

SENATE SUBSTITUTE

FOR

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILLS NOS. 509 & 496

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:

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2 are repealed and four new sections enacted in lieu thereof, to be  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

5 143.011. 1. A tax is hereby imposed for every taxable year  
6 on the Missouri taxable income of every resident. The tax shall  
7 be determined by applying the tax table or the rate provided in  
8 section 143.021, which is based upon the following rates:

9 If the Missouri taxable income is: The tax is:

10	Not over \$1,000.00. . . . .	1 1/2% of the Missouri taxable
11		income
12	Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over
13		\$1,000
14	Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess over
15		\$2,000
16	Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over
17		\$3,000

1	Over \$4,000 but not over \$5,000	\$90 plus 3 ½% of excess over
2		\$4,000
3	Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over
4		\$5,000
5	Over \$6,000 but not over \$7,000	\$165 plus 4 ½% of excess over
6		\$6,000
7	Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over
8		\$7,000
9	Over \$8,000 but not over \$9,000	\$260 plus 5 ½% of excess over
10		\$8,000
11	Over \$9,000.. . . . .	\$315 plus 6% of excess over \$9,000

12       2. (1) Beginning with the 2017 calendar year, the top rate  
13 of tax under subsection 1 of this section may be reduced over a  
14 period of years. Each reduction in the top rate of tax shall be  
15 by one-tenth of a percent and no more than one reduction shall  
16 occur in a calendar year. The top rate of tax shall not be  
17 reduced below five and one-half percent. Reductions in the rate  
18 of tax shall take effect on January first of a calendar year and  
19 such reduced rates shall continue in effect until the next  
20 reduction occurs.

21       (2) A reduction in the rate of tax shall only occur if the  
22 amount of net general revenue collected in the previous fiscal  
23 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  
25 least one hundred fifty million dollars.

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

1           (4) The director of the department of revenue shall, by  
2 rule, adjust the tax tables under subsection 1 of this section to  
3 effectuate the provisions of this subsection. The bracket for  
4 income over nine thousand dollars shall be eliminated once the  
5 top rate of tax has been reduced to five and one-half of a  
6 percent.

7           143.021. 1. Every resident having a taxable income of less  
8 than nine thousand dollars shall determine his tax from a tax  
9 table prescribed by the director of revenue and based upon the  
10 rates provided in section 143.011. The tax table shall be on the  
11 basis of one hundred dollar increments of taxable income below  
12 nine thousand dollars. The tax provided in the table shall be  
13 the amount rounded to the nearest whole dollar by applying the  
14 rates in section 143.011 to the taxable income at the midpoint of  
15 each increment, except there shall be no tax on a taxable income  
16 of less than one hundred dollars. Every resident having a  
17 taxable income of nine thousand dollars or more shall determine  
18 his tax from the rate provided in section 143.011. This  
19 subsection shall only apply if the top rate of tax under section  
20 143.011 is greater than five and one-half of a percent.

21           2. Every resident having a taxable income of less than  
22 eight thousand dollars shall determine his tax from a tax table  
23 prescribed by the director of revenue and based upon the rates  
24 provided in section 143.011. The tax table shall be on the basis  
25 of one hundred dollar increments of taxable income below eight  
26 thousand dollars. The tax provided in the table shall be the  
27 amount rounded to the nearest whole dollar by applying the rates  
28 in section 143.011 to the taxable income at the midpoint of each

1 increment, except there shall be no tax on a taxable income of  
2 less than one hundred dollars. Every resident having a taxable  
3 income of eight thousand dollars or more shall determine his tax  
4 from the rate provided in section 143.011. This subsection shall  
5 only apply if the top rate of tax under section 143.011 is  
6 greater than five percent and less than or equal to five and one-  
7 half percent.

8 143.022. 1. As used in this section, "business income"  
9 means the income greater than zero arising from transactions in  
10 the regular course of all of a taxpayer's trade or business and  
11 shall be limited to the Missouri source net profit from the  
12 combination of the following:

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

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

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

25 3. In the case of an S corporation described in section  
26 143.471 or a partnership, computing the deduction allowed under  
27 subsection 2 of this section, taxpayers described in subdivisions  
28 (1) or (2) of this subsection shall be allowed such deduction

1 apportioned in proportion to their share of ownership of the  
2 business as reported on the taxpayer's schedule K-1, or its  
3 successor form, for the tax period for which such deduction is  
4 being claimed when determining the Missouri adjusted gross income  
5 of:

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

8 (2) The partners in a partnership.

9 4. The percentage to be subtracted under subsection 2 of  
10 this section shall be increased over a period of years. Each  
11 increase in the percentage shall be by five percent and no more  
12 than one increase shall occur in a calendar year. The maximum  
13 percentage that may be subtracted is twenty-five percent of  
14 business income. Any increase in the percentage that may be  
15 subtracted shall take effect on January first of a calendar year  
16 and such percentage shall continue in effect until the next  
17 percentage increase occurs. An increase shall only apply to tax  
18 years that begin on or after the increase takes effect.

19 5. An increase in the percentage that may be subtracted  
20 under subsection 2 of this section shall only occur if the amount  
21 of net general revenue collected in the previous fiscal year  
22 exceeds the highest amount of net general revenue collected in  
23 any of the three fiscal years prior to such fiscal year by at  
24 least one hundred fifty million dollars.

25 6. The first year that a taxpayer may make the subtraction  
26 under subsection 2 of this section is 2017, provided that the  
27 provisions of subsection 5 of this section are met. If the  
28 provisions of subsection 5 of this section are met, the

1 percentage that may be subtracted in 2017 is five percent.

2 143.151. For all taxable years beginning before January 1,  
3 1999, a resident shall be allowed a deduction of one thousand two  
4 hundred dollars for himself or herself and one thousand two  
5 hundred dollars for his or her spouse if he or she is entitled to  
6 a deduction for such personal exemptions for federal income tax  
7 purposes. For all taxable years beginning on or after January 1,  
8 1999, a resident shall be allowed a deduction of two thousand one  
9 hundred dollars for himself or herself and two thousand one  
10 hundred dollars for his or her spouse if he or she is entitled to  
11 a deduction for such personal exemptions for federal income tax  
12 purposes. For all tax years beginning on or after January 1,  
13 2017, a resident with a Missouri adjusted gross income of less  
14 than twenty thousand dollars shall be allowed an additional  
15 deduction of five hundred dollars for himself or herself and an  
16 additional five hundred dollars for his or her spouse if he or  
17 she is entitled to a deduction for such personal exemptions for  
18 federal income tax purposes and his or her spouse's Missouri  
19 adjusted gross income is less than twenty thousand dollars.