AN ACT

To repeal sections 143.071 and 143.221, RSMo, and to enact in lieu thereof four new sections relating to the taxation of business income.

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

Section A. Sections 143.071 and 143.221, RSMo, are repealed and four new sections enacted in lieu thereof, to be known as sections 143.013, 143.071, 143.221, and 148.720, to read as follows:

143.013. 1. This act shall be known and may be cited as the "Broad-Based Tax Relief Act of 2014".

2. (1) As used in this section, "business income" means income greater than zero arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. "Business income" shall not include "compensation" as such term is defined under subsection 1 of article IV of section 32.200.

(2) As used in this section, "Missouri net individual income tax revenues" means the revenues collected from the Missouri individual income tax in this chapter less any refunds.

(3) As used in this section, "Missouri net corporation income tax revenues" means the revenues collected from the Missouri corporation income tax in section 143.071 less any refunds.

3. In the case of a small corporation described in section 143.471 or a partnership, computing the deduction allowed under subsection 4 of this section, taxpayers described

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.
in subdivisions (1) or (2) of this subsection shall be allowed such deduction apportioned in proportion to their share of ownership of the business on the last day of the taxpayer's tax period for which such deduction is being claimed when determining the Missouri adjusted gross income of:

(1) The shareholders of a small corporation as described in section 143.471;

(2) The partners in a partnership.

4. (1) In addition to all other modifications allowed by law, there shall be subtracted from the federal adjusted gross income of an individual taxpayer the amounts of business income as provided in this subsection to the extent included in federal adjusted gross income when determining the taxpayer's Missouri adjusted gross income.

(2) (a) For all tax years beginning on or after January 1, 2014, the percentage of the amount of business income to be subtracted under this subsection shall be determined as provided in this subdivision.

(b) The office of administration shall compare the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues, as reported by the department of revenue, received in the fiscal year ending on June 30, 2012, to the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues, as reported by the department of revenue, received in the fiscal year ending on June thirtieth of the tax year preceding the tax year for which the percentage of the amount of business income to be subtracted under this section is being determined under this section. When performing such comparison, the office of administration shall exclude any revenues received in any fiscal year as the result of any amnesty from the assessment or payment of all penalties, additions to tax, and interest with respect to unpaid taxes or taxes due and owing. Upon the completion of such comparison, the office of administration shall immediately report the results of such comparison to the director of the department of revenue.

(c) If, upon comparison of the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received as provided in this subdivision, the office of administration determines that the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in the fiscal year ending on June thirtieth of such preceding tax year are less than the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in the fiscal year ending on June 30, 2012, the percentage of the amount of business income that shall be subtracted under this subsection, if any, shall be the same as the immediately preceding tax year until such time the office of administration determines that the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in the fiscal year ending on June thirtieth of such preceding tax year are greater than the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in the fiscal year ending on June 30, 2012.
revenues and the Missouri net corporation income tax revenues received are equal to or
greater than the sum of the Missouri net individual income tax revenues and the Missouri
net corporation income tax revenues received in the fiscal year ending on June 30, 2012,
and the percentage of business income subtracted should increase as provided in
paragraph (d) of this subdivision.

(d) a. In the first tax year for which the office of administration determines that the
sum of the Missouri net individual income tax revenues and the Missouri net corporation
income tax revenues received in the preceding fiscal year ending on June thirtieth of such
tax year are equal to or greater than the sum of the Missouri net individual income tax
revenues and the Missouri net corporation income tax revenues received in the fiscal year
ending on June 30, 2012, the percentage of the amount of business income that shall be
subtracted under this subsection shall be ten percent.

b. In the second tax year for which the office of administration determines that the
sum of the Missouri net individual income tax revenues and the Missouri net corporation
income tax revenues received in the preceding fiscal year ending on June thirtieth of such
tax year are equal to or greater than the sum of the Missouri net individual income tax
revenues and the Missouri net corporation income tax revenues received in the fiscal year
ending on June 30, 2012, the percentage of the amount of business income that shall be
subtracted under this subsection shall be twenty percent.

