

SECOND REGULAR SESSION  
SENATE COMMITTEE SUBSTITUTE FOR  
HOUSE COMMITTEE SUBSTITUTE FOR

# HOUSE BILL NO. 1295

## 97TH GENERAL ASSEMBLY

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Reported from the Committee on Ways and Means, April 10, 2014, with recommendation that the Senate Committee Substitute do pass.

TERRY L. SPIELER, Secretary.

4669S.07C

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### AN ACT

To repeal sections 143.071 and 143.221, RSMo, and to enact in lieu thereof three new sections relating to income taxes.

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*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Section A. Sections 143.071 and 143.221, RSMo, are repealed and three  
2 new sections enacted in lieu thereof, to be known as sections 143.022, 143.071,  
3 and 143.221, to read as follows:

**143.022. 1. As used in this section, "business income" means the**  
2 **income greater than zero arising from transactions in the regular**  
3 **course of all of a taxpayer's trade or business and shall be limited to**  
4 **the Missouri source net profit from the combination of the following:**

5 **(1) The total combined profit as properly reported to the Internal**  
6 **Revenue Service on each Schedule C, or its successor form, filed; and**

7 **(2) The total partnership and S corporation income or loss**  
8 **properly reported to the Internal Revenue Service on Part II of**  
9 **Schedule E, or its successor form.**

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

16 **3. In the case of an S corporation described in section 143.471 or**  
17 **a partnership, computing the deduction allowed under subsection 2 of**

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

18 this section, taxpayers described in subdivisions (1) or (2) of this  
19 subsection shall be allowed such deduction apportioned in proportion  
20 to their share of ownership of the business as reported on the  
21 taxpayer's schedule K-1, or its successor form, for the tax period for  
22 which such deduction is being claimed when determining the Missouri  
23 adjusted gross income of:

24 (1) The shareholders of an S corporation as described in section  
25 143.471;

26 (2) The partners in a partnership.

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

36 5. An increase in the percentage that may be subtracted under  
37 subsection 2 of this section shall only occur if the amount of net  
38 general revenue collected in the previous fiscal year exceeds the  
39 highest amount of net general revenue collected in any of the three  
40 fiscal years prior to such fiscal year by at least one hundred fifty  
41 million dollars.

42 6. The first year that a taxpayer may make the subtraction under  
43 subsection 2 of this section is 2015, provided that the provisions of  
44 subsection 5 of this section are met. If the provisions of subsection 5  
45 of this section are met, the percentage that may be subtracted in 2015  
46 is ten percent.

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

4 2. For all tax years beginning on or after September 1, 1993, **but before**  
5 **January 1, 2015**, a tax is hereby imposed upon the Missouri taxable income of  
6 corporations in an amount equal to six and one-fourth percent of Missouri taxable  
7 income.

8 3. Beginning with the 2015 calendar year, the rate of tax on

9 **Missouri taxable income of corporations may be reduced over a period**  
10 **of years. Each reduction in the rate of tax shall be by three-fifths of a**  
11 **percent and no more than one reduction shall occur in a calendar**  
12 **year. The top rate of tax shall not be reduced below three and one-**  
13 **fourth percent. Reductions in the rate of tax shall take effect on**  
14 **January first of a calendar year and such reduced rates shall continue**  
15 **in effect until the next reduction occurs.**

16 **4. A reduction in the rate of tax shall only occur if the amount**  
17 **of net general revenue collected in the previous fiscal year exceeds the**  
18 **highest amount of net general revenue collected in any of the three**  
19 **fiscal years prior to such fiscal year by at least one hundred fifty**  
20 **million dollars.**

21 **5. Any modification of tax rates under this subsection shall only**  
22 **apply to tax years that begin on or after a modification takes effect.**

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

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

18 3. Where the aggregate amount required to be deducted and withheld by  
19 any employer is less than [twenty] **one hundred** dollars in each of the four  
20 preceding quarters, **and to the extent the employer does not meet the**  
21 **requirements in subsection 1 or 2 of this section for filing a**  
22 **withholding return on a quarterly or monthly basis,** the employer shall file

23 a withholding return for a calendar year. The director, by regulation, may also  
24 allow other employers to file annual returns. The return shall be filed and the  
25 taxes if any paid on or before January thirty-first of the succeeding year. The  
26 director may increase the amount required for making an annual employer  
27 withholding payment and return to more than [twenty] **one hundred** dollars or  
28 decrease such required amount, however, the decreased amount shall not be less  
29 than [twenty] **one hundred** dollars.

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

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