

SECOND REGULAR SESSION

# SENATE BILL NO. 574

98TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR SCHMITT.

Pre-filed December 1, 2015, and ordered printed.

ADRIANE D. CROUSE, Secretary.

4735S.011

## AN ACT

To repeal sections 143.011 and 143.022, RSMo, and to enact in lieu thereof two 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Section A. Sections 143.011 and 143.022, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.022, to read as follows: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:

If the Missouri taxable income is:

Not over \$1,000.00 . . . . .

7

Over \$1,000 but not over \$2,000

9

Over \$2,000 but not over \$3,000

11

Over \$3,000 but not over \$4,000

13

Over \$4,000 but not over \$5,000

15

Over \$5,000 but not over \$6,000

17

Over \$6,000 but not over \$7,000

The tax is:

1½% of the Missouri taxable income

\$15 plus 2% of excess over \$1,000

\$35 plus 2½% of excess over \$2,000

\$60 plus 3% of excess over \$3,000

\$90 plus 3½% of excess over \$4,000

\$125 plus 4% of excess over \$5,000

\$165 plus 4½% of excess

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

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 5½% 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 under  
27 subsection 1 of this section may be reduced over a period of years. Each  
28 reduction in the top rate of tax shall be by [one-tenth] **one-fifth** of a percent and  
29 no more than one reduction shall occur in a calendar year. The top rate of tax  
30 shall not be reduced below five [and one-half] percent. Reductions in the rate of  
31 tax shall take effect on January first of a calendar year and such reduced rates  
32 shall continue in effect until the next reduction occurs.

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

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

39           (4) The director of the department of revenue shall, by rule, adjust the tax  
40 tables under subsection 1 of this section to effectuate the provisions of this  
41 subsection. [The bracket for income subject to the top rate of tax shall be  
42 eliminated once the top rate of tax has been reduced to five and one-half of a  
43 percent.]

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

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

51           (1) "CPI", the Consumer Price Index for All Urban Consumers for the  
52 United States as reported by the Bureau of Labor Statistics, or its successor  
53 index;

54           (2) "CPI for the preceding calendar year", the average of the CPI as of the

55 close of the twelve month period ending on August thirty-first of such calendar  
56 year;

57 (3) "Percent increase in inflation", the percentage, if any, by which the  
58 CPI for the preceding calendar year exceeds the CPI for the year beginning  
59 September 1, 2014, and ending August 31, 2015.

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

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

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

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

15 3. In the case of an S corporation described in section 143.471 or a  
16 partnership computing the deduction allowed under subsection 2 of this section,  
17 taxpayers described in subdivision (1) or (2) of this subsection shall be allowed  
18 such deduction apportioned in proportion to their share of ownership of the  
19 business as reported on the taxpayer's Schedule K-1, or its successor form, for the  
20 tax period for which such deduction is being claimed when determining the  
21 Missouri adjusted gross income of:

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

23 (2) The partners in a partnership.

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

32 effect.

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

38           6. The first year that a taxpayer may make the subtraction under  
39 subsection 2 of this section is 2017, provided that the provisions of subsection 5  
40 of this section are met. If the provisions of subsection 5 of this section are met,  
41 the percentage that may be subtracted in 2017 is **[five] ten** percent.

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Bill

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