

FIRST EXTRAORDINARY SESSION OF THE
SECOND REGULAR SESSION

HOUSE BILL NO. 5

101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE DAVIDSON.

5964H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.071, 143.131, 143.171, and 144.1021, RSMo, and section 143.011 as enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular session, and section 143.011 as enacted by house bill no. 2540 merged with senate bill no. 884, ninety-ninth general assembly, second regular session, and to enact in lieu thereof five new sections relating to income tax.

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

Section A. Sections 143.071, 143.131, 143.171, and 144.1021, RSMo, and section 143.011 as enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular session, and section 143.011 as enacted by house bill no. 2540 merged with senate bill no. 884, ninety-ninth general assembly, second regular session, are repealed and five new sections enacted in lieu thereof, to be known as sections 143.011, 143.071, 143.131, 143.171, and 144.1021, to read as follows: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

EXPLANATION — Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

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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.~~

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

58 ~~4. (1) In addition to the rate reductions under subsections 2 and 3 of~~
 59 ~~this section, beginning with the 2024 calendar year, the top rate of tax under~~
 60 ~~subsection 1 of this section shall be reduced by one-tenth of one percent.~~

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

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

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

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

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

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

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

83 ~~(4) "Percent increase in inflation", the percentage, if any, by which the~~
 84 ~~CPI for the preceding calendar year exceeds the CPI for the year beginning~~
 85 ~~September 1, 2014, and ending August 31, 2015.]~~

143.011. 1. **For all tax years ending on or before December 31, 2022**, 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

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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

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2. (1) Beginning with the 2017 calendar year, **but ending on December 31, 2022**, 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 five 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.

3. (1) In addition to the rate reductions under subsection 2 of this section, beginning with the 2019 calendar year, **but ending on December 31, 2022**, 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.

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

50 4. Beginning with the 2017 calendar year, **but ending on December 31, 2022**, the
51 brackets of Missouri taxable income identified in subsection 1 of this section shall be adjusted
52 annually by the percent increase in inflation. The director shall publish such brackets
53 annually beginning on or after October 1, 2016. Modifications to the brackets shall take
54 effect on January first of each calendar year and shall apply to tax years beginning on or after
55 the effective date of the new brackets.

56 5. **Beginning January 1, 2023, a tax of four and one-half percent is hereby**
57 **imposed for every tax year on the Missouri taxable income of every resident.**

58 6. (1) **Beginning with the 2024 calendar year, the rate of tax under subsection 5**
59 **of this section may be reduced over a period of years. Each reduction in the rate of tax**
60 **shall be by one-tenth of a percent and more than one reduction may occur per calendar**
61 **year. Reductions in the rate of tax shall take effect on January first of a calendar year**
62 **and such reduced rates shall continue in effect until the next reduction occurs.**

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

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

69 (4) **The director of the department of revenue shall, by rule, adjust the tax rate**
70 **under subsection 5 of this section to effectuate the provisions of this subsection.**

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

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

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

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

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

143.071. 1. For all tax years beginning before September 1, 1993, a tax is hereby
2 imposed upon the Missouri taxable income of corporations in an amount equal to five percent
3 of Missouri taxable income.

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

7 3. For all tax years beginning on or after January 1, 2020, **and ending on or before**
8 **December 31, 2022**, a tax is hereby imposed upon the Missouri taxable income of
9 corporations in an amount equal to four percent of Missouri taxable income.

10 4. **(1) For all tax years beginning on or after January 1, 2023, and ending on or**
11 **before December 31, 2023, a tax is hereby imposed upon the Missouri taxable income of**
12 **corporations in an amount equal to three percent of Missouri taxable income;**

13 **(2) For all tax years beginning on or after January 1, 2024, and ending on or**
14 **before December 31, 2024, a tax is hereby imposed upon the Missouri taxable income of**
15 **corporations in an amount equal to two percent of Missouri taxable income;**

16 **(3) For all tax years beginning on or after January 1, 2025, and ending on or**
17 **before December 31, 2025, a tax is hereby imposed upon the Missouri taxable income of**
18 **corporations in an amount equal to one percent of Missouri taxable income; and**

19 **(4) For all tax years beginning on or after January 1, 2026, there shall be no tax**
20 **imposed upon the Missouri taxable income of corporations.**

21 5. The provisions of this section shall not apply to out-of-state businesses operating
22 under sections 190.270 to 190.285.

