

HB 2734 -- INDIVIDUAL INCOME TAX REFORM

SPONSOR: Morgan

This bill changes the laws regarding the Missouri individual income tax.

In its main provisions, the bill:

(1) Creates new income tax rates and brackets beginning January 1, 2020. Currently, the maximum rate is 6% for incomes greater than \$9,000. The new rate maximum will be 7.75% for taxable incomes greater than \$1 million. The dollar amount must be increased annually by the same percentage as the increase over the previous year in the federal Consumer Price Index (Sections 143.011 & 143.021, RSMo);

(2) Limits itemized deductions to no more than \$20,000 (Section 143.141);

(3) Eliminates the deduction for federal income taxes paid which is currently capped at \$5,000 for a single taxpayer and \$10,000 for a married couple, beginning January 1, 2019 (Section 143.171); and

(4) Establishes, beginning January 1, 2019, a refundable tax credit of \$200 per family member including the taxpayer, the taxpayer's spouse, and the taxpayer's dependents if the taxpayer's federal adjusted gross income is less than \$30,000 or if the taxpayer's filing status is head of household or married filing jointly and his or her federal adjusted gross income is less than \$60,000. A schedule with reduced credit amounts is established for incomes between \$30,000 and \$50,000 for single or married filing separately taxpayers and for incomes between \$60,000 and \$80,000 for married filing combined and head of household taxpayers. A taxpayer with a federal adjusted gross income of greater than the specified amounts is not eligible for the credit. Beginning with the 2020 calendar year, the credit amounts will be indexed for inflation (Section 143.178).

The bill contains a referendum clause and becomes effective only upon voter approval.

This bill is similar to HB 2744 (2016).