

SECOND REGULAR SESSION

[PERFECTED]

HOUSE COMMITTEE SUBSTITUTE FOR

HOUSE BILL NO. 1295

97TH GENERAL ASSEMBLY

4669H.06P

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal sections 143.011, 143.021, 143.151, and 143.221, RSMo, and to enact in lieu thereof five new sections relating to income taxes.

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

Section A. Sections 143.011, 143.021, 143.151, and 143.221, RSMo, are repealed and
2 five new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.022,
3 143.151, and 143.221, to read as follows:

2	143.011. 1. A tax is hereby imposed for every taxable year on the Missouri taxable	
3	income of every resident. The tax shall be determined by applying the tax table or the rate	
4	provided in section 143.021, which is based upon the following rates: If the	
5	Missouri taxable income is:	The tax is:
6	Not over \$1,000.00	1 1/2% of the Missouri
7	Over \$1,000 but not over \$2,000	taxable income
8		\$15 plus 2% of excess
9	Over \$2,000 but not over \$3,000	over \$1,000
10		\$35 plus 2 1/2% of
11	Over \$3,000 but not over \$4,000	excess over \$2,000
12		\$60 plus 3% of excess
13	Over \$4,000 but not over \$5,000	over \$3,000
14		\$90 plus 3 1/2% of
15	Over \$5,000 but not over \$6,000	excess over \$4,000
16		\$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 \$7,000	\$165 plus 4 1/2% of
18		excess over \$6,000
19	Over \$7,000 but not over \$8,000	\$210 plus 5% of excess
20		over \$7,000
21	Over \$8,000 but not over \$9,000	\$260 plus 5 1/2% of
22		excess over \$8,000
23	Over \$9,000	\$315 plus 6% of
24		excess over \$9,000

25 **2. (1) For all tax years beginning on or after January 1, 2015, the top rate of tax**
 26 **under subsection 1 of this section may be reduced over a period of time such that the top**
 27 **rate of tax shall not be reduced below five and three-tenths percent. Each reduction in the**
 28 **top rate of tax shall be by one-tenth of a percent and no more than one reduction shall**
 29 **occur in a calendar year. Reductions in the rate of tax shall take effect on January first of**
 30 **a tax year and such reduced rates shall continue in effect until the next reduction occurs.**

31 **(2) A reduction in the rate of tax shall only occur if the amount of net general**
 32 **revenue collected in the previous fiscal year exceeds the highest amount of net general**
 33 **revenue collected in any of the three fiscal years prior to such fiscal year by at least one**
 34 **hundred fifty million dollars.**

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

37 **(4) The director of the department of revenue shall, by rule, adjust the tax tables**
 38 **under subsection 1 of this section to effectuate the provisions of this subsection. The**
 39 **bracket for income over nine thousand dollars shall be eliminated once the top rate of tax**
 40 **has been reduced to five and one-half percent.**

41 **3. Whenever a reduction in the tax rate occurs under subsection 2 of this section,**
 42 **of the one hundred fifty million dollars or more in net general revenue growth, forty**
 43 **percent shall be deposited into the school district trust fund established in section 144.701,**
 44 **and twenty percent shall be designated for the support of higher education until such time**
 45 **that the foundation formula is fully funded. In the event that the foundation formula**
 46 **becomes fully funded, any remaining revenue shall revert to the general revenue fund.**

143.021. 1. Every resident having a taxable income of less than nine thousand dollars
 2 shall determine his tax from a tax table prescribed by the director of revenue and based upon the
 3 rates provided in section 143.011. The tax table shall be on the basis of one hundred dollar
 4 increments of taxable income below nine thousand dollars. The tax provided in the table shall
 5 be the amount rounded to the nearest whole dollar by applying the rates in section 143.011 to the
 6 taxable income at the midpoint of each increment, except there shall be no tax on a taxable

