

# SENATE BILL NO. 5

## 101ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR KOENIG.

5973S.01I

ADRIANE D. CROUSE, Secretary

### AN ACT

To repeal sections 143.021, 143.071, and 143.171, RSMo, and section 143.011 as enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular session, and to enact in lieu thereof four new sections relating to income taxes, with an effective date for a certain section and an emergency clause for certain sections.

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

Section A. Sections 143.021, 143.071, and 143.171, RSMo, and section 143.011 as enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular session, are repealed and four new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.071, and 143.171, to read as follows: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   |

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

|    |                           |                                  |
|----|---------------------------|----------------------------------|
| 12 | Over \$2,000 but not over | \$35 plus 2 1/2% of excess over  |
| 13 | \$3,000                   | \$2,000                          |
| 14 | Over \$3,000 but not over | \$60 plus 3% of excess over      |
| 15 | \$4,000                   | \$3,000                          |
| 16 | Over \$4,000 but not over | \$90 plus 3 1/2% of excess over  |
| 17 | \$5,000                   | \$4,000                          |
| 18 | Over \$5,000 but not over | \$125 plus 4% of excess over     |
| 19 | \$6,000                   | \$5,000                          |
| 20 | Over \$6,000 but not over | \$165 plus 4 1/2% of excess over |
| 21 | \$7,000                   | \$6,000                          |
| 22 | Over \$7,000 but not over | \$210 plus 5% of excess over     |
| 23 | \$8,000                   | \$7,000                          |
| 24 | Over \$8,000 but not over | \$260 plus 5 1/2% of excess over |
| 25 | \$9,000                   | \$8,000                          |
| 26 | Over \$9,000              | \$315 plus 6% of excess over     |
| 27 |                           | \$9,000                          |

28           2. [(1) Beginning with the 2017 calendar year, the  
 29 top rate of tax under subsection 1 of this section may be  
 30 reduced over a period of years. Each reduction in the top  
 31 rate of tax shall be by one-tenth of a percent and no more  
 32 than one reduction shall occur in a calendar year. No more  
 33 than seven reductions shall be made under this subsection.  
 34 Reductions in the rate of tax shall take effect on January  
 35 first of a calendar year and such reduced rates shall  
 36 continue in effect until the next reduction occurs.

37           (2) A reduction in the rate of tax shall only occur if  
 38 the amount of net general revenue collected in the previous  
 39 fiscal year exceeds the highest amount of net general  
 40 revenue collected in any of the three fiscal years prior to

41 such fiscal year by at least one hundred fifty million  
42 dollars.

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

46 (4) The director of the department of revenue shall,  
47 by rule, adjust the tax tables under subsection 1 of this  
48 section to effectuate the provisions of this subsection.  
49 The bracket for income subject to the top rate of tax shall  
50 be eliminated once the top rate of tax has been reduced to  
51 five and one-half percent, and the top remaining rate of tax  
52 shall apply to all income in excess of the income in the  
53 second highest remaining income bracket.

54 (5) Notwithstanding the provisions of subdivision (1)  
55 of this subsection to the contrary, there shall be no  
56 reduction under this subsection in the 2024 calendar year.  
57 However, such reductions shall continue after the 2024  
58 calendar year for subsequent calendar years.

59 3. (1) In addition to the rate reductions under  
60 subsection 2 of this section, beginning with the 2019  
61 calendar year, the top rate of tax under subsection 1 of  
62 this section shall be reduced by four-tenths of one  
63 percent. Such reduction in the rate of tax shall take  
64 effect on January first of the 2019 calendar year.

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

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

71 4. (1) In addition to the rate reductions under  
72 subsections 2 and 3 of this section, beginning with the 2024

73 calendar year, the top rate of tax under subsection 1 of  
74 this section shall be reduced by one-tenth of one percent.

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

78 (3) The director of the department of revenue shall,  
79 by rule, adjust the tax tables under subsection 1 of this  
80 section to effectuate the provisions of this subsection.]

81 (1) Notwithstanding the provisions of subsection 1 of  
82 this section to the contrary, beginning with the 2023  
83 calendar year, the top rate of tax pursuant to subsection 1  
84 of this section shall be four and eight-tenths percent.

85 (2) The modification of tax rates made pursuant to  
86 this subsection shall apply only to tax years that begin on  
87 or after January 1, 2023.

88 (3) The director of the department of revenue shall,  
89 by rule, adjust the tax table provided in subsection 1 of  
90 this section to effectuate the provisions of this  
91 subsection. The top remaining rate of tax shall apply to  
92 all income in excess of seven thousand dollars, as adjusted  
93 pursuant to subsection 3 of this section.

