

HOUSE BILL NO. 1295

97TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES KOENIG (Sponsor), BAHR, BRATTIN, COX, KOLKMEYER,
WHITE, MCGAUGH, CURTMAN AND GUERNSEY (Co-sponsors).

4669H.05I

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal sections 143.011, 143.021, 143.071, and 143.151, 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Section A. Sections 143.011, 143.021, 143.071, and 143.151, RSMo, are repealed and five new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.022, 143.071, and 143.151, to read as follows:

143.011. 1. A tax is hereby imposed for every taxable year on the Missouri taxable	
2	income of every resident. The tax shall be determined by applying the tax table or the rate
3	provided in section 143.021, which is based upon the following rates: If the Missouri taxable
4	income is:
	The tax is:
5	Not over \$1,000.00 1 1/2% of the Missouri
6	taxable income
7	Over \$1,000 but not over \$2,000 \$15 plus 2% of excess
8	over \$1,000
9	Over \$2,000 but not over \$3,000 \$35 plus 2 1/2% of
10	excess over \$2,000
11	Over \$3,000 but not over \$4,000 \$60 plus 3% of excess
12	over \$3,000
13	Over \$4,000 but not over \$5,000 \$90 plus 3 1/2% of
14	excess over \$4,000
15	Over \$5,000 but not over \$6,000 \$125 plus 4% of excess

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.

16		over \$5,000
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 percent. Each reduction in the top rate of tax**
 28 **shall be by one-tenth of a percent and no more than one reduction shall occur in a calendar**
 29 **year. Reductions in the rate of tax shall take effect on January first of a tax year and such**
 30 **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 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. The bracket for income over eight thousand**
 41 **dollars shall be eliminated once the top rate of tax has been reduced to five percent.**

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 greater than five percent and less than or equal to five and**
21 **one-half percent.**

22 **3. Every resident having a taxable income of less than seven thousand dollars shall**
23 **determine his or her tax from a tax table prescribed by the director of revenue and based**
24 **upon the rates provided in section 143.011. The tax table shall be on the basis of one**
25 **hundred dollar increments of taxable income below seven thousand dollars. The tax**
26 **provided in the table shall be the amount rounded to the nearest whole dollar by applying**
27 **the rates in section 143.011 to the taxable income at the midpoint of each increment, except**
28 **there shall be no tax on a taxable income of less than one hundred dollars. Every resident**
29 **having a taxable income of seven thousand dollars or more shall determine his or her tax**
30 **from the rate provided in section 143.011. This subsection shall only apply if the top rate**
31 **of tax under section 143.011 is equal to five percent.**

143.022. 1. As used in this section, "business income" means the Missouri source net
2 **profit from 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
36 least one hundred million dollars.

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

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, a tax is hereby imposed
5 upon the Missouri taxable income of corporations in an amount equal to six and one-fourth
6 percent of Missouri taxable income.

7 3. Notwithstanding the provisions of this section to the contrary, for all tax years
8 beginning on or after January 1, 2015, the first twenty-five thousand dollars of corporate
9 income shall be exempt from taxation.

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.**

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