143.131. 1. The Missouri standard deduction may be deducted in determining
2 Missouri taxable income of a resident individual unless the taxpayer or his **or her** spouse has
3 elected to itemize his **or her** deduction as provided in section 143.141.

4 2. **For all tax years ending on or before December 31, 2022**, the Missouri standard
5 deduction shall be the allowable federal standard deduction.

6 3. **For all tax years beginning on or after January 1, 2023, the Missouri standard**
7 **deduction shall be the allowable federal standard deduction plus an additional two**
8 **thousand dollars for an individual taxpayer or an additional four thousand dollars for**
9 **married taxpayers filing a combined return.**

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

9 2. (1) Notwithstanding any other provision of law to the contrary, for all tax years
 10 beginning on or after January 1, 2019, **and ending on or before December 31, 2022**, an
 11 individual taxpayer shall be allowed a deduction equal to a percentage of his or her federal
 12 income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year
 13 for which the Missouri return is being filed, not to exceed five thousand dollars on a single
 14 taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits
 15 thereon, except the credit for payments of federal estimated tax, the credit for the
 16 overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26
 17 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction
 18 percentage is determined according to the following table:

If the Missouri gross income on the return is:	The deduction percentage is:
\$25,000 or less	35 percent
From \$25,001 to \$50,000	25 percent
From \$50,001 to \$100,000	15 percent
From \$100,001 to \$125,000	5 percent
\$125,001 or more	0 percent

26 (2) Notwithstanding any provision of law to the contrary, the amount of any tax
 27 credits reducing a taxpayer's federal tax liability pursuant to Public Law 116-136 or 116-260,
 28 enacted by the 116th United States Congress, for the tax year beginning on or after January 1,
 29 2020, and ending on or before December 31, 2020, and the amount of any tax credits reducing
 30 a taxpayer's federal tax liability under any other federal law that provides direct economic
 31 impact payments to taxpayers to mitigate financial challenges related to the COVID-19
 32 pandemic shall not be considered in determining a taxpayer's federal tax liability for the
 33 purposes of subdivision (1) of this subsection.

34 3. For all tax years beginning on or after September 1, 1993, **and ending on or**
 35 **before December 31, 2022**, a corporate taxpayer shall be allowed a deduction for fifty
 36 percent of its federal income tax liability under Chapter 1 of the Internal Revenue Code for
 37 the same taxable year for which the Missouri return is being filed after reduction for all
 38 credits thereon, except the credit for payments of federal estimated tax, the credit for the
 39 overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26
 40 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

41 4. **For all tax years ending on or before December 31, 2022**, if a federal income tax
 42 liability for a tax year prior to the applicability of sections 143.011 to 143.996 for which he **or**
 43 **she** was not previously entitled to a Missouri deduction is later paid or accrued, he **or she** may

44 deduct the federal tax in the later year to the extent it would have been deductible if paid or
45 accrued in the prior year.

46 **5. For all tax years beginning on or after January 1, 2023, there shall be no**
47 **federal income tax deduction for any individual or corporate taxpayer under this**
48 **section.**

144.1021. The enactment of sections 143.177, 144.608, 144.637, 144.638, and
2 144.752 of this act; the repeal and reenactment of sections [~~143.011~~], 144.011, 144.014,
3 144.020, 144.049, 144.054, 144.140, 144.526, and 144.605 of this act; and the repeal of
4 sections 144.710, 144.1000, 144.1003, 144.1006, 144.1009, 144.1012, and 144.1015 of this
5 act shall become effective January 1, 2023.

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