

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILLS NOS. 3 AND 5

AN ACT

To repeal section 143.021, 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 two new sections relating to income taxes, with an effective date for a certain section and an emergency clause for a certain section.

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

Section A. Section 143.021, RSMo, and section 143.011 as enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular session, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.011 and 143.021, to read as follows: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 than one reduction shall occur in a calendar year. No more than seven reductions shall be made under this subsection. Reductions in the rate of tax shall take effect on January first of a calendar year and such reduced rates shall continue in effect until the next reduction occurs.

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

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

(4) The director of the department of revenue shall, by rule, adjust the tax tables under subsection 1 of this

section to effectuate the provisions of this subsection. The bracket for income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced to five and one-half percent, and the top remaining rate of tax shall apply to all income in excess of the income in the second highest remaining income bracket.

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

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

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

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

4. (1) In addition to the rate reductions under subsections 2 and 3 of this section, beginning with the 2024 calendar year, the top rate of tax under subsection 1 of this section shall be reduced by one-tenth of one percent.

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

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

Notwithstanding the provisions of subsection 1 of this section to the contrary, beginning with the 2023 calendar year, the top rate of tax pursuant to subsection 1 of this section shall be four and ninety-five hundredths percent.

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

(3) The director of the department of revenue shall, by rule, adjust the tax table provided in subsection 1 of this section to effectuate the provisions of this subsection. The top remaining rate of tax shall apply to all income in excess of seven thousand dollars, as adjusted pursuant to subsection 5 of this section.

3. (1) In addition to the rate reduction under subsection 2 of this section, beginning with the 2024 calendar year, the top rate of tax under subsection 1 of this section may be reduced by fifteen hundredths of a percent. A reduction in the rate of tax shall take effect on January first of a calendar year and such reduced rates shall continue in effect until the next reduction occurs.

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

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

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

4. (1) In addition to the rate reductions under subsections 2 and 3 of this section, beginning with the calendar year immediately following the calendar year in which a reduction is made pursuant to subsection 3 of this section, the top rate of tax under subsection 1 of this section may be further 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 than one reduction shall occur in a calendar year. No more than three reductions shall be made under this subsection. Reductions in the rate of tax shall take effect on January first of a calendar year and such reduced rates shall continue in effect until the next reduction occurs.

(2) (a) A reduction in the rate of tax shall only occur if:

a. The amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least two hundred million dollars; and

b. The amount of net general revenue collected in the previous fiscal year exceeds the amount of net general revenue collected in the fiscal year five years prior, adjusted by the percentage increase in inflation over the preceding five fiscal years.

(b) The amount of net general revenue collected required by subparagraph a of paragraph (a) of this subdivision in order to make a reduction pursuant to this subsection shall be adjusted annually by the percent increase in inflation beginning with the effective date of this section.

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

(4) The director of the department of revenue shall, by rule, adjust the tax tables under subsection 1 of this section to effectuate the provisions of this subsection. The bracket for income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced below the rate applicable to such bracket, and the top remaining rate of tax shall apply to all income in excess of the income in the second highest remaining income bracket.

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

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

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

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

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

(4) "Percent increase in inflation", the percentage, if any, by which the CPI for the preceding calendar year

exceeds the CPI for the year beginning September 1, 2014, and ending August 31, 2015.

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

2. (1) Notwithstanding the provisions of subsection 1 of section 143.011 to the contrary, for all tax years beginning on or after January 1, 2023, there shall be no tax on taxable income of less than or equal to one thousand dollars, as adjusted pursuant to subsection 5 of section 143.011.

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

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

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

Section C. Because of the importance of tax relief for all Missourians, the repeal and reenactment of section 143.021 of this act is deemed necessary for the immediate preservation of the public health, welfare, peace, and safety, and is hereby declared to be an emergency act within the meaning of the constitution, and the repeal and reenactment of section 143.021 of this act shall be in full force and effect upon its passage and approval.