

SECOND REGULAR SESSION

# SENATE BILL NO. 640

100TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR ONDER.

Pre-filed December 1, 2019, and ordered printed.

ADRIANE D. CROUSE, Secretary.

3456S.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Section A. Sections 143.011 and 143.022, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.022, to read as follows: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:	The tax is:
Not over \$1,000.00	1 1/2% of the Missouri taxable income
Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over \$1,000
Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess over \$2,000
Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over \$3,000
Over \$4,000 but not over \$5,000	\$90 plus 3 1/2% of excess over \$4,000
Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
Over \$6,000 but not over \$7,000	\$165 plus 4 1/2% of excess over \$6,000
Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over \$7,000
Over \$8,000 but not over \$9,000	\$260 plus 5 1/2% of excess over \$8,000
Over \$9,000	\$315 plus 6% of excess over \$9,000

2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of this section may be reduced over a period of years. Each reduction in the top rate of tax shall be by one-tenth of a percent and no more

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

19 than one reduction shall occur in a calendar year. No more than ~~[five]~~ **three**  
20 reductions shall be made under this subsection. Reductions in the rate of tax  
21 shall take effect on January first of a calendar year and such reduced rates shall  
22 continue in effect until the next reduction occurs.

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

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

29 (4) The director of the department of revenue shall, by rule, adjust the tax  
30 tables under subsection 1 of this section to effectuate the provisions of this  
31 subsection. The bracket for income subject to the top rate of tax shall be  
32 eliminated once the top rate of tax has been reduced to five and one-half percent,  
33 and the top remaining rate of tax shall apply to all income in excess of the income  
34 in the second highest remaining income bracket.

35 3. (1) In addition to the rate reductions under subsection 2 of this section,  
36 beginning with the 2019 calendar year, the top rate of tax under subsection 1 of  
37 this section shall be reduced by four-tenths of one percent. Such reduction in the  
38 rate of tax shall take effect on January first of the 2019 calendar year.

39 (2) The modification of tax rates under this subsection shall only apply to  
40 tax years that begin on or after the date the modification takes effect.

41 (3) The director of the department of revenue shall, by rule, adjust the tax  
42 tables under subsection 1 of this section to effectuate the provisions of this  
43 subsection.

44 4. **(1) In addition to the rate reductions under subsections 2 and**  
45 **3 of this section, beginning with the 2021 calendar year, the top rate of**  
46 **tax under subsection 1 of this section may be reduced over a period of**  
47 **years. Each reduction in the top rate of tax shall be by one-fifth of one**  
48 **percent and no more than one reduction shall occur in a calendar year,**  
49 **provided that the aggregate amount of reductions made under this**  
50 **subsection shall not exceed seven-tenths of one percent. Reductions in**  
51 **the rate of tax shall take effect on January first of a calendar year and**  
52 **such reduced rates shall continue in effect until the next reduction**  
53 **occurs.**

54 (2) A reduction in the rate of tax shall only occur if the amount

55 of net general revenue collected in the previous fiscal year exceeds the  
56 highest amount of net general revenue collected in any of the three  
57 fiscal years prior to such fiscal year by at least one hundred fifty  
58 million dollars.

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

61 (4) The director of the department of revenue shall, by rule,  
62 adjust the tax tables under subsection 1 of this section to effectuate the  
63 provisions of this subsection. The bracket for income subject to the top  
64 rate of tax shall be eliminated once the top rate of tax has been reduced  
65 to five and one-half percent, and the top remaining rate of tax shall  
66 apply to all income in excess of the income in the second highest  
67 remaining income bracket.

68 5. Beginning with the 2017 calendar year, the brackets of Missouri  
69 taxable income identified in subsection 1 of this section shall be adjusted  
70 annually by the percent increase in inflation. The director shall publish such  
71 brackets annually beginning on or after October 1, 2016. Modifications to the  
72 brackets shall take effect on January first of each calendar year and shall apply  
73 to tax years beginning on or after the effective date of the new brackets.

74 [5.] 6. As used in this section, the following terms mean:

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

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

81 (3) "Net general revenue collected", all revenue deposited into the general  
82 revenue fund, less refunds and revenues originally deposited into the general  
83 revenue fund but designated by law for a specific distribution or transfer to  
84 another state fund;

85 (4) "Percent increase in inflation", the percentage, if any, by which the  
86 CPI for the preceding calendar year exceeds the CPI for the year beginning  
87 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. **For all tax years beginning on or after**  
26 **January 1, 2017, and beginning on or before December 31, 2020,** each  
27 increase in the percentage shall be by five percent and no more than one increase  
28 shall occur in a calendar year. **For all tax years beginning on or after**  
29 **January 1, 2021, each increase in the percentage shall be by ten**  
30 **percent, and no more than one increase shall occur in a calendar**  
31 **year.** The maximum percentage that may be subtracted is [twenty] **fifty** percent  
32 of business income. Any increase in the percentage that may be subtracted shall  
33 take effect on January first of a calendar year and such percentage shall continue  
34 in effect until the next percentage increase occurs. An increase shall only apply  
35 to tax years that begin on or after the increase takes effect.

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

40 hundred fifty million dollars.

41           6. The first year that a taxpayer may make the subtraction under  
42 subsection 2 of this section is 2017, provided that the provisions of subsection 5  
43 of this section are met. If the provisions of subsection 5 of this section are met,  
44 the percentage that may be subtracted in 2017 is five percent.

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