



Resources for Businesses and Tax Professionals

2014 Tax Legislation

SB 509: Several Individual Income Tax Changes

- SB 509 modifies the individual income tax rate table where the maximum tax rate on personal income will be reduced by one-half of a percent over a series of five reductions. Each reduction to the rate will be by one tenth of a percent. The first reduction may occur in 2017, but no reduction will go into effect in any year unless the net general revenue collected in the previous fiscal year exceeded the amount of net general revenue in any of the three fiscal years prior to such year by at least \$150 million. Once fully phased in, the top rate of tax on individual income will be five and one-half percent.
- Beginning in 2017, SB 509 requires the brackets for individual income tax be adjusted annually for the percent increase in inflation.
- SB 509 creates an individual income tax deduction for certain business income that will be phased in over a series of five steps. Each increase to the deduction amount will be by five percent. Once this deduction is fully phased-in, taxpayers will be allowed to deduct a maximum of twenty-five percent of their business income. The first increase may occur in 2017, but no increase to the deduction will go into effect in any year unless the net general revenue collected in the previous fiscal year exceeded the amount of net general revenue in any of the three fiscal years prior to such year by at least \$150 million. Shareholders of S corporations and partners in partnerships will be allowed a proportional deduction based on their share of ownership.
- Beginning in 2017, SB 509 also allows for an additional \$500 deduction for Missouri residents who are entitled to the personal exemption for federal income tax purposes and his or her Missouri adjusted gross income is less than \$20,000.

Tax Assistance Center Offices Closed

Due to budget cuts, the Department of Revenue Tax Assistance Centers located in St. Louis, Kansas City, Springfield, St. Joseph, Joplin, Cape Girardeau, and Jefferson City were closed effective July 1, 2014. To assist our customers, the Department offers numerous online services at <http://dor.mo.gov/online.php> for filing and paying taxes online, checking personal tax return status, registering for a new business tax license, updating addresses and much more. A complete list of contact phone numbers, email addresses, and mailing addresses can be found at <http://dor.mo.gov/contact/>.



HJR 68: Sales and Use Tax

HJR 68, sponsored by Representative Dave Hinson, proposes a constitutional amendment allowing the voters of Missouri to vote to increase the state sales and use tax by .75% for a period of 10 years. The proceeds from the additional tax are to be used for transportation purposes. However, the tax increase will not apply to food sales.

Five percent of the sales and use tax proceeds must be deposited into the newly created County Aid Transportation Fund. Moneys in the fund must be distributed to the counties. Five percent of the sales and use tax proceeds must be deposited into the newly created Municipal Aid Transportation Fund. Moneys in the fund must be distributed to cities, towns, and villages in the state. The remaining 90% of the sales and use tax proceeds must be deposited into the newly created Transportation Safety and Job Creation Fund to be used solely for transportation purposes.

The resolution prohibits the General Assembly, counties, and municipalities from increasing or decreasing the motor fuel tax from the rate of the tax authorized by law on January 1, 2014, while the .75% tax is in effect. The commission, counties, and municipalities are prohibited from authorizing, owning, or operating a toll highway or toll bridge on a highway or bridge while the .75% tax is in effect.

The Missouri Department of Transportation estimates that this sales and use tax increase will generate an additional \$539 million annually. This proposed increase will be placed on the August 5, 2014 ballot.