

SECOND REGULAR SESSION
[TRULY AGREED TO AND FINALLY PASSED]
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 2540
99TH GENERAL ASSEMBLY

6148S.10T

2018

AN ACT

To repeal sections 143.011, 143.022, 143.151, 143.161, and 143.171, RSMo, and to enact in lieu thereof five new sections relating to individual income taxes, with an effective date.

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

Section A. Sections 143.011, 143.022, 143.151, 143.161, and 143.171, RSMo, are
2 repealed and five new sections enacted in lieu thereof, to be known as sections 143.011, 143.022,
3 143.151, 143.161, and 143.171, 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:

4	If the Missouri taxable income is:	The tax is:
5	Not over \$1,000.00	1 ½% of the Missouri taxable income
6	Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over \$1,000
7	Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess over \$2,000
8	Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over \$3,000
9	Over \$4,000 but not over \$5,000	\$90 plus 3 1/2% of excess over \$4,000
10	Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
11	Over \$6,000 but not over \$7,000	\$165 plus 4 1/2% of excess over \$6,000
12	Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over \$7,000
13	Over \$8,000 but not over \$9,000	\$260 plus 5 ½% of excess over \$8,000

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.

14 Over \$9,000 \$315 plus 6% of excess over \$9,000

15 2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of
16 this section may be reduced over a period of years. Each reduction in the top rate of tax shall
17 be by one-tenth of a percent and no more than one reduction shall occur in a calendar year. [~~The~~
18 ~~top rate of tax shall not be reduced below five and one-half percent.~~] **No more than five**
19 **reductions shall be made under this subsection.** Reductions in the rate of tax shall take effect
20 on January first of a calendar year and such reduced rates shall continue in effect until the next
21 reduction occurs.

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

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

28 (4) The director of the department of revenue shall, by rule, adjust the tax tables under
29 subsection 1 of this section to effectuate the provisions of this subsection. The bracket for
30 income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced
31 to five and one-half [~~of a~~] percent, **and the top remaining rate of tax shall apply to all income**
32 **in excess of the income in the second highest remaining income bracket.**

33 3. (1) **In addition to the rate reductions under subsection 2 of this section,**
34 **beginning with the 2019 calendar year, the top rate of tax under subsection 1 of this section**
35 **shall be reduced by four-tenths of one percent. Such reduction in the rate of tax shall take**
36 **effect on January first of the 2019 calendar year.**

37 (2) **The modification of tax rates under this subsection shall only apply to tax years**
38 **that begin on or after the date the modification takes effect.**

39 (3) **The director of the department of revenue shall, by rule, adjust the tax tables**
40 **under subsection 1 of this section to effectuate the provisions of this subsection.**

41 4. Beginning with the 2017 calendar year, the brackets of Missouri taxable income
42 identified in subsection 1 of this section shall be adjusted annually by the percent increase in
43 inflation. The director shall publish such brackets annually beginning on or after October 1,
44 2016. Modifications to the brackets shall take effect on January first of each calendar year and
45 shall apply to tax years beginning on or after the effective date of the new brackets.

46 [4.] 5. As used in this section, the following terms mean:

47 (1) "CPI", the Consumer Price Index for All Urban Consumers for the United States as
48 reported by the Bureau of Labor Statistics, or its successor index;

49 (2) "CPI for the preceding calendar year", the average of the CPI as of the close of the
50 twelve month period ending on August thirty-first of such calendar year;

51 (3) **"Net general revenue collected", all revenue deposited into the general revenue**
52 **fund, less refunds and revenues originally deposited into the general revenue fund but**
53 **designated by law for a specific distribution or transfer to another state fund;**

54 (4) "Percent increase in inflation", the percentage, if any, by which the CPI for the
55 preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and ending
56 August 31, 2015.

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

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

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

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

12 3. In the case of an S corporation described in section 143.471 or a partnership
13 computing the deduction allowed under subsection 2 of this section, taxpayers described in
14 subdivision (1) or (2) of this subsection shall be allowed such deduction apportioned in
15 proportion to their share of ownership of the business as reported on the taxpayer's Schedule K-1,
16 or its successor form, for the tax period for which such deduction is being claimed when
17 determining the Missouri adjusted gross income of:

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

19 (2) The partners in a partnership.