c. In the third tax year for which the office of administration determines that the
sum of the Missouri net individual income tax revenues and the Missouri net corporation
income tax revenues received in the preceding fiscal year ending on June thirtieth of such
tax year are equal to or greater than the sum of the Missouri net individual income tax
revenues and the Missouri net corporation income tax revenues received in the fiscal year
ending on June 30, 2012, the percentage of the amount of business income that shall be
subtracted under this subsection shall be thirty percent.

d. In the fourth tax year for which the office of administration determines that the
sum of the Missouri net individual income tax revenues and the Missouri net corporation
income tax revenues received in the preceding fiscal year ending on June thirtieth of such
tax year are equal to or greater than the sum of the Missouri net individual income tax
revenues and the Missouri net corporation income tax revenues received in the fiscal year
ending on June 30, 2012, the percentage of the amount of business income that shall be
subtracted under this subsection shall be forty percent.

e. In the fifth tax year for which the office of administration determines that the
sum of the Missouri net individual income tax revenues and the Missouri net corporation
income tax revenues received in the preceding fiscal year ending on June thirtieth of such
tax year are equal to or greater than the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in the fiscal year ending on June 30, 2012, the percentage of the amount of business income that shall be subtracted under this subsection shall be fifty percent.

(e) Once an increase occurs in the percentage of the amount of business income to be subtracted under this subsection as provided in paragraph (d) of this subdivision, the percentage of the amount subtracted under this subsection shall not be decreased even if the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in any following fiscal year ending on June thirtieth of any following tax year are less than the sum of the Missouri net individual income tax revenues and the Missouri net corporation income tax revenues received in the fiscal year ending on June 30, 2012.

5. For all tax years beginning on or after January 1, 2014, in the event the average payroll for the tax year of the business that is the source of such business income exceeds one hundred fifty percent of the county average wage in the county in which the business is located, notwithstanding the provisions of subsection 4 of this section to the contrary and in lieu of the deduction provided in subsection 4 of this section and in addition to all other modifications allowed by law, there shall be subtracted from the federal adjusted gross income of an individual taxpayer fifty percent of business income to the extent included in federal adjusted gross income when determining the taxpayer’s Missouri adjusted gross income. For the purposes of this subsection, “county average wage” shall be determined as provided in section 620.1878, RSMo, and “average payroll” shall mean the amount of taxable wages of full-time employees of the business divided by the total number of full-time employees.

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

2. For all tax years beginning on or after September 1, 1993, but before January 1, 2014, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to six and one-fourth percent of Missouri taxable income.

3. (1) For each tax year beginning on or after January 1, 2014, the tax imposed upon the Missouri taxable income of corporations shall be in an amount as determined under this subsection.

(2) The office of administration shall compare the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues, as reported by the department of revenue, received in the fiscal year ending on June 30, 2012,
to the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues, as reported by the department of revenue, received in the fiscal year ending on June thirtieth of the tax year preceding the tax year for which the amount of the tax imposed under this section is being determined under this section. When performing such comparison, the office of administration shall exclude any revenues received in any fiscal year as the result of any amnesty from the assessment or payment of all penalties, additions to tax, and interest with respect to unpaid taxes or taxes due and owing. Upon the completion of such comparison, the office of administration shall immediately report the results of such comparison to the director of the department of revenue.

(3) If, upon comparison of the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received as provided in this subsection, the office of administration determines that 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 thirtieth of such preceding 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, the amount of the tax imposed under this subsection shall be at the same rate as the immediately preceding tax year until such time the office of administration determines that the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received are equal to or greater 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, and the amount of the tax imposed under this subsection should decrease as provided in subdivision (4) of this subsection.

(4) (a) In the first tax year for which the office of administration determines that the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received in the preceding fiscal year ending on June thirtieth of such tax year are equal to or greater 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, the amount of the tax imposed under this subsection shall decrease to an amount equal to five and five-eighths percent of Missouri taxable income.

