

SENATE COMMITTEE SUBSTITUTE

FOR

SENATE BILLS NOS. 151, 138, 220, 146, 228, & 161

AN ACT

To repeal sections 143.011, 143.021, 143.071, and 143.171, RSMo, and to enact in lieu thereof five new sections relating to taxation, with a contingent effective date for certain sections.

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

Section A. Sections 143.011, 143.021, 143.071, and 143.171, RSMo, are repealed and five new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, 143.071, 143.171, and 144.002, to read as follows: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) 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 annually 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 January 2, 2023.

(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.

7. For all tax years beginning on or after January first immediately following the adoption of a constitutional amendment eliminating the imposition of Missouri personal income tax, there shall be no Missouri personal income tax imposed under this provisions of this section or this chapter.

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, but on or before December 31, 2025, 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, but on or before December 31, 2025.

(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.

3. Notwithstanding the provisions of subsection 3 of section 143.011 to the contrary, for all tax years beginning on or after January 1, 2026, there shall be no tax on taxable income of less than or equal to one thousand dollars.

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

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

3. For all tax years beginning on or after January 1, 2020, a tax is hereby imposed upon the Missouri taxable income of corporations in an amount equal to four percent of Missouri taxable income.

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

5. (1) Upon the adoption of a constitutional amendment authorizing the creation of the tax reform fund as provided under article X, section 20(a) of the constitution of Missouri, beginning with the calendar year immediately following the calendar year in which the total state sales tax rate was reduced to a rate of four percent or less under section 144.002, the tax rate imposed under subsection 3 of this section may be reduced over a period of years under subdivision (2) of this subsection. A reduction in the rate

of tax shall take effect on January first of the immediately succeeding calendar year and such reduced rate shall continue in effect until the next reduction occurs.

(2) A reduction in the rate of tax shall occur if, at the close of the immediately preceding fiscal year, a surplus of one million dollars or more is realized in the general revenue fund and the minimum balance in the tax reform fund is at least forty-five million dollars at the close of the same fiscal year. The amount of the reduction made under this subsection shall be calculated as follows:

(a) For the first forty-five million dollars in the tax reform fund, one-fifth of one percent; plus

(b) For each additional forty-five million dollars in excess of the minimum balance in the tax reform fund, one-fifth of one percent.

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

(4) The director of the department of revenue shall adjust and publish the tax rate as adjusted pursuant to this subsection to effectuate the provisions of this subsection.

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

Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

2. (1) Notwithstanding any other provision of law to the contrary, for all tax years beginning on or after January 1, 2019, but on or before December 31, 2025, an individual taxpayer shall be allowed a deduction equal to a percentage of his or her federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed, not to exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction 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

(2) Notwithstanding any provision of law to the contrary, the amount of any tax credits reducing a taxpayer's federal tax liability pursuant to Public Law 116-136 or 116-260, enacted by the 116th United States Congress, for the tax year beginning on or after January 1, 2020, and ending on or before December 31, 2020, and the amount of any

tax credits reducing a taxpayer's federal tax liability under any other federal law that provides direct economic impact payments to taxpayers to mitigate financial challenges related to the COVID-19 pandemic shall not be considered in determining a taxpayer's federal tax liability for the purposes of subdivision (1) of this subsection.

3. For all tax years beginning on or after September 1, 1993, but on or before December 31, 2025, a corporate taxpayer shall be allowed a deduction for fifty percent of its federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

4. For all tax years beginning on or before December 31, 2025, if a federal income tax liability for a tax year prior to the applicability of sections 143.011 to 143.996 for which he or she was not previously entitled to a Missouri deduction is later paid or accrued, he or she may deduct the federal tax in the later year to the extent it would have been deductible if paid or accrued in the prior year.

5. For all tax years beginning on or after January 1, 2026, there shall be no federal income tax deduction for any individual or corporate taxpayer under this section.

144.002. 1. For all calendar years beginning on or after January first of the calendar year immediately following the adoption of a constitutional amendment authorizing the elimination of the Missouri personal income tax under article X, section 1(a) of the constitution of

Missouri and authorizing the creation of the tax reform fund, the total state sales tax rate levied or imposed shall be reduced by twenty-five thousandths of one percent.

2. (1) Beginning with the calendar year in which the rate reduction made under subsection 1 of this section is imposed, the total state sales tax rate may be reduced over a period of years as provided under subdivision (2) of this subsection and authorized under article X, section 20(a) of the constitution of Missouri. A reduction in the rate of tax shall take effect on January first of the immediately succeeding calendar year and such reduced rate shall continue in effect until the next reduction occurs.

(2) A reduction in the rate of tax shall occur if, at the close of the immediately preceding fiscal year, a surplus of one million dollars or more is realized in the general revenue fund and the minimum balance in the tax reform fund is at least forty-five million dollars at the close of the same fiscal year. The amount of the state sales tax reduction shall be calculated as follows:

(a) For the first forty-five million dollars in the tax reform fund, one-hundredth of one percent; plus

(b) For each additional forty-five million dollars in excess of the minimum balance in the tax reform fund, one-hundredth of one percent.

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

(4) The director of the department of revenue shall adjust and publish the tax rate as adjusted pursuant to this subsection to effectuate the provisions of this subsection.

3. The total rate of state sales tax as reduced under the provisions of this section shall be capped at a rate not

to exceed four percent, as provided under article X, section 26 of the constitution of Missouri.

4. The department of revenue may promulgate all necessary rules and regulations for the administration of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after the effective date of this section, shall be invalid and void.

Section B. The enactment of section 144.002 and the repeal and reenactment of sections 143.011 and 143.071 of section A of this act shall become effective only upon the passage and approval by the voters of a constitutional amendment submitted to them by the 103rd General Assembly, First Regular Session, eliminating the Missouri personal income tax, authorizing the establishment of a surplus revenue fund under Article X, Section 20(a) of the Constitution of Missouri, and establishing a cap on certain state sales taxes under Article X, Section 26 of the Constitution of Missouri.