

SECOND REGULAR SESSION

[CORRECTED]

SENATE COMMITTEE SUBSTITUTE FOR

SENATE BILLS NOS. 509 & 496

97TH GENERAL ASSEMBLY

Reported from the Committee on Ways and Means, January 28, 2014, with recommendation that the Senate Committee Substitute do pass.

4324S.04C

TERRY L. SPIELER, Secretary.

AN ACT

To repeal sections 143.011, 143.021, and 143.151, RSMo, and to enact in lieu thereof four new sections relating to income taxes.

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

Section A. Sections 143.011, 143.021, and 143.151, RSMo, are repealed and four new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.022, and 143.151, to read as follows:

143.011. 1. A tax is hereby imposed for every taxable year on the Missouri taxable income of every resident. The tax shall be determined by applying the tax table or the rate provided in section 143.021, which is based upon the following rates:

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

19		over \$6,000
20	Over \$7,000 but not over \$8,000	\$210 plus 5% of excess
21		over \$7,000
22	Over \$8,000 but not over \$9,000	\$260 plus 5 ½% of excess
23		over \$8,000
24	Over \$9,000.	\$315 plus 6% of excess
25		over \$9,000

26 **2. (1) Beginning with the 2015 calendar year, the top rate of tax**
 27 **under subsection 1 of this section may be reduced over a period of**
 28 **years. Each reduction in the top rate of tax shall be by one-tenth of a**
 29 **percent and no more than one reduction shall occur in a calendar**
 30 **year. The top rate of tax shall not be reduced below five**
 31 **percent. Reductions in the rate of tax shall take effect on January first**
 32 **of a calendar year and such reduced rates shall continue in effect until**
 33 **the next reduction occurs.**

34 **(2) A reduction in the rate of tax shall only occur if the amount**
 35 **of net general revenue collected in the previous fiscal year exceeds the**
 36 **highest amount of net general revenue collected in any of the three**
 37 **fiscal years prior to such fiscal year by at least one hundred million**
 38 **dollars.**

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

41 **(4) The director of the department of revenue shall, by rule,**
 42 **adjust the tax tables under subsection 1 of this section to effectuate the**
 43 **provisions of this subsection. The bracket for income over nine**
 44 **thousand dollars shall be eliminated once the top rate of tax has been**
 45 **reduced to five and one-half of a percent. The bracket for income over**
 46 **eight thousand dollars shall be eliminated once the top rate of tax has**
 47 **been reduced to five percent.**

143.021. 1. Every resident having a taxable income of less than nine
 2 thousand dollars shall determine his tax from a tax table prescribed by the
 3 director of revenue and based upon the rates provided in section 143.011. The tax
 4 table shall be on the basis of one hundred dollar increments of taxable income
 5 below nine thousand dollars. The tax provided in the table shall be the amount
 6 rounded to the nearest whole dollar by applying the rates in section 143.011 to
 7 the taxable income at the midpoint of each increment, except there shall be no tax

8 on a taxable income of less than one hundred dollars. Every resident having a
9 taxable income of nine thousand dollars or more shall determine his tax from the
10 rate provided in section 143.011. **This subsection shall only apply if the**
11 **top rate of tax under section 143.011 is greater than five and one-half**
12 **of a percent.**

13 **2. Every resident having a taxable income of less than eight**
14 **thousand dollars shall determine his tax from a tax table prescribed by**
15 **the director of revenue and based upon the rates provided in section**
16 **143.011. The tax table shall be on the basis of one hundred dollar**
17 **increments of taxable income below eight thousand dollars. The tax**
18 **provided in the table shall be the amount rounded to the nearest whole**
19 **dollar by applying the rates in section 143.011 to the taxable income at**
20 **the midpoint of each increment, except there shall be no tax on a**
21 **taxable income of less than one hundred dollars. Every resident having**
22 **a taxable income of eight thousand dollars or more shall determine his**
23 **tax from the rate provided in section 143.011. This subsection shall**
24 **only apply if the top rate of tax under section 143.011 is greater than**
25 **five percent and less than or equal to five and one-half percent.**

26 **3. Every resident having a taxable income of less than seven**
27 **thousand dollars shall determine his tax from a tax table prescribed by**
28 **the director of revenue and based upon the rates provided in section**
29 **143.011. The tax table shall be on the basis of one hundred dollar**
30 **increments of taxable income below seven thousand dollars. The tax**
31 **provided in the table shall be the amount rounded to the nearest whole**
32 **dollar by applying the rates in section 143.011 to the taxable income at**
33 **the midpoint of each increment, except there shall be no tax on a**
34 **taxable income of less than one hundred dollars. Every resident having**
35 **a taxable income of seven thousand dollars or more shall determine his**
36 **tax from the rate provided in section 143.011. This subsection shall**
37 **only apply if the top rate of tax under section 143.011 is equal to five**
38 **percent.**

143.022. 1. As used in this section, "business income" means the
2 Missouri source net profit from business determined under the
3 provisions of the Internal Revenue Code and partnership income as
4 determined by sections 143.401 and 143.471. Business income shall not
5 include "compensation" as such term is defined under subsection 1 of
6 Article IV of section 32.200 or "guaranteed payments" as defined by the

7 **Internal Revenue Code.**

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

13 **3. In the case of a small corporation described in section 143.471**
14 **or a partnership, computing the deduction allowed under subsection 2**
15 **of this section, taxpayers described in subdivisions (1) or (2) of this**
16 **subsection shall be allowed such deduction apportioned in proportion**
17 **to their share of ownership of the business on the last day of the**
18 **taxpayer's tax period for which such deduction is being claimed when**
19 **determining the Missouri adjusted gross income of:**

20 **(1) The shareholders of a small corporation as described in**
21 **section 143.471;**

22 **(2) The partners in a partnership.**

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

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

38 **6. The first year that a taxpayer may make the subtraction under**
39 **subsection 2 of this section is 2015, provided that the provisions of**
40 **subsection 5 of this section are met. If the provisions of subsection 5**
41 **of this section are met, the percentage that may be subtracted in 2015**
42 **is ten percent.**

143.151. For all taxable years beginning before January 1, 1999, a

2 resident shall be allowed a deduction of one thousand two hundred dollars for
3 himself or herself and one thousand two hundred dollars for his or her spouse if
4 he or she is entitled to a deduction for such personal exemptions for federal
5 income tax purposes. For all taxable years beginning on or after January 1, 1999,
6 a resident shall be allowed a deduction of two thousand one hundred dollars for
7 himself or herself and two thousand one hundred dollars for his or her spouse if
8 he or she is entitled to a deduction for such personal exemptions for federal
9 income tax purposes. **For all tax years beginning on or after January 1,**
10 **2015, a resident with a Missouri adjusted gross income of less than**
11 **twenty thousand dollars shall be allowed an additional deduction of**
12 **one thousand dollars for himself or herself and an additional one**
13 **thousand dollars for his or her spouse if he or she is entitled to a**
14 **deduction for such personal exemptions for federal income tax**
15 **purposes and his or her spouse's Missouri adjusted gross income is less**
16 **than twenty thousand dollars.**

✓
Bill

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