7 income of less than one hundred dollars. Every resident having a taxable income of nine
8 thousand dollars or more shall determine his tax from the rate provided in section 143.011. **This**
9 **subsection shall only apply if the top rate of tax under section 143.011 is greater than five**
10 **and one-half percent.**

11 **2. Every resident having a taxable income of less than eight thousand dollars shall**
12 **determine his or her tax from a tax table prescribed by the director of revenue and based**
13 **upon the rates provided in section 143.011. The tax table shall be on the basis of one**
14 **hundred dollar increments of taxable income below eight thousand dollars. The tax**
15 **provided in the table shall be the amount rounded to the nearest whole dollar by applying**
16 **the rates in section 143.011 to the taxable income at the midpoint of each increment, except**
17 **there shall be no tax on a taxable income of less than one hundred dollars. Every resident**
18 **having a taxable income of eight thousand dollars or more shall determine his or her tax**
19 **from the rate provided in section 143.011. This subsection shall only apply if the top rate**
20 **of tax under section 143.011 is five and one-half percent.**

143.022. 1. As used in this section, "business income" means the Missouri source net
2 **profit from a business determined under the provisions of this chapter and the Internal**
3 **Revenue Code as reported on:**

- 4 **(1) Schedule C of Form 1040, Profit or Loss From Business (Sole Proprietorship);**
- 5 **(2) Form 1120S, U.S. Income Tax Return for an S Corporation; and**
- 6 **(3) Form 1065, U.S. Return of Partnership Income.**

7 **Business income shall not include "compensation" as such term is defined under**
8 **subsection 1 of article IV of section 32.200, "guaranteed payments" as defined by the**
9 **Internal Revenue Code, or income from the operation of a farm or ranch.**

10 **2. In addition to all other modifications allowed by law, there shall be subtracted**
11 **from the federal adjusted gross income of an individual taxpayer a percentage of business**
12 **income, to the extent it is included in federal adjusted gross income when determining the**
13 **taxpayer's Missouri adjusted gross income.**

14 **3. In the case of a small corporation described in section 143.471 or a partnership,**
15 **computing the deduction allowed under subsection 2 of this section, taxpayers described**
16 **in subdivisions (1), (2), or (3) of this subsection shall be allowed such deduction**
17 **apportioned in proportion to their share of ownership of the business on the last day of the**
18 **taxpayer's tax period for which such deduction is being claimed when determining the**
19 **Missouri adjusted gross income of:**

- 20 **(1) The shareholders of a small corporation as described in**
21 **section 143.471;**
- 22 **(2) The partners in a partnership; and**

23 **(3) The members in a limited liability company.**

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

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

36 **6. The first year that a taxpayer may make the subtraction under subsection 2 of**
37 **this section is for tax years beginning on or after January 1, 2015, provided that the**
38 **provisions of subsection 5 of this section are met. If the provisions of subsection 5 of this**
39 **section are met, the percentage that may be subtracted in tax year 2015 is ten percent.**

143.151. For all taxable years beginning before January 1, 1999, a resident shall be
2 allowed a deduction of one thousand two hundred dollars for himself or herself and one thousand
3 two hundred dollars for his or her spouse if he or she is entitled to a deduction for such personal
4 exemptions for federal income tax purposes. For all taxable years beginning on or after January
5 1, 1999, a resident shall be allowed a deduction of two thousand one hundred dollars for himself
6 or herself and two thousand one hundred dollars for his or her spouse if he or she is entitled to
7 a deduction for such personal exemptions for federal income tax purposes. **For all tax years**
8 **beginning on or after January 1, 2015, a resident with a Missouri adjusted gross income**
9 **of less than twenty thousand dollars shall be allowed an additional deduction of one**
10 **thousand dollars for himself or herself and an additional one thousand dollars for his or**
11 **her spouse if he or she is entitled to a deduction for such personal exemptions for federal**
12 **income tax purposes and his or her spouse's Missouri adjusted gross income is less than**
13 **twenty thousand dollars.**

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

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

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

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

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