

# SENATE BILL NO. 902

## 101ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR ONDER.

4145S.011

ADRIANE D. CROUSE, Secretary

### AN ACT

To repeal section 143.022, 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.

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

Section A. Section 143.022, RSMo, and section 143.011 as  
2 enacted by senate bills nos. 153 & 97, one hundred first general  
3 assembly, first regular session are repealed and two new  
4 sections enacted in lieu thereof, to be known as sections  
5 143.011 and 143.022, to read as follows:

143.011. 1. A tax is hereby imposed for every taxable  
2 year on the Missouri taxable income of every resident. The  
3 tax shall be determined by applying the tax table or the  
4 rate provided in section 143.021, which is based upon the  
5 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 this bill is not enacted and is intended to be omitted in the law.**

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 top  
29 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] **three** reductions shall be made under this  
34 subsection. Reductions in the rate of tax shall take effect  
35 on January first of a calendar year and such reduced rates  
36 shall 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           5. (1) In addition to the rate reductions under  
82 subsections 2 to 4 of this section, beginning with the 2023  
83 calendar year, the top rate of tax under subsection 1 of  
84 this section may be reduced over a period of years. Each  
85 reduction in the top rate of tax shall be by one-fifth of  
86 one percent and no more than one reduction shall occur in a  
87 calendar year, provided that the aggregate amount of  
88 reductions made under this subsection shall not exceed nine-  
89 tenths of one percent. Reductions in the rate of tax shall  
90 take effect on January first of a calendar year and such  
91 reduced rates shall continue in effect until the next  
92 reduction occurs.

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

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

102           (4) The director of the department of revenue shall,  
103 by rule, adjust the tax tables under subsection 1 of this  
104 section to effectuate the provisions of this subsection.  
105 The bracket for income subject to the top rate of tax shall  
106 be eliminated once the top rate of tax has been reduced to

107 **five and one-half percent, and the top remaining rate of tax**  
108 **shall apply to all income in excess of the income in the**  
109 **second highest remaining income bracket.**

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

118 [6.] 7. As used in this section, the following terms  
119 mean:

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

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

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

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

143.022. 1. As used in this section, "business  
2 income" means the income greater than zero arising from  
3 transactions in the regular course of all of a taxpayer's

4 trade or business and shall be limited to the Missouri  
5 source net profit from the combination of the following:

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

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

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

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

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

29 (2) The partners in a partnership.

30 4. The percentage to be subtracted under subsection 2  
31 of this section shall be increased over a period of years.  
32 **For all tax years beginning on or after January 1, 2017, and**  
33 **beginning on or before December 31, 2022,** each increase in  
34 the percentage shall be by five percent and no more than one  
35 increase shall occur in a calendar year. **For all tax years**

36 **beginning on or after January 1, 2023, each increase in the**  
37 **percentage shall be by ten percent, and no more than one**  
38 **increase shall occur in a calendar year.** The maximum  
39 percentage that may be subtracted is [twenty] **fifty** percent  
40 of business income. Any increase in the percentage that may  
41 be subtracted shall take effect on January first of a  
42 calendar year and such percentage shall continue in effect  
43 until the next percentage increase occurs. An increase  
44 shall only apply to tax years that begin on or after the  
45 increase takes effect.

46 5. An increase in the percentage that may be  
47 subtracted under subsection 2 of this section shall only  
48 occur if the amount of net general revenue collected in the  
49 previous fiscal year exceeds the highest amount of net  
50 general revenue collected in any of the three fiscal years  
51 prior to such fiscal year by at least one hundred fifty  
52 million dollars.

53 6. The first year that a taxpayer may make the  
54 subtraction under subsection 2 of this section is 2017,  
55 provided that the provisions of subsection 5 of this section  
56 are met. If the provisions of subsection 5 of this section  
57 are met, the percentage that may be subtracted in 2017 is  
58 five percent.

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