

HCS HB 1253 & 1297 -- BROAD-BASED TAX RELIEF ACT OF 2014

SPONSOR: Berry

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Ways and Means by a vote of 9 to 6.

This bill establishes the Broad-Based Tax Relief Act of 2014 that reduces the tax on corporate business income and business income for sole proprietors, partners, and shareholders in S-corporations.

For all tax years beginning on or after January 1, 2014, the amount of business income to tax will be determined by the Office of Administration comparing the Missouri net individual and corporation income tax revenue received in the fiscal year ending on June 30, 2012, to the Missouri net individual and corporation income tax revenues received in the fiscal year ending on June 30 of the tax year before the tax year of determination. If the result of the comparison shows a decrease from the 2012 year, the percentage of business income to be taxed will not change until the time that the comparison shows the revenues to be equal to or increased from 2012. Once the comparison shows the revenues to be equal to or increased, business income will be taxed at 90% for the year following the determination, then each year the comparison shows the revenues to be equal to or increased from 2012, business income will be taxed at 80%, then 70%, then 60%, and then 50% for each subsequent tax year.

For all tax years beginning on or after January 1, 2014, the corporate tax rate will be determined by the Office of Administration comparing the Missouri net individual and corporation income tax revenue received in the fiscal year ending on June 30, 2012, to the Missouri net individual and corporation income tax revenues received in the fiscal year ending on June 30 of the tax year before the tax year of determination. If the result of the comparison shows a decrease from the 2012 year, the corporate tax rate will remain the same until the time that the comparison shows the revenues to be equal to or increased from 2012. Once the comparison shows the revenues to be equal to or increased, the tax rate will be decreased from 6.25% to 5.625% for the year following the determination, then each year the comparison shows the revenues to be equal to or increased from 2012, the tax rate will decrease to 5%; then 4.375%, then 3.75% and finally to 3.125% for each subsequent tax year. Once a decrease occurs in the amount of the tax imposed, the imposed tax amount cannot increase even if the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received in any following fiscal year ending on June 30 of any following tax year are less than the sum of the Missouri net corporation income tax

revenues and the Missouri net individual income tax revenues received in the fiscal year ending on June 30, 2012. For all tax years beginning on or after January 1, 2014, if the average payroll for the tax year of a corporation exceeds 150% of the county average wage in the county in which the corporation is located the tax imposed upon the Missouri taxable income of corporations will be 3.125% of Missouri taxable income with specified exceptions.

The bill requires a proportional reduction in the financial institutions taxes rate when the corporation income tax rate is reduced.

Supporters for HB 1253 and HB 1297 say that most small businesses do not qualify for a majority of tax credits and incentives. This is meaningful tax relief because the bill reduces the taxes for everyone by 50% over time and all small businesses will benefit. Missouri small businesses are the job creators in our state. Small businesses with 50 or fewer employees created over 75,000 jobs between 2005 and 2012. Instead of continuing the failed attempts at picking winners and losers, state government should reduce the tax burden on all Missourians and especially the job creators. This bill helps existing employers as it increases Missouri's ability to compete for new employers and the jobs they provide. The performance-based evaluation aspect of this tax reduction tests the economic philosophy that lowering taxes will help the economy.

Testifying for HB 1253 were Representative Berry; Associated Industries of Missouri; Missouri Retailers Association; Missouri Grocers' Association; National Federation of Independent Business; Woody Cozad, Gateway Group; Americans for Prosperity; Missouri Chamber of Commerce and Industry; United for Missouri and Missouri Society of Certified Public Accountants.

Testifying for HB 1297 were Representative Koenig; Associated Industries of Missouri; Missouri Retailers Association; Missouri Grocers' Association; National Federation of Independent Business; Woody Cozad, Gateway Group; Americans for Prosperity; Missouri Chamber of Commerce and Industry; United for Missouri and Missouri Society of Certified Public Accountants.

OPPONENTS: Those who oppose HB 1253 and HB 1297 say that they oppose revenue reductions that reduce the state's capacity to invest in public education, mental health and other vital services. Crucial state programs are already underfunded. Rather than reducing state revenue, our state should restructure our tax system to be more modern, adequate, and fair. Cuts to our state revenue threaten vulnerable populations such as seniors, veterans, and children living in poverty. Failing to invest adequately in infrastructure and an educated workforce positions Missouri badly

in global competition for business.

Testifying against both bills were The Civic Council of Greater Kansas City; Missouri Coalition of Community Mental Health Centers; Missouri Budget Project; School Administrators Coalition; Missouri National Education Association; and Missouri Association for Social Welfare.