(b) In the second tax year for which the office of administration determines that the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received in the preceding fiscal year ending on June thirtieth of such tax year are equal to or greater 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, the amount of the tax imposed under this subsection shall decrease to an amount equal to five and five-eighths percent of Missouri taxable income.
revenues and the Missouri net individual income tax revenues received in the fiscal year ending on June 30, 2012, the amount of the tax imposed under this subsection shall decrease to an amount equal to five percent of Missouri taxable income.

(c) In the third tax year for which the office of administration determines that the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received in the preceding fiscal year ending on June thirtieth of such tax year are equal to or greater 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, the amount of the tax imposed under this subsection shall decrease to an amount equal to four and three-eighths percent of Missouri taxable income.

(d) In the fourth tax year for which the office of administration determines that the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received in the preceding fiscal year ending on June thirtieth of such tax year are equal to or greater 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, the amount of the tax imposed under this subsection shall decrease to an amount equal to three and three-fourths percent of Missouri taxable income.

(e) In the fifth tax year for which the office of administration determines that the sum of the Missouri net corporation income tax revenues and the Missouri net individual income tax revenues received in the preceding fiscal year ending on June thirtieth of such tax year are equal to or greater 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, the amount of the tax imposed under this subsection shall decrease to an amount equal to three and one-eighth percent of Missouri taxable income.

(5) Once a decrease occurs in the amount of the tax imposed under this subsection as provided in subdivision (4) of this subsection, the amount of the tax imposed under this subsection shall not 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 thirtieth 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.

4. (1) For all tax years beginning on or after January 1, 2014, in the event the average payroll for the tax year of a corporation exceeds one hundred fifty percent of the county average wage in the county in which the corporation is located, notwithstanding the provisions of subsection 3 of this section to the contrary and in lieu of the rate of tax
provided in subsection 3 of this section, the tax imposed upon the Missouri taxable income of corporations shall be three and one-eighth percent of Missouri taxable income.

(2) For the purposes of this subsection, “county average wage” shall be determined as provided in section 620.1878, RSMo, and “average payroll” shall mean the amount of taxable wages of full-time employees of the business divided by the total number of full-time employees.

143.221. 1. Every employer required to deduct and withhold tax under sections 143.011 to 143.996 shall, for each calendar quarter, on or before the last day of the month following the close of such calendar quarter, file a withholding return as prescribed by the director of revenue and pay over to the director of revenue or to a depository designated by the director of revenue the taxes so required to be deducted and withheld.

2. Where the aggregate amount required to be deducted and withheld by any employer exceeds fifty dollars for at least two of the preceding twelve months, the director, by regulation, may require a monthly return. The due dates of the monthly return and the monthly payment or deposit for the first two months of each quarter shall be by the fifteenth day of the succeeding month. The due dates of the monthly return and the monthly payment or deposit for the last month of each quarter shall be by the last day of the succeeding month. The director may increase the amount required for making a monthly employer withholding payment and return to more than fifty dollars or decrease such required amount, however, the decreased amount shall not be less than fifty dollars.

3. Where the aggregate amount required to be deducted and withheld by any employer is less than [twenty] one hundred dollars in each of the four preceding quarters, and to the extent the employer does not meet the requirements in subsection 1 or 2 of this section for filing a withholding return on a quarterly or monthly basis, the employer shall file a withholding return for a calendar year. The director, by regulation, may also allow other employers to file annual returns. The return shall be filed and the taxes if any paid on or before January thirty-first of the succeeding year. The director may increase the amount required for making an annual employer withholding payment and return to more than [twenty] one hundred dollars or decrease such required amount, however, the decreased amount shall not be less than [twenty] one hundred dollars.

4. If the director of revenue finds that the collection of taxes required to be deducted and withheld by an employer may be jeopardized by delay, he may require the employer to pay over the tax or make a return at any time. A lien outstanding with regard to any tax administered by the director shall be a sufficient basis for this action.

148.720. 1. For all tax years beginning on or after January 1, 2014, in which there is a reduction in the rate of tax imposed under section 143.071, there shall be a
3 corresponding and proportional reduction in the rate of tax imposed under sections 148.030, 148.140, and 148.620.

2. The reduction specified in subsection 1 of this section shall occur each year there is a reduction in the rate of tax imposed under section 143.071.