HB 422 -- Taxation

Sponsor: Brattin

This bill authorizes Missouri to enter into the multistate Streamlined Sales and Use Tax Agreement, eliminates all state tax credits, phases in a flat income tax rate for individuals and corporations, and increases the state sales and use tax by .25%.

STREAMLINED SALES AND USE TAX AGREEMENT

The Director of the Department of Revenue is required to enter into the multistate Streamlined Sales and Use Tax Agreement to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. The department is required to establish the necessary rules to implement the compliance provisions of the agreement. The bill specifies that:

(1) When a city annexes or detaches property, the city clerk must forward a certified copy of the ordinance to the department director within 10 days. The tax rate in the added or abolished territory must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the boundary change (Section 32.087.18, RSMo);

(2) When a political subdivision changes the tax rate or the local sales tax boundary, the change must take effect on the first day of the calendar quarter 120 days after the sellers receive notice of the change (Section 32.087.19);

(3) If a political subdivision repeals an existing tax, the repeal must become effective on the first day of the calendar quarter 120 days after the sellers receive notice that the abolishment of the tax was approved (Sections 67.1303, 67.2030, 67.2530, and 94.578); and

(4) When a seller fails to properly collect tax based on certain information provided by the department, the seller will be relieved from the tax liability (Sections 144.123 - 144.124).

The bill also requires:

(1) The state to be represented as a member of the agreement for amending the agreement by three delegates including a person appointed by the Governor, a member of the General Assembly appointed by the mutual consent of the President Pro Tem of the Senate and the Speaker of the House of Representatives, and the department director or his or her designee. The delegates must

make an annual report by January 15 on the status of the agreement (Sections 32.070);

(2) The department director to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes. All state and local sales taxes to have the same base which means that exemptions at the state and local level must be identical (Sections 32.087 and 66.620 - 67.2530);

(3) Defines "delivery charges," "food," “bottled water,” “candy,” “ancillary services,” "lease or rental," "purchase price," "sales price," "tangible personal property," and other definitions to be adopted as defined in the streamlined agreement. The bill also defines “engaging in business activities within the state” and “maintains a place of business in this state” as they relate to the collection of taxes and “tangible personal property” to exclude specified digital products, digital audio-visual works, digital audio works, and digital books (Section 144.010);

(4) Establishes rules to determine the taxability of bundled transactions involving both taxable and nontaxable goods or services (Section 144.022);

(5) Requires uniform sourcing rules to determine what tax rates will apply to certain transactions (Sections 144.040 - 144.043);

(6) Allows a seller to advertise that the required sales tax will be assumed or absorbed into the price of the property sold or the service rendered if the amount of the tax is separately stated on the invoice or receipts. Any person who fails to separately state the assumed or absorbed sales tax on the invoice or receipt will be guilty of a misdemeanor (Section 144.080);

(7) Requires the on-line registration for out-of-state sellers to be simplified and no bond to be required (Section 144.082);

(8) Allows the department to require any seller to electronically file and remit sales and use taxes and requires the department to offer out-of-state sellers uniform, simplified electronic filing (Section 144.084);

(9) Authorizes a deduction from taxable sales for sellers with bad debts attributable to taxable sales that are uncollectable (Section 144.104);

(10) Requires the department to provide electronic databases for tax jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services (Sections 144.123 - 144.124);

(11) Authorizes an amnesty to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of the streamlined agreement (Section 144.125);

(12) Allows a monetary allowance under the automated collection system, beginning July 1, 2014, of up to 2% of the amount of remittance that sellers and certified service providers are allowed for collecting and remitting the state and local sales taxes. Currently, sellers are allowed to keep 2% for collecting and timely remitting the tax. A seller cannot simultaneously receive this monetary allowance and the 2% timely filing deduction (Section 144.140); and

(13) Requires no caps or thresholds to exist on the collection of sales or use taxes (Section 144.1012).

ELIMINATION OF TAX CREDITS (Sections 99.1205 - 100.850, 148.064 - 208.700, and 253.550 - 660.055)

All tax credits are eliminated after December 31, 2013; and any previously issued tax credit must be redeemed before January 1, 2016, except for the food pantry tax credit and the pregnancy resource center tax credit which must be redeemed before January 1, 2015.

FLAT INCOME TAX RATE (Chapter 143)

Beginning January 1, 2014, the bill phases in a flat tax rate for individual income tax of 4.4% for tax year 2014, 4% for 2015, and 3.8% for 2016 and all subsequent tax years. The corporate income tax rate is reduced from 6.25% to 5% for tax year 2014, 4% for tax year 2015, and 3.5% for 2016 and all subsequent tax years. Beginning January 1, 2016, the bill increases the state sales and use tax rate by .25% for general revenue. 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 a medical or health savings account; 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 $5,000 each for the taxpayer, spouse, and dependents to be increased annually based on the federal Consumer Price Index for All Urban Consumers.

The provisions of the bill regarding the streamlined sales tax become effective January 1, 2015.