefits are included in the taxpayer's federal
87 adjusted gross income; or fifty percent of the retirement benefits received from sources other
88 than privately funded sources in the tax year, but not to exceed the maximum Social Security
89 benefit available for such tax year. For the tax year beginning on or after January 1, 2010, but
90 ending on or before December 31, 2010, there shall be subtracted from Missouri adjusted
91 gross income, determined pursuant to section 143.121, a maximum of an amount equal to the
92 greater of: six thousand dollars in retirement benefits received from sources other than
93 privately funded sources, to the extent such benefits are included in the taxpayer's federal
94 adjusted gross income; or sixty-five percent of the retirement benefits received from sources
95 other than privately funded sources in the tax year, but not to exceed the maximum Social
96 Security benefit available for such tax year. For the tax year beginning on or after January 1,
97 2011, but ending on or before December 31, 2011, there shall be subtracted from Missouri
98 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount
99 equal to the greater of: six thousand dollars in retirement benefits received from sources other
100 than privately funded sources, to the extent such benefits are included in the taxpayer's federal
101 adjusted gross income; or eighty percent of the retirement benefits received from sources
102 other than privately funded sources in the tax year, but not to exceed the maximum Social
103 Security benefit available for such tax year. For all tax years beginning on or after January 1,
104 2012, there shall be subtracted from Missouri adjusted gross income, determined pursuant to
105 section 143.121, a maximum of an amount equal to one hundred percent of the retirement
106 benefits received from sources other than privately funded sources in the tax year, but not to
107 exceed the maximum Social Security benefit available for such tax year. A taxpayer shall be
108 entitled to the maximum exemption provided by this subsection:

109 (1) If the taxpayer's filing status is married filing combined, and their combined
110 Missouri adjusted gross income is equal to or less than one hundred thousand dollars; or

111 (2) If the taxpayer's filing status is single, head of household, qualifying widow(er),
112 or married filing separately, and the taxpayer's Missouri adjusted gross income is equal to or
113 less than eighty-five thousand dollars.

114 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income ceiling for
115 such taxpayer's filing status, as provided in subdivisions (1) and (2) of subsection 5 of this
116 section, such taxpayer shall be entitled to an exemption, less any applicable reduction
117 provided under subsection 7 of this section, equal to the greater of zero or the maximum
118 exemption provided in subsection 5 of this section reduced by one dollar for every dollar such
119 taxpayer's income exceeds the ceiling for his or her filing status.

120 7. For purposes of calculating the subtraction provided in subsection 5 of this section,
121 such subtraction shall be decreased by an amount equal to any Social Security benefit
122 exemption provided under section 143.125.

123 8. For purposes of this section, any Social Security benefits otherwise included in
124 Missouri adjusted gross income shall be subtracted; but Social Security benefits shall not be
125 subtracted for purposes of other computations pursuant to this chapter, and are not to be
126 considered as retirement benefits for purposes of this section.

127 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section shall
128 apply during all tax years in which the federal Internal Revenue Code provides exemption
129 levels for calculation of the taxability of Social Security benefits that are the same as the
130 levels in subdivisions (1) and (2) of subsection 3 of this section. If the exemption levels for
131 the calculation of the taxability of Social Security benefits are adjusted by applicable federal
132 law or regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this
133 section shall be accordingly adjusted to the same exemption levels.

134 10. The portion of a taxpayer's lump sum distribution from an annuity or other
135 retirement plan not otherwise included in Missouri adjusted gross income as calculated
136 pursuant to this chapter but subject to taxation under Internal Revenue Code Section 402 shall
137 be taxed in an amount equal to ten percent of the taxpayer's federal liability on such
138 distribution for the same tax year.

139 11. For purposes of this section, retirement benefits received shall not include any
140 withdrawals from qualified retirement plans which are subsequently rolled over into another
141 retirement plan.

142 12. The exemptions provided for in this section shall not affect the calculation of the
143 income to be used to determine the property tax credit provided in sections 135.010 to
144 135.035.

145 13. The exemptions provided for in this section shall apply to any annuity, pension, or
146 retirement allowance as defined in subsection 1 of this section to the extent that such amounts
147 are included in the taxpayer's federal adjusted gross income and not otherwise deducted from

148 the taxpayer's federal adjusted gross income in the calculation of Missouri taxable income.
149 This subsection shall not apply to any individual who qualifies under federal guidelines to be
150 one hundred percent disabled.

2 ~~[273.050. No dog shall be permitted to be and remain within the limits~~
3 ~~of the state unless the owner thereof, or someone for said owner, shall have~~
4 ~~caused such dog to be listed and the tax imposed by sections 273.040 to~~
5 ~~273.180 to be paid on or before the first day of February of each year~~
 ~~hereafter.]~~

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