

HCS HB 958 -- TAXATION (Smith, 14)

COMMITTEE OF ORIGIN: Committee on Tax Reform

This substitute changes the laws regarding taxation.

NEIGHBORHOOD ASSISTANCE ACT (Section 32.105, RSMo)

Currently, a person or family is considered eligible to qualify for assistance from the Missouri Housing Development Commission under the Neighborhood Assistance Act for an affordable housing unit if the household's combined, adjusted gross income is equal to or less than the specified percentages of the median family income for the geographic area in which the residential unit is located or the median family income for the state, whichever is greater. This applies to rental units and owner-occupied units. The substitute increases the income threshold for an owner-occupier of an affordable housing unit so that it is double the threshold required for a rental unit.

PROPERTY TAX STATEMENTS (Section 52.230)

Real and personal property tax statements must be mailed to all resident taxpayers at least 45 days before the delinquent date in first classification counties unless the collector is prevented from mailing the statements by circumstances beyond the collector's control. A county's charter will determine the fees charged for the collection of delinquent and back taxes if the rate is different from the rate allowed by law.

EXHIBITION CENTER AND RECREATIONAL FACILITY DISTRICTS (Section 67.2000)

Real property owners in the counties of Caldwell, Clinton, Daviess, and DeKalb are allowed to petition the governing body of the county for the creation of an exhibition center and recreational facility district.

SPECIAL NEEDS CHILD ADOPTION TAX CREDIT (Section 135.327)

The substitute defines "adoption resource center" as a state-funded agency providing pre- and post-adoption services to families for preventing adoption disruption and recruiting adoptive parents. The substitute specifies that qualified centers will get an equal portion of the unclaimed funds set aside for tax credits for non-recurring adoption expenses that is currently divided equally among court-appointed special advocates (CASA), child advocacy centers, and crisis care centers.

The substitute also removes obsolete provisions regarding the

adoption tax credit for special needs children.

INCOME TAX CREDIT FOR HOME REMODELING FOR THE DISABLED AND THE ELDERLY (Sections 135.535 and 135.562)

Currently, up to \$100,000 in tax credits remaining unused under the Rebuilding Communities Tax Credit Program are allocated for use by taxpayers who modify their homes for a disabled person residing with them. The substitute removes the \$100,000 overall cap and adds taxpayers who modify their homes for a senior citizen residing with them to those eligible for the tax credit.

INCOME TAX CREDIT FOR VOLUNTEER FIREFIGHTERS (Section 135.610)

Beginning January 1, 2009, the substitute authorizes an annual \$180 income tax credit for volunteer firefighters who complete during the year at least 12 hours of any firefighter training program approved by the Office of the State Fire Marshal within the Department of Public Safety. If the firefighter completes at least 36 additional hours of training after the initial 12 hours of training during the year, the firefighter may claim a \$360 credit. The tax credit is not refundable but can be carried forward for four years.

INCOME TAX CREDIT FOR GREEN BUILT HOMES (Section 135.663)

Beginning January 1, 2010, the substitute authorizes an income tax credit for eligible costs incurred by taxpayers in building homes that meet certain green build standards. The credit ranges from 45 cents per square foot for homes that meet the minimum green build standards to \$1.15 for homes that meet the maximum standards. The tax credits are not refundable, but may be transferred or carried back or forward to any of the taxpayer's subsequent taxable years.

TAX CREDIT FOR MILK, BEEF, AND PORK PRODUCERS (Sections 32.115, 135.484, 135.535, 135.680, 135.704, and 208.770)

Beginning January 1, 2010, the substitute authorizes a tax credit for any resident taxpayer who is actively engaged in milk, beef, or pork production. The tax credit for milk, beef, and pork production will be based on the amount of livestock or milk produced and sold at a loss based on market fluctuations which result in current livestock production costs to exceed the current market value of the livestock or milk.

The Missouri Agricultural and Small Business Development Authority cannot issue more than \$20,000 in tax credits per eligible taxpayer per year. The tax credit is not refundable but can be transferred. It must be claimed in the year in which the

credit is issued against the taxpayer's state tax liability or quarterly estimated tax or carried forward for up to three years. Taxpayers must submit to the authority an application for the tax credit on a form provided by the authority. The authority may charge a service fee.

The authority cannot issue more credits in any calendar year than are allocable to this program; however, any remaining unissued tax credits in the following programs may also be made available annually for allocation to this program:

(1) Up to \$30 million in neighborhood assistance tax credits which have not been issued by April 30;

(2) Up to \$16 million in rebuilding communities and neighborhood preservation tax credits which have not been issued by December 1;

(3) Up to \$10 million in tax credits for investment in, or relocating a business to, a distressed community which have not been issued by December 1;

(4) Up to \$15 million in qualified equity investment tax credits which have not been issued by April 30; and

(5) Up to \$4 million in family development account tax credits which have not been issued by April 30.

#### PROPERTY TAX ON CERTAIN WATERCRAFT (Sections 137.016 and 137.080)

For property tax purposes, the substitute changes the classification from personal property to residential property of any watercraft that has bath and toilet facilities, a sleeping area, and kitchen facilities and is eligible for the home mortgage interest deduction on the taxpayer's federal income tax return. The watercraft must be registered under Chapter 306 and be the principal or temporary place of residence of the taxpayer.

