

HB 555 -- TAXATION

SPONSOR: Eggleston

This bill modifies provisions relating to taxation.

TAX MAP (Section 32.310, RSMo)

Currently, the Department of Revenue maintains a mapping feature on its website that displays sales tax information of political subdivisions of this state that have taxing authority.

This bill requires use tax information to be added to the mapping feature.

By July 1, 2022, this bill requires the mapping feature to show the total of rates of sales and use taxes of overlapping taxing jurisdictions and requires the mapping feature to include property tax levy information, including the current rate, of political subdivisions in this state that have property taxing authority. The State Auditor will provide the Department of Revenue all property tax levy information for the Department to comply with the property tax requirement by January 1, 2022.

CERTAIN TAXING DISTRICTS (Sections 67.1545, 238.207, 238.235, and 238.237)

Currently, Community Improvement Districts (CIDs) and Transportation Development Districts (TDDs) are authorized to impose a sales tax on purchases made within such districts if approved by a majority of voters living within the district. This bill requires such sales taxes to be approved by a majority of the voters of the municipality in which the district is located, rather than just the district. Additionally, current law authorizes TDDs to charge and collect tolls or fees for the use of a project if approved by a majority of voters within the district. This bill requires such tolls or fees to be approved by a majority of voters within the municipality in which the TDD is located.

VIDEO SERVICE PROVIDERS (Sections 67.2677 and 67.2689)

This bill modifies the definition of "gross revenues" as it applies to video service provider fees and modifies the video service provider fee that a franchise entity may collect from each customer.

Currently, a franchise entity may collect a fee of 5% of gross revenues. Beginning January 1, 2023, for any county or municipality that adopts a local use tax under Section 144.757 of

this bill, the fee would be 4% of gross revenues. The fee would reduce by 1% of gross revenues each year until the fee is eliminated on January 1, 2027. The video service provider must also identify and collect the fee and other specified fees as separate line items on a customer's bill.

FINANCIAL REPORTS OF POLITICAL SUBDIVISIONS (Section 105.145)

Currently, any TDD having gross revenues of less than \$5,000 in a fiscal year for which an annual financial statement was not timely filed to the State Auditor is not subject to a fine.

This bill expands that exemption to any political subdivision that has gross revenues of less than \$5,000 or that has not levied or collected sales or use taxes in the fiscal year for which the annual financial statement was not timely filed is not subject to a fine.

Additionally, if failure to timely submit the annual financial statement is the result of fraud or other illegal conduct by an employee or officer of the political subdivision, the failure will not be subject to a fine if the statement is filed within 30 days of discovery of the fraud or illegal conduct.

If the political subdivision has an outstanding balance or fines at the time it files its first annual financial statement after January 1, 2021, the Director of Revenue will make a one-time downward adjustment to such outstanding balance in an amount that reduces the outstanding balance by 90%. If the Director of the Department of Revenue determines a fine is uncollectable, the Director will have the authority to make a one-time downward adjustment to any outstanding penalty.

The Director will initiate the process to disincorporate a political subdivision if a political subdivision has an outstanding balance for fines or penalties and fails to file an annual financial statement as provided in the bill. A resident of a political subdivision may file an affidavit with the Director with information regarding the political subdivision's failure to report.

The question of whether a political subdivision may be subject to disincorporation will be submitted to the voters of the political subdivision as provided in the bill. Upon the affirmative vote of a majority of voters in the political subdivision, the Director will file an action to disincorporate the political subdivision in the circuit court with jurisdiction over the political subdivision. The circuit court will enforce such orders and carry out remedies as provided in the bill.

Additionally, the Attorney General will have the authority to file an action in a court of competent jurisdiction against any political subdivision that fails to comply with these provisions.

TAXATION OF AIRCRAFT (Section 137.115)

This bill increases the number of hours of operation per year a noncommercial aircraft at least 25 years old can fly from less than 50 hours to less than 100 hours in order to be assessed and valued at 5% of the aircraft's true value for property tax purposes.

INCOME TAX (Sections 143.011, 143.031, 143.131, 143.151, and 143.161)

This bill changes the income tax rate for all residents to 5.3% for all tax years beginning on January 1, 2022.

This bill requires a married couple who files a joint federal income tax return to file a combined return.

This bill increases the Missouri standard deduction to the allowable federal standard deduction plus \$3000.

Currently, an individual can deduct \$2,100 as a personal exemption, \$2,100 for a spouse, and \$1,200 for each dependent. This bill eliminates these deductions and the additional \$1,400 deduction for head of household or surviving spouse beginning January 1, 2022.

