

MISSOURI LEGISLATIVE SESSION UPDATE

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Recent events out of Jefferson City have overshadowed some important bills that have passed through the House and Senate. Two tax bills in particular, SB 884 and HB 2540, could have an effect on individual and corporate income taxes starting as early as next year.

SB 884 was signed into law on June 1, 2018 and addresses corporate income tax law. The new law is effective for all tax years beginning on or after January 1, 2020. Three changes resulting from the passage of this bill include:

1. A corporate tax rate reduction to 4.00% down from the current tax rate of 6.25%.
2. The elimination of all income apportionment formulas except for the single sales factor.
3. A modification to the treatment of certain intercompany transactions in consolidated tax returns.

HB 2540 has not yet been signed into law, however will become law if not vetoed by the Governor before the July 15th. The bill contains several subsections that focus on individual taxpayer provisions. Three changes that would result from the passage of this bill include:

1. A reduction in the Missouri income tax rate of 6.0% (beginning in 2019) to 5.5%. An annual decrease of 0.1% would continue through 2023 if certain net general revenue goals are met for the state of Missouri. Ultimately, the individual tax rate could be as low as 5.1% beginning in 2023.
2. A change in the allowable federal income tax deduction. Currently, a federal income tax deduction is allowed for all taxpayers and is limited to the lower of federal income taxes paid or a maximum deduction of \$5,000 for single taxpayers and \$10,000 for joint taxpayers. The proposed tax bill decreases the federal income tax deduction based on Missouri adjusted gross income with the caps on the deduction remaining unchanged. Below is a table of the phaseout that would be used to calculate the allowable deduction:

MO AGI	Deductible %
\$ 25,000 or less	35.00%
\$ 25,001 - \$50,000	25.00%
\$ 50,001 - \$100,000	15.00%
\$100,001 - \$125,000	5.00%
\$125,001 or more	None

3. The elimination of the personal and dependent exemptions.



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