94 3. (1) In addition to the rate reduction under  
95 subsection 2 of this section, beginning with the 2024  
96 calendar year, the top rate of tax under subsection 1 of  
97 this section may be reduced over a period of years. Each  
98 reduction in the top rate of tax shall be by one-tenth of a  
99 percent and no more than one reduction shall occur in a  
100 calendar year. No more than four reductions shall be made  
101 under this subsection. Reductions in the rate of tax shall  
102 take effect on January first of a calendar year and such  
103 reduced rates shall continue in effect until the next  
104 reduction occurs.

105           (2) A reduction in the rate of tax shall only occur if  
106 the amount of net general revenue collected in the previous  
107 fiscal year exceeds the highest amount of net general  
108 revenue collected in any of the three fiscal years prior to  
109 such fiscal year by at least one hundred fifty million  
110 dollars.

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

114           (4) The director of the department of revenue shall,  
115 by rule, adjust the tax tables under subsection 1 of this  
116 section to effectuate the provisions of this subsection.  
117 The bracket for income subject to the top rate of tax shall  
118 be eliminated once the top rate of tax has been reduced to  
119 four and one-half percent, and the top remaining rate of tax  
120 shall apply to all income in excess of the income in the  
121 second highest remaining income bracket.

122           [5.] 4. Beginning with the 2017 calendar year, the  
123 brackets of Missouri taxable income identified in subsection  
124 1 of this section shall be adjusted annually by the percent  
125 increase in inflation. The director shall publish such  
126 brackets annually beginning on or after October 1, 2016.  
127 Modifications to the brackets shall take effect on January  
128 first of each calendar year and shall apply to tax years  
129 beginning on or after the effective date of the new brackets.

130           [6.] 5. As used in this section, the following terms  
131 mean:

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

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

138 (3) "Net general revenue collected", all revenue  
139 deposited into the general revenue fund, less refunds and  
140 revenues originally deposited into the general revenue fund  
141 but designated by law for a specific distribution or  
142 transfer to another state fund;

143 (4) "Percent increase in inflation", the percentage,  
144 if any, by which the CPI for the preceding calendar year  
145 exceeds the CPI for the year beginning September 1, 2014,  
146 and ending August 31, 2015.

143.021. 1. Every resident having a taxable income  
2 shall determine his or her tax from the rates provided in  
3 section 143.011. **For all tax years beginning on or before**  
4 **December 31, 2022**, there shall be no tax on a taxable income  
5 of less than one hundred dollars.

6 2. (1) **Notwithstanding the provisions of subsection 1**  
7 **of section 143.011 to the contrary, for all tax years**  
8 **beginning on or after January 1, 2023, there shall be no tax**  
9 **on taxable income of less than one thousand dollars, as**  
10 **adjusted pursuant to subsection 3 of section 143.011.**

11 (2) **The modifications made pursuant to this subsection**  
12 **shall only apply to tax years that begin on or after January**  
13 **1, 2023.**

14 (3) **The director of the department of revenue shall,**  
15 **by rule, adjust the tax table provided in subsection 1 of**  
16 **section 143.011 to effectuate the provisions of this**  
17 **subsection.**

143.071. 1. **[For all tax years beginning before**  
2 **September 1, 1993, a tax is hereby imposed upon the Missouri**

3 taxable income of corporations in an amount equal to five  
4 percent of Missouri taxable income.

5 2. For all tax years beginning on or after September  
6 1, 1993, and ending on or before December 31, 2019, a tax is  
7 hereby imposed upon the Missouri taxable income of  
8 corporations in an amount equal to six and one-fourth  
9 percent of Missouri taxable income.

10 3.] For all tax years beginning on or after January 1,  
11 2020, and ending on or before December 31, 2022, a tax is  
12 hereby imposed upon the Missouri taxable income of  
13 corporations in an amount equal to four percent of Missouri  
14 taxable income.

15 2. (1) For all tax years beginning on or after  
16 January 1, 2023, a tax is hereby imposed upon the Missouri  
17 taxable income of corporations in an amount equal to three  
18 and one-half percent of Missouri taxable income.

19 (2) Beginning with the 2024 calendar year, the rate of  
20 tax imposed pursuant to subdivision (1) of this subsection  
21 may be reduced by one-half of one percent. Such reduction  
22 shall only be made if the amount of net general revenue  
23 collected, as defined in section 143.011, in the previous  
24 fiscal year exceeds the highest amount of net general  
25 revenue collected in any of the three fiscal years prior to  
26 such fiscal year by at least one hundred fifty million  
27 dollars.

