

SCS HCS HB 2540 -- INDIVIDUAL INCOME TAX

This bill makes changes to the state individual income tax.

INCOME TAX

Currently, the law provides for a reduction in the top rate of income tax over a period of years from 6% to 5.5%, with each cut becoming effective if net general revenue collections meet a certain trigger. In addition to such reductions, beginning in the calendar year 2019, this bill provides that the top rate of tax shall be reduced by 0.4%.

The bill also creates a definition for "net general revenue collected," which includes all revenue deposited into the General Revenue Fund, less refunds and revenues originally deposited into the General Revenue Fund but designated by law for a specific distribution or transfer to another state fund (Section 143.011, RSMo).

BUSINESS PASS-THROUGH INCOME DEDUCTION

Currently, a pass-through entity can deduct 5% from its 2017 Missouri taxable income. The amount of the deduction will increase 5% each year certain net general revenue limits are met up to a maximum 25% deduction. This bill changes the maximum deduction from 25% to 20% (Section 143.022, RSMo).

PERSONAL & DEPENDENCY EXEMPTIONS

Currently, an individual can deduct \$2,100 as a personal exemption, \$2,100 for a spouse, and \$1,200 for each dependent. This bill provides that Missouri personal and dependency exemptions are not allowed if the federal exemption amount is zero (Sections 143.151 and 143.161).

FEDERAL TAX DEDUCTION

Currently, an individual can deduct his or her federal income tax liability up to \$5,000 or if a combined return, up to \$10,000. Beginning January 1, 2019, this bill phases out this deduction for individuals based on Missouri adjusted gross income limits. The deduction is allowed at 35% for incomes of \$25,000 or less; 25% for incomes of \$25,001 to \$50,000; 15% for incomes of \$50,001 to \$100,000; 5% for incomes of \$100,001 to \$125,000; and completely eliminated for incomes over \$125,000 (Section 143.171).

This bill shall become effective on January 1, 2019.