HB 979 -- Flat Individual Income Tax Rate and Elimination of Certain Tax Credits

Sponsor: Brattin

Beginning January 1, 2012, this bill imposes a flat 3.125% individual income tax rate and replaces most additions and subtractions from the Missouri adjusted gross income with certain adjustments. The Missouri adjusted gross income will be the taxpayer's federal adjusted gross income with the following deductions added: individual retirement accounts; interest on student loans; tuition and fees; moving expenses; self-employment taxes; self-employed health insurance premiums; self-employed SEP, SIMPLE, or qualified retirement plans; penalties for the early withdrawal of savings; alimony paid; individual retirement account deductions; educator expenses; domestic production activities; business expenses of reservists, performing artists, and fee-based governmental officials; interest on state and local obligations other than from a Missouri source; nonqualified distributions from a 529 plan; nonresident property taxes; and adjustments for businesses and net operating losses. The bill authorizes deductions from Missouri taxable income for certain capital gains from the sale of a taxpayer's principal residence; personal use of employer-owned property; Social Security benefits; public and private pensions; individual retirement account distributions; workers' compensation benefits; unemployment benefits; public assistance payments; sick pay; inheritances and gifts; alimony received; employment-related expenses that were not reimbursed by the taxpayer's employer; contributions to medical or health savings accounts; contributions to a 529 plan; Missouri state or local tax refunds; interest income from Missouri state and local bonds; 25% of education costs over $250 including clothing for school and school supplies for a home, parochial, private, or public school; a deduction of $13,500 for married filing combined or separately; a deduction of $6,500 for a single, head of household, or qualifying widow or widower; and a deduction of $9,500 for each dependent.

The bill also eliminates, after December 31, 2011, all tax credits except the senior citizen property tax credit and the resident credit for taxes paid to another state.