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

31 [4.] 3. The provisions of this section shall not apply  
32 to out-of-state businesses operating under sections 190.270  
33 to 190.285.

143.171. 1. For all tax years beginning on or after  
 2 January 1, 1994, and ending on or before December 31, 2018,  
 3 an individual taxpayer shall be allowed a deduction for his  
 4 or her federal income tax liability under Chapter 1 of the  
 5 Internal Revenue Code for the same taxable year for which  
 6 the Missouri return is being filed, not to exceed five  
 7 thousand dollars on a single taxpayer's return or ten  
 8 thousand dollars on a combined return, after reduction for  
 9 all credits thereon, except the credit for payments of  
 10 federal estimated tax, the credit for the overpayment of any  
 11 federal tax, and the credits allowed by the Internal Revenue  
 12 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26  
 13 U.S.C. Section 34.

2. (1) Notwithstanding any other provision of law to  
 15 the contrary, for all tax years beginning on or after  
 16 January 1, 2019, **and beginning on or before December 31,**  
 17 **2022**, an individual taxpayer shall be allowed a deduction  
 18 equal to a percentage of his or her federal income tax  
 19 liability under Chapter 1 of the Internal Revenue Code for  
 20 the same taxable year for which the Missouri return is being  
 21 filed, not to exceed five thousand dollars on a single  
 22 taxpayer's return or ten thousand dollars on a combined  
 23 return, after reduction for all credits thereon, except the  
 24 credit for payments of federal estimated tax, the credit for  
 25 the overpayment of any federal tax, and the credits allowed  
 26 by the Internal Revenue Code by 26 U.S.C. Section 31, 26  
 27 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction  
 28 percentage is determined according to the following table:

|   |                                 |
|---|---------------------------------|
| 29 If the Missouri gross income on the<br>30 return is: | The deduction<br>percentage is: |
|---|---------------------------------|



|    |                             |            |
|----|-----------------------------|------------|
| 31 | \$25,000 or less            | 35 percent |
| 32 | From \$25,001 to \$50,000   | 25 percent |
| 33 | From \$50,001 to \$100,000  | 15 percent |
| 34 | From \$100,001 to \$125,000 | 5 percent  |
| 35 | \$125,001 or more           | 0 percent  |

36           (2) Notwithstanding any provision of law to the  
37 contrary, the amount of any tax credits reducing a  
38 taxpayer's federal tax liability pursuant to Public Law 116-  
39 136 or 116-260, enacted by the 116th United States Congress,  
40 for the tax year beginning on or after January 1, 2020, and  
41 ending on or before December 31, 2020, and the amount of any  
42 tax credits reducing a taxpayer's federal tax liability  
43 under any other federal law that provides direct economic  
44 impact payments to taxpayers to mitigate financial  
45 challenges related to the COVID-19 pandemic shall not be  
46 considered in determining a taxpayer's federal tax liability  
47 for the purposes of subdivision (1) of this subsection.

48           3. For all tax years beginning on or after September  
49 1, 1993, a corporate taxpayer shall be allowed a deduction  
50 for fifty percent of its federal income tax liability under  
51 Chapter 1 of the Internal Revenue Code for the same taxable  
52 year for which the Missouri return is being filed after  
53 reduction for all credits thereon, except the credit for  
54 payments of federal estimated tax, the credit for the  
55 overpayment of any federal tax, and the credits allowed by  
56 the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C.  
57 Section 27, and 26 U.S.C. Section 34.

58           4. If a federal income tax liability for a tax year  
59 prior to the applicability of sections 143.011 to 143.996

60 for which he was not previously entitled to a Missouri  
61 deduction is later paid or accrued, he may deduct the  
62 federal tax in the later year to the extent it would have  
63 been deductible if paid or accrued in the prior year.

Section B. The repeal and reenactment of section  
2 143.011 of this act shall become effective on January 1,  
3 2023.

Section C. Because of the importance of tax relief for  
2 all Missourians, the repeal and reenactment of sections  
3 143.021, 143.071, and 143.171 of this act is deemed  
4 necessary for the immediate preservation of the public  
5 health, welfare, peace, and safety, and is hereby declared  
6 to be an emergency act within the meaning of the  
7 constitution, and the repeal and reenactment of sections  
8 143.021, 143.071, and 143.171 of this act shall be in full  
9 force and effect upon its passage and approval.

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