

SECOND REGULAR SESSION
[TRULY AGREED TO AND FINALLY PASSED]
SENATE SUBSTITUTE NO. 3 FOR
SENATE COMMITTEE SUBSTITUTE FOR

SENATE BILLS NOS. 509 & 496

97TH GENERAL ASSEMBLY

2014

4324S.18T

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Section A. Sections 143.011, 143.021, and 143.151, RSMo, are repealed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

143.011. 1. A tax is hereby imposed for every taxable year on the
2 Missouri taxable income of every resident. The tax shall be determined by
3 applying the tax table or the rate provided in section 143.021, which is based
4 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 taxable income
7	
8 Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over \$1,000
9	
10 Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess over \$2,000
11	
12 Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over \$3,000
13	
14 Over \$4,000 but not over \$5,000	\$90 plus 3 1/2% of excess over \$4,000
15	
16 Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
17	

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

18	Over \$6,000 but not over \$7,000	\$165 plus 4 ½% 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 2017 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 and one-half**
 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 fifty**
 38 **million 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 subject to the top**
 44 **rate of tax shall be eliminated once the top rate of tax has been reduced**
 45 **to five and one-half of a percent.**

46 **3. Beginning with the 2017 calendar year, the brackets of**
 47 **Missouri taxable income identified in subsection 1 of this section shall**
 48 **be adjusted annually by the percent increase in inflation. The director**
 49 **shall publish such brackets annually beginning on or after October 1,**
 50 **2016. Modifications to the brackets shall take effect on January first**
 51 **of each calendar year and shall apply to tax years beginning on or after**
 52 **the effective date of the new brackets.**

53 **4. As used in this section, the following terms mean:**

54 **(1) "Percent increase in inflation", the percentage, if any, by**

55 which the CPI for the preceding calendar year exceeds the CPI for the
56 year beginning September 1, 2014, and ending August 31, 2015;

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

60 (3) "CPI", the Consumer Price Index for All Urban Consumers for
61 the United States as reported by the Bureau of Labor Statistics, or its
62 successor index.

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

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

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

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

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

16 3. In the case of an S corporation described in section 143.471 or
17 a partnership, computing the deduction allowed under subsection 2 of
18 this section, taxpayers described in subdivisions (1) or (2) of this
19 subsection shall be allowed such deduction apportioned in proportion

20 to their share of ownership of the business as reported on the
21 taxpayer's schedule K-1, or its successor form, for the tax period for
22 which such deduction is being claimed when determining the Missouri
23 adjusted gross income of:

24 (1) The shareholders of an S corporation as described in section
25 143.471;

26 (2) The partners in a partnership.

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

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

42 6. The first year that a taxpayer may make the subtraction under
43 subsection 2 of this section is 2017, provided that the provisions of
44 subsection 5 of this section are met. If the provisions of subsection 5
45 of this section are met, the percentage that may be subtracted in 2017
46 is five 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 **2017, a resident with a Missouri adjusted gross income of less than**

11 **twenty thousand dollars shall be allowed an additional deduction of**
12 **five hundred dollars for himself or herself and an additional five**
13 **hundred 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.**

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