

HCS HB 1295 -- INCOME TAXATION (Koenig)

COMMITTEE OF ORIGIN: Committee on Ways and Means

This bill changes the laws regarding income taxation. In its main provisions, the bill:

(1) Modifies the individual income tax rate table. Beginning with the 2015 tax year, the maximum tax rate on personal income will be reduced by .1% once a year if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of revenue collected in any of the three fiscal years prior to the fiscal year by at least \$150 million. After the rate reduction is fully phased-in, the maximum tax rate will be 5.3%;

(2) Requires 40% of the \$150 million or more in net general revenue growth to be deposited into the School District Trust Fund and 20% of the revenue growth to be designated for the support of higher education until the foundation formula is fully funded whenever a tax rate reduction occurs;

(3) Creates an individual income tax deduction for business income, beginning January 1, 2015, and phases it in, in 10% increments, over a five-year period. However, the deduction can only occur if the net general revenue collected in the previous fiscal year exceeds those collected in any of the three fiscal years prior to the fiscal year by at least \$100 million. A taxpayer will be allowed to deduct 10% of business income for the first tax year the income growth is met and, once fully phased-in, will be allowed a 50% deduction. A shareholder of a S-corporation and a partner in a partnership will be allowed a proportional deduction based on his or her share of ownership;

(4) Authorizes, beginning January 1, 2015, an additional personal exemption of \$1,000 for every individual with a Missouri adjusted gross income of less than \$20,000. Currently, the personal exemption for individual income tax is \$2,100; and

(5) Changes the amount when an employer is allowed to file an annual withholding tax return instead of four quarterly returns from less than \$20 to less than \$100 in each of the four preceding quarters if the employer is not otherwise required to file a withholding return on a quarterly or monthly basis.