

HOUSE BILL NO. 798

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE WARWICK.

1412H.011

JOSEPH ENGLER, Chief Clerk

AN ACT

To repeal sections 143.011, 143.031, 143.131, and 143.177, 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Section A. Sections 143.011, 143.031, 143.131, and 143.177, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 143.011, 143.031, and 143.131, to read as follows:

143.011. 1. **For all tax years beginning on or before December 31, 2025**, a tax is hereby imposed for every ~~taxable~~ tax 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 |

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.

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| 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 |

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2. (1) Notwithstanding the provisions of subsection 1 of this section to the contrary, beginning with the 2023 calendar year, **but ending on or before December 31, 2025**, 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, **but before January 1, 2026**.

(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) **For all tax years beginning on or after January 1, 2026, a tax is hereby imposed for every tax year on the Missouri taxable income of every resident of this state at a rate of four and seven-tenths percent, or the top rate of tax as in effect on January 1, 2026, whichever is less. The tax shall be determined by the application of the income provisions provided under section 143.021.**

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

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

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

(2) A reduction in the rate of tax shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue

51 collected in any of the three fiscal years prior to such fiscal year by at least one hundred
52 seventy-five million dollars.

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

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

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

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

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

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

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

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

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

82 5. Beginning with the 2017 calendar year, **and ending on or before December 31,**
83 **2025**, the brackets of Missouri taxable income identified in subsection 1 of this section shall
84 be adjusted annually by the percent increase in inflation. The director shall publish such
85 brackets annually beginning on or after October 1, 2016. Modifications to the brackets shall
86 take effect on January first of each calendar year and shall apply to tax years beginning on or
87 after the effective date of the new brackets.

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

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

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

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

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

143.031. 1. A husband and wife who file a joint federal income tax return shall file a
2 combined return. A husband and wife who do not file a joint federal income tax return shall
3 not file a combined return.

4 2. The Missouri combined taxable income on a combined return shall include all of
5 the income and deductions of the husband and wife. **For all tax years ending on or before**
6 **December 31, 2025**, the Missouri taxable income of each spouse shall be an amount that is
7 the same proportion of their Missouri combined taxable income as the Missouri adjusted
8 gross income of that spouse bears to their Missouri combined adjusted gross income. **For all**
9 **tax years beginning on or after January 1, 2026, there shall be one column for the**
10 **calculation of total Missouri combined adjusted gross income on a Missouri income tax**
11 **return.**

12 3. The tax of each spouse shall be determined by the application of either section
13 143.021 or section 143.041 depending upon whether such spouse is a resident or nonresident.
14 Their Missouri combined tax shall be the sum of the tax applicable to each spouse.

143.131. 1. The Missouri standard deduction may be deducted in determining
2 Missouri taxable income of a resident individual unless the taxpayer or his spouse has elected
3 to itemize his deduction as provided in section 143.141.

4 2. (1) **For all tax years ending on or before December 31, 2025**, the Missouri
5 standard deduction shall be the allowable federal standard deduction.

6 (2) **For all tax years beginning on or after January 1, 2026, the Missouri**
7 **standard deduction shall be the allowable federal standard deduction plus four**
8 **thousand dollars.**

~~2 [143.177. 1. This section shall be known and may be cited as the~~
~~3 "Missouri Working Family Tax Credit Act".~~

~~4 2. For purposes of this section, the following terms shall mean:~~

~~(1) "Department", the department of revenue;~~

5 ~~(2) "Eligible taxpayer", a resident individual with a filing status of~~
6 ~~single, head of household, widowed, or married filing combined who is subject~~
7 ~~to the tax imposed under this chapter, excluding withholding tax imposed~~
8 ~~under sections 143.191 to 143.265, and who is allowed a federal earned~~
9 ~~income tax credit under 26 U.S.C. Section 32, as amended;~~

10 ~~(3) "Tax credit", a credit against the tax otherwise due under this~~
11 ~~chapter, excluding withholding tax imposed under sections 143.191 to~~
12 ~~143.265.~~

