

FIRST REGULAR SESSION
[PERFECTED]
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NOS. 816 & 660
102ND GENERAL ASSEMBLY

1867H.04P

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.011, 143.071, and 143.125, RSMo, and to enact in lieu thereof three new sections relating to income tax.

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

Section A. Sections 143.011, 143.071, and 143.125, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 143.011, 143.071, and 143.125, to read as follows:

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

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	Over \$6,000 but not over	\$165 plus 4 1/2% of excess over \$6,000
18	\$7,000	
19	Over \$7,000 but not over	\$210 plus 5% of excess over \$7,000
20	\$8,000	
21	Over \$8,000 but not over	\$260 plus 5 1/2% of excess over \$8,000
22	\$9,000	
23	Over \$9,000	\$315 plus 6% of excess over \$9,000

24 2. (1) Notwithstanding the provisions of subsection 1 of this section to the contrary,
 25 ~~[beginning with]~~ for the 2023 calendar year, the top rate of tax pursuant to subsection 1 of
 26 this section shall be four and ninety-five hundredths percent.

27 **(2) Notwithstanding the provisions of subsection 1 of this section to the contrary,**
 28 **beginning with the 2024 calendar year, the top rate of tax under subsection 1 of this**
 29 **section shall be four and one-half percent.**

30 ~~[(2)]~~ (3) The modification of tax rates made pursuant to this subsection shall apply
 31 only to tax years that begin on or after January 1, 2023.

32 ~~[(3)]~~ (4) The director of the department of revenue shall, by rule, adjust the tax table
 33 provided in subsection 1 of this section to effectuate the provisions of this subsection. The
 34 top remaining rate of tax shall apply to all income in excess of seven thousand dollars, as
 35 adjusted pursuant to subsection 5 of this section.

36 3. (1) In addition to the rate reduction under subsection 2 of this section, beginning
 37 with the 2024 calendar year, the top rate of tax under subsection 1 of this section may be
 38 reduced by fifteen hundredths of a percent. A reduction in the rate of tax shall take effect on
 39 January first of a calendar year and such reduced rates shall continue in effect until the next
 40 reduction occurs.

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

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

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

49 4. (1) In addition to the rate reductions under subsections 2 and 3 of this section,
 50 beginning with the calendar year immediately following the calendar year in which a
 51 reduction is made pursuant to subsection 3 of this section, the top rate of tax under subsection
 52 1 of this section may be further reduced over a period of years. Each reduction in the top rate

53 of tax shall be by one-tenth of a percent and no more than one reduction shall occur in a
54 calendar year. No more than three reductions shall be made under this subsection.
55 Reductions in the rate of tax shall take effect on January first of a calendar year and such
56 reduced rates shall continue in effect until the next reduction occurs.

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

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

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

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

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

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

74 5. Beginning with the 2017 calendar year, the brackets of Missouri taxable income
75 identified in subsection 1 of this section shall be adjusted annually by the percent increase in
76 inflation. The director shall publish such brackets annually beginning on or after October 1,
77 2016. Modifications to the brackets shall take effect on January first of each calendar year
78 and shall apply to tax years beginning on or after the effective date of the new brackets.

79 6. As used in this section, the following terms mean:

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

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

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

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

143.071. 1. For all tax years beginning before September 1, 1993, a tax is hereby
2 imposed upon the Missouri taxable income of corporations in an amount equal to five percent
3 of Missouri taxable income.

4 2. For all tax years beginning on or after September 1, 1993, and ending on or before
5 December 31, 2019, a tax is hereby imposed upon the Missouri taxable income of
6 corporations in an amount equal to six and one-fourth percent of Missouri taxable income.

7 3. For all tax years beginning on or after January 1, 2020, **but on or before**
8 **December 31, 2023**, a tax is hereby imposed upon the Missouri taxable income of
9 corporations in an amount equal to four percent of Missouri taxable income.

10 4. **For all tax years beginning on or after January 1, 2024, a tax is hereby**
11 **imposed upon the Missouri taxable income of corporations in an amount equal to two**
12 **percent of Missouri taxable income.**

13 5. **In addition to the rate reduction under subsection 4 of this section, beginning**
14 **with the 2026 calendar year, the rate of tax imposed under subsection 4 of this section**
15 **may be reduced from two percent to one percent as follows:**

16 (1) **In a fiscal year after the 2024 fiscal year, if the amount of net corporate**
17 **income tax revenue collected in the immediately preceding fiscal year exceeds the**
18 **amount of net corporate income tax revenue collected in the 2024 fiscal year by at least**
19 **fifty million dollars, the rate shall be reduced from two percent to one percent as**
20 **provided under this subsection;**

21 (2) **The reduction in the rate of tax shall take effect on January first of the**
22 **calendar year following the close of the previous fiscal year that caused the rate**
23 **reduction as described in subdivision (1) of this subsection. The reduced rate shall**
24 **continue in effect for all subsequent tax years; and**

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

27 6. **In addition to the rate reductions under subsections 4 and 5 of this section, the**
28 **rate of tax imposed under subsection 5 of this section may be reduced from one percent**
29 **to zero as follows:**

30 (1) **Beginning with the calendar year immediately following the calendar year in**
31 **which a rate reduction is made under subsection 5 of this section, if the amount of net**
32 **general revenue collected, as defined under section 143.011, in the immediately**
33 **preceding fiscal year exceeds the amount of net general revenue collected in the fiscal**
34 **year in which the reduction under subsection 5 of this section was implemented by at**
35 **least two hundred fifty million dollars, the rate shall be reduced as provided under this**
36 **subsection and no income tax shall be imposed on the income of corporations under this**
37 **section;**

38 **(2) The reduction of the rate of tax shall take effect on January first of the**
39 **calendar year following the close of the previous fiscal year that caused the rate**
40 **reduction as described in subdivision (1) of this subsection. The reduced rate shall**
41 **continue in effect for all subsequent tax years; and**

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

44 7. The provisions of this section shall not apply to out-of-state businesses operating
45 under sections 190.270 to 190.285.