#### MEHLVILLE SCHOOL DISTRICT TAX LEVY (Section 137.073)

The substitute changes the procedures for calculating the tax levy in the Mehlville School District so that if the district passes an increase in its tax rate ceiling which must be revenue neutral under the Hancock Amendment, the tax rate ceiling can increase so the revenue received from its property tax the following year equals the amount the district would have received from an increase in the tax rate ceiling had there been no reduction in the assessed valuation of real property in the district.

PROPERTY TAX APPEALS (Section 138.431)

A taxpayer is allowed one change in the assignment of a hearing officer for an appeal of his or her assessed valuation.

MOTOR FUEL TAX (Sections 142.800 and 2)

The substitute specifies that the definition of "diesel fuel" for motor fuel tax purposes does not include biodiesel until the biodiesel is blended with other diesel fuel or sold for highway use. The Department of Revenue must develop a uniform and simplified rule for all motor fuel tax exemptions that minimizes the time between requesting and receiving a refund and reduces and splits the administrative burden between the fuel wholesaler, fuel retailer, and tax-exempt entity.

MOTOR FUEL TAX EXEMPTION FOR SCHOOL BUSES (Section 142.814)

The substitute exempts fuel used to operate school buses transporting students for educational purposes from the motor fuel tax.

INCOME TAX DEDUCTION FOR ALTERNATIVE ENERGY SOURCES (Section 143.112)

Beginning January 1, 2010, the substitute authorizes an income tax deduction for any taxpayer who purchases certain qualified fuel cell property that is installed for a dwelling located in the United States and used as the principal residence by the taxpayer. The deduction will be 50% of the purchase price or \$1,000, whichever is less.

The substitute also authorizes an income tax deduction for any taxpayer who purchases solar energy property to generate electricity for a dwelling in this state and used as a residence by the taxpayer. The deduction will be 50% of the purchase price or \$4,000, whichever is less.

DEPENDENCY EXEMPTION FOR STILLBORN CHILDREN (Section 143.161)

Beginning January 1, 2010, the substitute authorizes an income tax dependency exemption deduction to a taxpayer for the taxable year in which a stillborn child was born if the child would otherwise have been a member of the taxpayer's household and a certificate of birth resulting in stillbirth has been issued.

MISSOURI ARTS COUNCIL APPROPRIATION (Section 143.183)

The substitute removes the \$10 million appropriation limit per fiscal year to the Missouri Arts Council from the estimate of

income tax revenues of professional athletes and nonresident entertainers.

#### SALES TAX EXEMPTION FOR CERTAIN PRESCRIPTION MEDICAL EQUIPMENT, SUPPLIES, OR DEVICES (Section 144.030)

The substitute authorizes a state and local sales and use tax exemption for medical equipment, supplies, or devices which are prescribed by a practitioner or paid by Medicare, Medicaid, or a third-party health insurer.

#### PAYMENT OF SALES TAX (Section 144.080)

Sellers are allowed 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 receipt. Any retailer who fails to separately state the assumed or absorbed sales tax will be guilty of a misdemeanor.

#### TAX CREDIT FOR BANKING INSTITUTIONS (Section 148.064)

A tax credit is authorized to banking institutions in an amount equal to the tax imposed by foreign states when the Missouri bank doesn't have a physical presence in the taxing state. The credit can be applied to franchise tax and income tax.

When a foreign state imposes a tax on a Missouri bank without a physical presence in the taxing state, the substitute imposes a similar tax on the banking institutions chartered in that taxing state conducting business in Missouri without a physical presence.

#### FRANCHISE TAXES OF CREDIT INSTITUTIONS (Section 148.657)

The substitute allows limited liability company members and limited liability partnership partners to take a credit against their income tax for the pro-rata share of the franchise tax paid by the credit institution.

#### HOSPITAL DISTRICT SALES TAXES (Section 205.202)

Hospital districts in certain counties, including Ripley County, upon voter approval, are authorized to abolish the hospital district property tax and impose a retail sales tax of up to 1% for the purpose of funding the hospital district. Moneys collected from the tax will be deposited into the newly created Hospital District Sales Tax Fund with 1% retained and deposited into general revenue by the Director of the Department of Revenue for the cost of collection.

FIRE PROTECTION DISTRICT SALES TAX (Section 321.227)

The substitute allows any fire protection district in St. Louis County to impose, upon voter approval, a sales tax of up to 1% on all retail sales within the fire protection district. Revenues collected from the sales tax will be deposited into the newly created Fire Protection District Sales Tax Fund. Ninety percent of the revenue will be distributed to the fire protection district from which the sales tax was collected, and 10% will be distributed to the fire protection districts per capita based upon the population of each distressed fire protection district. Any fire protection district imposing the sales tax must reduce the district's property tax rate by an amount sufficient to decrease property tax revenues by 50% of the previous year's revenue received from the fund.

GLOBAL POSITIONING SYSTEMS (Section 1)

The use of global positioning systems to monitor mileage in order to impose any mileage tax in this state is prohibited.

The provisions of the substitute regarding the tax credit for milk, beef, and pork producers; the tax credit for volunteer firefighters; and the income tax deduction for alternative energy sources will expire December 31 six years from the effective date. The provisions of the substitute regarding the tax credit for new homes that meet green build standards will expire December 31 five years from the effective date.

The substitute contains an emergency clause for the provisions regarding the hospital district sales tax.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$124,574 to More than \$43,056,194 in FY 2010, \$152,475 to More than \$47,424,095 in FY 2011, and \$155,273 to More than \$47,440,441 in FY 2012. Estimated Cost on Other State Funds of More than \$1,964,000 in FY 2010, More than \$2,366,000 in FY 2011, and More than \$2,377,000 in FY 2012.