

SENATE BILL NO. 228

103RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR CARTER.

1399S.011

KRISTINA MARTIN, Secretary

AN ACT

To repeal sections 143.011, 143.021, and 143.171, RSMo, and to enact in lieu thereof three new sections relating to income taxes.

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

Section A. Sections 143.011, 143.021, and 143.171, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 143.011, 143.021, and 143.171, to read as follows:

143.011. 1. **For all tax years beginning on or before December 31, 2025**, 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 this bill is not enacted and is intended to be omitted in the law.

15	Over \$3,000 but not	\$60 plus 3% of excess over
16	over \$4,000	\$3,000
17	Over \$4,000 but not	\$90 plus 3 1/2% of excess
18	over \$5,000	over \$4,000
19	Over \$5,000 but not	\$125 plus 4% of excess over
20	over \$6,000	\$5,000
21	Over \$6,000 but not	\$165 plus 4 1/2% of excess
22	over \$7,000	over \$6,000
23	Over \$7,000 but not	\$210 plus 5% of excess over
24	over \$8,000	\$7,000
25	Over \$8,000 but not	\$260 plus 5 1/2% of excess
26	over \$9,000	over \$8,000
27	Over \$9,000	\$315 plus 6% of excess over
28		\$9,000

29 2. (1) Notwithstanding the provisions of subsection 1
30 of this section to the contrary, beginning with the 2023
31 calendar year, **but ending on or before December 31, 2025,**
32 the top rate of tax pursuant to subsection 1 of this section
33 shall be four and ninety-five hundredths percent.

34 (2) The modification of tax rates made pursuant to
35 this subsection shall apply only to tax years that begin on
36 or after January 1, 2023, **but before January 1, 2026.**

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

43 3. (1) **[In addition to the rate reduction under**
44 **subsection 2 of this section, beginning with the 2024**

45 calendar year, the top rate of tax under subsection 1 of
46 this section may be reduced by fifteen hundredths of a
47 percent. A reduction in the rate of tax shall take effect
48 on January first of a calendar year and such reduced rates
49 shall continue in effect until the next reduction occurs.

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

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

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

62 4. (1) In addition to the rate reductions under
63 subsections 2 and 3 of this section, beginning with the
64 calendar year immediately following the calendar year in
65 which a reduction is made pursuant to subsection 3 of this
66 section, the top rate of tax under subsection 1 of this
67 section may be further reduced over a period of years. Each
68 reduction in the top rate of tax shall be by one-tenth of a
69 percent and no more than one reduction shall occur in a
70 calendar year. No more than three reductions shall be made
71 under this subsection. Reductions in the rate of tax shall
72 take effect on January first of a calendar year and such
73 reduced rates shall continue in effect until the next
74 reduction occurs.

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

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

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

87 (b) The amount of net general revenue collected
88 required by subparagraph a. of paragraph (a) of this
89 subdivision in order to make a reduction pursuant to this
90 subsection shall be adjusted annually by the percent
91 increase in inflation beginning with January 2, 2023.

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

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

103 **For all tax years beginning on or after January 1, 2026, a**
104 **tax of four percent is hereby imposed on the Missouri**
105 **taxable income of every resident of this state. The tax**
106 **shall be determined by the application of the income**
107 **provisions provided under section 143.021.**

108 (2) The department of revenue shall, by rule and by
109 posting on the department's website, adjust the appropriate
110 tax rate to effectuate the provisions of this subsection.

111 4. (1) Upon adoption of a constitutional amendment
112 authorizing the creation of the tax reform fund, in addition
113 to the rate reductions made pursuant to subsection 3 of this
114 section, beginning with the 2027 calendar year, the tax rate
115 imposed pursuant to subsection 3 of this section may be
116 reduced over a period of years pursuant to subdivision (2)
117 of this subsection. A reduction in the rate of tax shall
118 take effect on January first of the immediately succeeding
119 calendar year and such reduced rate shall continue in effect
120 until the next reduction occurs.

121 (2) A reduction in the rate of tax shall occur if the
122 amount of net general revenue collected in the immediately
123 previous fiscal year exceeds anticipated general fund
124 revenue expenditures for such fiscal year by at least one
125 million dollars and the minimum balance in the tax reform
126 fund is at least one hundred twenty million dollars at the
127 close of the fiscal year. The amount of the reduction shall
128 be calculated as follows:

129 (a) For the first one hundred twenty million dollars
130 in the tax reform fund, one-tenth of one percent; plus

131 (b) For each additional sixty million dollars in
132 excess of the minimum balance, one-twentieth of one percent.

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

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

139 5. Beginning with the 2017 calendar year, **and ending**
140 **on or before December 31, 2025**, the brackets of Missouri
141 taxable income identified in subsection 1 of this section
142 shall be adjusted annually by the percent increase in
143 inflation. The director shall publish such brackets
144 annually beginning on or after October 1, 2016.
145 Modifications to the brackets shall take effect on January
146 first of each calendar year and shall apply to tax years
147 beginning on or after the effective date of the new brackets.

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

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

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

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

160 (4) "Percent increase in inflation", the percentage,
161 if any, by which the CPI for the preceding calendar year
162 exceeds the CPI for the year beginning September 1, 2014,
163 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, **but on or before**
9 **December 31, 2025**, there shall be no tax on taxable income
10 of less than or equal to one thousand dollars, as adjusted
11 pursuant to subsection 5 of section 143.011.

12 (2) The modifications made pursuant to this subsection
13 shall only apply to tax years that begin on or after January
14 1, 2023, **but on or before December 31, 2025**.

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

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

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.

14 2. (1) Notwithstanding any other provision of law to
15 the contrary, for all tax years beginning on or after
16 January 1, 2019, **but on or before December 31, 2025**, an
17 individual taxpayer shall be allowed a deduction equal to a

18 percentage of his or her federal income tax liability under
 19 Chapter 1 of the Internal Revenue Code for the same taxable
 20 year for which the Missouri return is being filed, not to
 21 exceed five thousand dollars on a single taxpayer's return
 22 or ten thousand dollars on a combined return, after
 23 reduction for all credits thereon, except the credit for
 24 payments of federal estimated tax, the credit for the
 25 overpayment of any federal tax, and the credits allowed by
 26 the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C.
 27 Section 27, and 26 U.S.C. Section 34. The deduction
 28 percentage is determined according to the following table:

29 30	If the Missouri gross income on the return is:	The deduction 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, **but on or before December 31, 2025**, a corporate
50 taxpayer shall be allowed a deduction for fifty percent of
51 its federal income tax liability under Chapter 1 of the
52 Internal Revenue Code for the same taxable year for which
53 the Missouri return is being filed after reduction for all
54 credits thereon, except the credit for payments of federal
55 estimated tax, the credit for the overpayment of any federal
56 tax, and the credits allowed by the Internal Revenue Code by
57 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C.
58 Section 34.

59 4. **For all tax years beginning on or before December**
60 **31, 2025**, if a federal income tax liability for a tax year
61 prior to the applicability of sections 143.011 to 143.996
62 for which he **or she** was not previously entitled to a
63 Missouri deduction is later paid or accrued, he **or she** may
64 deduct the federal tax in the later year to the extent it
65 would have been deductible if paid or accrued in the prior
66 year.

67 5. **For all tax years beginning on or after January 1,**
68 **2026, there shall be no federal income tax deduction for any**
69 **individual or corporate taxpayer under this section.**

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