

SS#3 SCS SBs 509 & 496 -- INCOME TAXES

(Vetoed by the Governor -- Overridden by the General Assembly)

This bill changes the laws regarding income taxes. In its main provisions, the bill:

(1) Modifies the individual income tax rate table. Beginning with the 2017 tax year, the maximum tax rate on personal income will be reduced by .1% once a year if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of revenue collected in any of the three fiscal years prior to the fiscal year by at least \$150 million. The maximum tax rate cannot be reduced below 5.5%;

(2) Requires the individual income tax rate brackets to be adjusted annually for inflation as measured by the federal Consumer Price Index, beginning with the 2017 tax year;

(3) Authorizes an individual income tax deduction for business income, beginning January 1, 2017, and phases it in, in 5% increments, over a period of years. However, the deduction can only occur if the net general revenue collected in the previous fiscal year exceeds those collected in any of the three fiscal years prior to the fiscal year by at least \$150 million. A taxpayer will be allowed to deduct 5% of business income for the first tax year the income growth is met. The maximum that may be deducted is 25% of business income. A shareholder of a S-corporation and a partner in a partnership will be allowed a proportional deduction based on his or her share of ownership; and

(4) Authorizes, beginning January 1, 2017, an additional personal exemption of \$500 for every individual with a Missouri adjusted gross income of less than \$20,000. Currently, the personal exemption for individual income tax is \$2,100.