For all tax years beginning on or after January 1, 2022, a resident may deduct \$1,000 for each dependent who has attained 65 years of age on or before the last day of the tax year if the dependent resides in the taxpayer's home or the dependent's own home or does not receive Medicaid or state funding while residing in a facility licensed under Chapter 198.

USE TAX (Section 144.605)

Beginning January 1, 2022, this bill provides that a vendor engages in business activities in this state if a vendor during a 12 month period meets the following criteria:

(1) Has cumulative gross receipts of at least \$100,000 from the sale of tangible personal property to purchasers for the purpose of storage, use, or consumption in this state, as determined by the bill; and

(2) Does not have a physical presence within the state and the associated sales occurred with use of the Internet.

Any department that has the Constitutional authority to collect sales and use tax under Article IV of the Constitution of Missouri may remit any new revenue collected under the provisions of the bill to the General Revenue Fund.

This bill specifies that any vendor that does not have a physical presence within the state and the associated sales occurred with use of the Internet will not be subject to use taxes of a political subdivision in this state unless the use tax is approved or reapproved by the voters of the political subdivision.

Additionally, this bill provides that political subdivisions that wish to enact a new local use tax, but do not wish to subject vendors that do not have a physical presence within the state and the associated sales occurred with use of the Internet to such local use tax, may enact such local use tax according to the applicable provisions local use tax laws, or any other applicable local use tax authorization provisions, and may exclude such vendors from such new tax.

TAXING JURISDICTION DATABASE (Section 144.637)

This bill requires the Director of the Department of Revenue to provide and maintain a downloadable electronic database at no cost to the user for taxing jurisdiction boundary changes and tax rates. Such databases may be directly provided by the Director, or may be provided by a third party as designated by the Director.

Vendors will not be liable for reliance upon incorrect data provided by the Director on tax rates, boundaries, or taxing jurisdiction assignments.

MARKETPLACE FACILITATORS (Section 144.752)

By January 1, 2022, marketplace facilitators, as defined in the bill, that meet the use tax economic nexus threshold established in the bill must register with the Department of Revenue to collect and remit use tax on sales made into the state through the marketplace facilitator's marketplace by or on behalf of a marketplace seller, as defined in the bill. These retail sales will include those made directly by the marketplace facilitator as well as those made by marketplace sellers through the marketplace facilitator's marketplace, as defined in the bill.

Marketplace facilitators properly collecting and remitting use tax in a timely manner will be eligible for any discount provided for currently.

Marketplace facilitators must provide purchasers with a statement or invoice showing that the use tax was collected and will be remitted on the purchaser's behalf.

LOCAL USE TAX (Section 144.757)

This bill alters ballot language for approval or reapproval by the voters of the political subdivision for the collection of use taxes.

Under this bill, any county or municipality with an existing local use tax enacted prior to January 1, 2022, will be permitted to keep such existing local use tax at a rate not to exceed the rate enacted as of January 1, 2022. If any such county or municipality places a new use tax measure on the ballot and the measure fails to pass, the use tax enacted prior to January 1, 2022, will remain in effect until it expires or is repealed, reduced, or raised by a future ballot measure. If any such county or municipality places the use tax measure of this section on the ballot and the measure passes, the use tax of this section will replace the previously enacted use tax.

Currently, a local use tax may be referred to or described as the equivalent of a sales tax on purchases made from out-of-state sellers by in-state buyers and on certain intrabusiness transactions and the description will not change the classification, form or subject of the use tax or the manner in which it is collected.

This bill provides that the use tax must not be described as a new tax, described as not being a new tax, nor will it be advertised or promoted in a manner in violation of current law.

DEFINITION OF "BLIGHTED" (Sections 67.1401, 99.020, 99.320, 99.805, 99.918, 99.1082, 100.310, 135.950, 262.900, and 353.020)

This bill redefines the term "blighted" and "blighted area" as an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, or welfare in its present condition and use, and, for an area located in a city not within a county, which is located in a census tract that is defined as a "low-income community" under 26 U.S.C. Section 45D or is eligible to be designated as a "qualified opportunity zone" under 26 U.S.C. Section 1400Z.

MISSOURI WORKS PROGRAM (Section 620.2005)

This bill provides store front consumer-based retail trade establishments located in any county of the third or fourth classification may qualify for benefits under the Missouri Works Program.

SIMPLIFIED SALES AND USE TAX ADMINISTRATION ACT (Sections 144.1000-144.1015)

This bill repeals the Simplified Sales and Use Tax Administration Act.

This bill has a nonseverability clause.