46 **8. (1) Upon the full reduction and elimination of the tax under subsections 4, 5,**
47 **and 6 of this section, no corporate income tax credits shall be claimed in any tax years**
48 **where there is no tax imposed upon the Missouri taxable income of corporations.**
49 **Nothing in this subsection shall prevent a corporate taxpayer from redeeming a**
50 **refundable tax credit properly claimed and issued before the elimination of the rate of**
51 **tax under this section in a tax year after such elimination.**

52 **(2) Notwithstanding the provisions of section 148.720, the reduction of the tax**
53 **rate and eventual elimination of the Missouri corporate income tax under subsections 4,**
54 **5, and 6 of this section shall not apply to, or in any way cause a reduction or elimination**
55 **of, any tax or tax rate imposed under chapter 148.**

56 9. For the purposes of this section, the term "net corporate income tax revenue
57 collected" shall mean all revenue collected from the tax imposed under this section and
58 deposited into the general revenue fund, less refunds and revenues originally deposited
59 into the general revenue fund but designated by law for a specific distribution or
60 transfer to another state fund.

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

2 (1) "Benefits"[5]:

3 **(a) On or before December 31, 2023, any Social Security benefits received by a**
4 **taxpayer age sixty-two years of age and older, or Social Security disability benefits;**

5 **(b) On or after January 1, 2024, any Social Security benefits received by a**
6 **taxpayer, regardless of age, including retirement, disability, survivors, and supplemental**
7 **benefits;**

8 (2) "Taxpayer", any resident individual.

9 2. For the taxable year beginning on or after January 1, 2007, any taxpayer shall be
10 allowed to subtract from the taxpayer's Missouri adjusted gross income to determine Missouri
11 taxable income a maximum of an amount equal to twenty percent of the amount of any
12 benefits received by the taxpayer and that are included in federal adjusted gross income under
13 Section 86 of the Internal Revenue Code of 1986, as amended. For the taxable year beginning
14 on or after January 1, 2008, any taxpayer shall be allowed to subtract from the taxpayer's

15 Missouri adjusted gross income to determine Missouri taxable income a maximum of an
16 amount equal to thirty-five percent of the amount of any benefits received by the taxpayer and
17 that are included in federal adjusted gross income under Section 86 of the Internal Revenue
18 Code of 1986, as amended. For the taxable year beginning on or after January 1, 2009, any
19 taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted gross income to
20 determine Missouri taxable income a maximum of an amount equal to fifty percent of the
21 amount of any benefits received by the taxpayer and that are included in federal adjusted
22 gross income under Section 86 of the Internal Revenue Code of 1986, as amended. For the
23 taxable year beginning on or after January 1, 2010, any taxpayer shall be allowed to subtract
24 from the taxpayer's Missouri adjusted gross income to determine Missouri taxable income a
25 maximum of an amount equal to sixty-five percent of the amount of any benefits received by
26 the taxpayer and that are included in federal adjusted gross income under Section 86 of the
27 Internal Revenue Code of 1986, as amended. For the taxable year beginning on or after
28 January 1, 2011, any taxpayer shall be allowed to subtract from the taxpayer's Missouri
29 adjusted gross income to determine Missouri taxable income a maximum of an amount equal
30 to eighty percent of the amount of any benefits received by the taxpayer and that are included
31 in federal adjusted gross income under Section 86 of the Internal Revenue Code of 1986, as
32 amended. For all taxable years beginning on or after January 1, 2012, any taxpayer shall be
33 allowed to subtract from the taxpayer's Missouri adjusted gross income to determine Missouri
34 taxable income a maximum of an amount equal to one hundred percent of the amount of any
35 benefits received by the taxpayer and that are included in federal adjusted gross income under
36 Section 86 of the Internal Revenue Code of 1986, as amended. **For all tax years ending on**
37 **or before December 31, 2023,** a taxpayer shall be entitled to the maximum exemption
38 provided by this subsection:

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

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

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45 **For all tax years beginning on or after January 1, 2024, a taxpayer shall be entitled to**
46 **the maximum exemption provided by this subsection regardless of the taxpayer's filing**
47 **status or the amount of the taxpayer's Missouri adjusted gross income.**

48 3. **For all tax years ending on or before December 31, 2023,** if a taxpayer's
49 adjusted gross income exceeds the adjusted gross income ceiling for such taxpayer's filing
50 status, as provided in subdivisions (1) and (2) of subsection 2 of this section, such taxpayer
51 shall be entitled to an exemption equal to the greater of zero or the maximum exemption

52 provided in subsection 2 of this section reduced by one dollar for every dollar such taxpayer's
53 income exceeds the ceiling for his or her filing status.

54 4. The director of the department of revenue may promulgate rules to implement the
55 provisions of this section. Any rule or portion of a rule, as that term is defined in section
56 536.010, that is created under the authority delegated in this section shall become effective
57 only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable,
58 section 536.028. This section and chapter 536 are nonseverable and if any of the powers
59 vested with the general assembly pursuant to chapter 536 to review, to delay the effective
60 date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant
61 of rulemaking authority and any rule proposed or adopted after August 28, 2007, shall be
62 invalid and void.

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