

SB 509 – Fiscal Note Summary
OA Budget and Planning (4/21/2014)

The legislature’s fiscal note for SS#3 SCS SB 509 and 496 (SB 509) provides an estimate that the legislation will cost \$620 million when the provisions of the bill are fully phased in. However, this estimate does not include the impact of language in section 143.011.2(4). SB 509 adds new language, *“The director of the department of revenue shall, by rule, adjust the tax tables under subsection 1 of this section to effectuate the provisions of this subsection. The bracket for income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced to five and one-half of a percent.”*

The elimination of the top bracket, which would occur as early as tax year 2022, would set the top rate of tax for Missouri taxable income over \$8,000 but not over \$9,000 at \$260 plus 5 ½% of the excess over \$8,000. There would be no income tax for individuals with Missouri taxable income exceeding \$9,000. The cost of this provision is estimated to be \$4.8 billion.

SB 509 Summary of Cost					
Elimination of Tax on Income over \$9,000					
(does not include estimated impact of other provisions in SB 509)					
Est. Tax (\$s in Millions)					
Type of Return	Taxable Income	# of Taxpayers	Current	SB 509	Difference
Single	Up to \$9,000	671,135	\$32.3	\$32.3	\$0.0
	Over \$9,000	622,029	\$1,070.3	\$0.0	(\$1,070.3)
	Total	1,293,164	\$1,102.6	\$32.3	(\$1,070.3)
Combined *	Up to \$9,000 *	819,976	\$134.3	\$50.7	(\$83.6)
	Over \$9,000	1,670,904	\$3,386.8	\$0.0	(\$3,386.8)
	Total	2,490,880	\$3,521.1	\$50.7	(\$3,470.4)
Head of Household	Up to \$9,000	182,441	\$10.4	\$10.4	\$0.0
	Over \$9,000	177,255	\$260.2	\$0.0	(\$260.2)
	Total	359,696	\$270.6	\$10.4	(\$260.2)
Total	Up to \$9,000	1,673,552	\$177.0	\$93.4	(\$83.6)
	Over \$9,000	2,470,188	\$4,717.3	\$0.0	(\$4,717.3)
	Total	4,143,740	\$4,894.3	\$93.4	(\$4,800.9)

* One spouse may have income under \$9,000 and one over \$9,000, thus there is some reduction in the "up to \$9,000" category.

This estimate is based on Tax Year 2011 data. Due to inflationary and other factors that may occur between 2011 and 2022, the actual dollar amount may be substantially different when the provision is implemented. For the 2011 tax year, net individual income taxes paid were \$4.936 billion. This provision would have eliminated about 97% of individual income tax collections if it would have been in effect for that tax year. For FY2012, total net general revenue collections were \$7.341 billion, so \$4.801 billion would be about a 65% reduction of total collections.