13 ~~3. (1) Beginning with the 2023 calendar year, an eligible taxpayer~~
14 ~~shall be allowed a tax credit in an amount equal to a percentage of the amount~~
15 ~~such taxpayer would receive under the federal earned income tax credit as~~
16 ~~such credit existed under 26 U.S.C. Section 32 as of January 1, 2021, as~~
17 ~~provided pursuant to subdivision (2) of this subsection. The tax credit allowed~~
18 ~~by this section shall be claimed by such taxpayer at the time such taxpayer~~
19 ~~files a return and shall be applied against the income tax liability imposed by~~
20 ~~this chapter after reduction for all other credits allowed thereon. If the amount~~
21 ~~of the credit exceeds the tax liability, the difference shall not be refunded to the~~
22 ~~taxpayer and shall not be carried forward to any subsequent tax year.~~

23 ~~(2) Subject to the provisions of subdivision (3) of this subsection, the~~
24 ~~percentage of the federal earned income tax credit to be allowed as a tax credit~~
25 ~~pursuant to subdivision (1) of this subsection shall be ten percent, which may~~
26 ~~be increased to twenty percent subject to the provisions of subdivision (3) of~~
27 ~~this subsection. The maximum percentage that may be claimed as a tax credit~~
28 ~~pursuant to this section shall be twenty percent of the federal earned income~~
29 ~~tax credit that may be claimed by such taxpayer. Any increase in the~~
30 ~~percentage that may be claimed as a tax credit shall take effect on January first~~
31 ~~of a calendar year and such percentage shall continue in effect until the next~~
32 ~~percentage increase occurs. An increase shall only apply to tax years that~~
33 ~~begin on or after the increase takes effect.~~

34 ~~(3) The initial percentage to be claimed as a tax credit and any increase~~
35 ~~in the percentage that may be claimed pursuant to subdivision (2) of this~~
36 ~~subsection shall only occur if the amount of net general revenue collected in~~
37 ~~the previous fiscal year exceeds the highest amount of net general revenue~~
38 ~~collected in any of the three fiscal years prior to such fiscal year by at least one~~
39 ~~hundred fifty million dollars.~~

40 ~~4. Notwithstanding the provisions of section 32.057 to the contrary,~~
41 ~~the department shall determine whether any taxpayer filing a report or return~~
42 ~~with the department who did not apply for the credit authorized under this~~
43 ~~section may qualify for the credit and, if so, determines a taxpayer may qualify~~
44 ~~for the credit, shall notify such taxpayer of his or her potential eligibility. In~~
45 ~~making a determination of eligibility under this section, the department shall~~
46 ~~use any appropriate and available data including, but not limited to, data~~
47 ~~available from the Internal Revenue Service, the U.S. Department of Treasury,~~
48 ~~and state income tax returns from previous tax years.~~

49 ~~5. The department shall prepare an annual report containing statistical~~
50 ~~information regarding the tax credits issued under this section for the previous~~
51 ~~tax year, including the total amount of revenue expended, the number of~~
52 ~~credits claimed, and the average value of the credits issued to taxpayers whose~~

53 ~~earned income falls within various income ranges determined by the~~
54 ~~department.~~

55 ~~6. The director of the department may promulgate rules and~~
56 ~~regulations to administer the provisions of this section. Any rule or portion~~
57 ~~of a rule, as that term is defined in section 536.010, that is created under the~~
58 ~~authority delegated in this section shall become effective only if it complies~~
59 ~~with and is subject to all of the provisions of chapter 536 and, if applicable,~~
60 ~~section 536.028. This section and chapter 536 are nonseverable and if any of~~
61 ~~the powers vested with the general assembly pursuant to chapter 536 to review,~~
62 ~~to delay the effective date, or to disapprove and annul a rule are subsequently~~
63 ~~held unconstitutional, then the grant of rulemaking authority and any rule~~
64 ~~proposed or adopted after January 1, 2023, shall be invalid and void.~~

65 ~~7. Tax credits authorized under this section shall not be subject to the~~
66 ~~requirements of sections 135.800 to 135.830.]~~

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