20 4. The percentage to be subtracted under subsection 2 of this section shall be increased
21 over a period of years. Each increase in the percentage shall be by five percent and no more than
22 one increase shall occur in a calendar year. The maximum percentage that may be subtracted
23 is ~~twenty-five~~ **twenty** percent of business income. Any increase in the percentage that may be
24 subtracted shall take effect on January first of a calendar year and such percentage shall continue
25 in effect until the next percentage increase occurs. An increase shall only apply to tax years that
26 begin on or after the increase takes effect.

27 5. An increase in the percentage that may be subtracted under subsection 2 of this section
28 shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds

29 the highest amount of net general revenue collected in any of the three fiscal years prior to such
30 fiscal year by at least one hundred fifty million dollars.

31 6. The first year that a taxpayer may make the subtraction under subsection 2 of this
32 section is 2017, provided that the provisions of subsection 5 of this section are met. If the
33 provisions of subsection 5 of this section are met, the percentage that may be subtracted in 2017
34 is five 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, **provided that the**
8 **exemption amount as defined under 26 U.S.C. 151 is not zero.** For all tax years beginning
9 on or after January 1, 2017, a resident with a Missouri adjusted gross income of less than twenty
10 thousand dollars shall be allowed an additional deduction of five hundred dollars for himself or
11 herself and an additional five hundred dollars for his or her spouse if he or she is entitled to a
12 deduction for such personal exemptions for federal income tax purposes, **provided that the**
13 **exemption amount as defined under 26 U.S.C. 151 is not zero,** and his or her spouse's
14 Missouri adjusted gross income is less than twenty thousand dollars.

143.161. 1. For all taxable years beginning after December 31, 1997, a resident may
2 deduct one thousand two hundred dollars for each dependent for whom such resident is entitled
3 to a dependency exemption deduction for federal income tax purposes, **provided that the**
4 **exemption amount as defined under 26 U.S.C. 151 is not zero.** In the case of a dependent
5 who has attained sixty-five years of age on or before the last day of the taxable year, if such
6 dependent resides in the taxpayer's home or the dependent's own home or if such dependent does
7 not receive Medicaid or state funding while residing in a facility licensed pursuant to chapter
8 198, the taxpayer may deduct an additional one thousand dollars.

9 2. For all taxable years beginning on or after January 1, 1999, a resident who qualifies
10 as an unmarried head of household or as a surviving spouse for federal income tax purposes may
11 deduct an additional one thousand four hundred dollars.

12 3. For all taxable years beginning on or after January 1, 2015, for each birth for which
13 a certificate of birth resulting in stillbirth has been issued under section 193.165, a taxpayer may
14 claim the exemption under subsection 1 of this section only in the taxable year in which the
15 stillbirth occurred, if the child otherwise would have been a member of the taxpayer's household.

143.171. 1. For all tax years beginning on or after January 1, 1994, **and ending on or before December 31, 2018**, an individual taxpayer shall be allowed a deduction for his or her federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed, not to exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by **26 U.S.C. Section 31** ~~[(tax withheld on wages)]~~, **26 U.S.C. Section 27** ~~[(tax of foreign country and United States possessions)]~~, and **26 U.S.C. Section 34** ~~[(tax on certain uses of gasoline, special fuels, and lubricating oils)]~~.

2. **Notwithstanding any other provision of law to the contrary, for all tax years beginning on or after January 1, 2019, an individual taxpayer shall be allowed a deduction equal to a percentage of his or her federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed, not to exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction percentage is determined according to the following table:**

If the Missouri adjusted gross income on the return is:	The deduction percentage is:
\$25,000 or less	35 percent
From \$25,001 to \$50,000	25 percent
From \$50,001 to \$100,000	15 percent
From \$100,001 to \$125,000	5 percent
\$125,001 or more	0 percent

3. For all tax years beginning on or after September 1, 1993, a corporate taxpayer shall be allowed a deduction for fifty percent of its federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by **26 U.S.C. Section 31** ~~[(tax withheld on wages)]~~, **26 U.S.C. Section 27** ~~[(tax of foreign country and United States possessions)]~~, and **26 U.S.C. Section 34** ~~[(tax on certain uses of gasoline, special fuels and lubricating oils)]~~.

36 ~~[3-]~~ 4. If a federal income tax liability for a tax year prior to the applicability of sections
37 143.011 to 143.996 for which he was not previously entitled to a Missouri deduction is later paid
38 or accrued, he may deduct the federal tax in the later year to the extent it would have been
39 deductible if paid or accrued in the prior year.

Section B. Section A of this act shall become effective January 1, 2019.

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