CCS SB 884 -- TAXATION

This bill modifies several provisions relating to taxation.

RETAIL SALES LICENSES

Currently, the Director of Revenue requires all applicants for a retail sales license and all current licensees in default in filing a return and paying taxes due to file a bond with the director. This bill removes that requirement and instead allows the director of revenue, in his or her discretion, to require retail sales licensees in default to file the bond (Section 144.087, RSMo).

INDIVIDUAL INCOME TAXES

This bill specifies that when an income bracket is eliminated from the tax table, the top remaining tax rate shall apply to all income in excess of the second highest remaining income bracket.

This bill also creates a definition for "net general revenue collected," which includes all revenue deposited into the General Revenue Fund, less refunds and revenues originally deposited into the General Revenue Fund but designated by law for a specific distribution or transfer to another state fund (Section 143.011).

CORPORATE INCOME TAXES

For all tax years beginning on or after January 1, 2020, this bill reduces the corporate income tax rate from 6.25% to 4% (Section 143.071).

This bill removes the requirement that an affiliated group of corporations have 50% or more of its income derived from sources within this state in order to file a consolidated return, and eliminates transactions between affiliated members of the group from such consolidated return (Section 143.431). For all tax years beginning on or after January 1, 2020, this bill modifies the Multistate Tax Compact by requiring corporations subject to income tax in this state to apportion and allocate income according to the income tax provisions provided in Chapter 143, and disallows the three-factor apportionment option available in the Multistate Tax Compact (Section 32.200). For all tax years beginning on or after January 1, 2020, this bill modifies the law relating to the allocation and apportionment of corporate income by requiring corporations to determine their income derived from sources within this state according to the provisions of this bill.

ALLOCABLE INCOME

Net rents and royalties from real property located in the state, and capital gains from the sale of such property, is allocable to the state. Net rents and royalties from tangible personal property are allocable to the state to the extent that the property is used in this state, or in their entirety if the corporation's commercial domicile is in this state and is not organized or taxable by the state in which the property is utilized, as described in the bill. Capital gains from the sale of tangible personal property is allocable to this state if the property had a situs in the state at the time of sale, or if the corporation's commercial domicile is in this state and is not organized or taxable by the state in which the property had a situs, as described in the bill. Interest and dividends are allocable to this state if the corporation's commercial domicile is in this state. Patent and copyright royalties are allocable to this state to the extent that the patent or copyright is utilized in this state, or to the extent that the patent or copyright is utilized in a state in which the corporation is not taxable and the corporation's commercial domicile is in this state.

APPORTIONABLE INCOME

All apportionable income shall be apportioned to this state by dividing the total receipts of the corporation in this state during the tax period by the total receipts of the corporation everywhere during the tax period, and multiplying such result by the net income.

Receipts from the sale of tangible personal property shall be considered in this state if the property is received in this state by the purchaser, as described in the bill. Receipts from all other sales shall be considered in this state if the corporation's market for such sales is in this state, as described in the bill.

In the case of certain industries where unusual factual situations produce inequitable results under the apportionment and allocation provisions of this bill, the Director of the Department of Revenue shall promulgate rules for determining the apportionment and allocation factors for each such industry. In such a case, a corporation may petition the director, as described in the bill (Sections 143.451, 143.455, 143.471, and 620.1350).

This bill provides that the method of allocation and apportionment elected by a corporation shall expire after five years, or whenever the Director of the Department of Revenue finds and notifies such corporation that such method does not show the income applicable to this state, whichever occurs first. After such expiration or revocation, the corporation may elect to use the same or a different method. Failure to make such an election shall constitute an election to comply with the allocation and apportionment provisions provided by the bill (Section 143.461).