

HCS HB 1089 -- TAXATION

SPONSOR: Stevenson

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Tax Reform by a vote of 9 to 1.

This substitute changes the laws regarding taxation. In its main provisions, the substitute:

(1) Changes the laws regarding the determination of whether a substantial nexus exists for income tax and franchise tax purposes with the state for certain corporations and individuals. Substantial nexus will be determined without consideration of whether an individual or a corporation owns, leases, or uses a distribution or data storage facility in Missouri including those selling property shipped from the facility or data stored at the facility (Sections 32.130, 143.006, 144.605, and 147.010, RSMo);

(2) Authorizes Perry County to levy, upon voter approval, a sales tax of up to 1/4 of 1% to equally fund senior services and youth programs. The revenue received for senior services will be administered by a senior services tax commission (Section 67.997);

(3) Adds county assessors to the list of county officials who must receive certified copies of the ordinances effecting a concurrent detachment and annexation of property between municipalities (Sections 71.011 and 71.012);

(4) Authorizes the Motherhood/Fatherhood Stay-at-home Tax Credit for a parent who stays at home to provide care for a child up to 24 months of age. Any married parent who was gainfully employed before the birth or adoption of a child whose annual salary was less than \$100,000 is eligible for a tax credit equal to 25% of the stay-at-home parent's annual salary in the year before choosing to become a stay-at-home parent. The tax credit cannot be refunded, transferred, sold, or assigned but can be carried forward up to three years. The annual cumulative amount of credits issued may not exceed \$2 million. The Department of Revenue will establish rules to implement the provisions of the substitute (Section 135.636);

(5) Requires operators of storage facilities beginning January 1, 2008, to provide documentation including the owner's name, address, county of residence, and a description of the personal property to the county assessor where the rental or leasing facility is located for property tax purposes. The substitute defines "personal property" as any house trailer, manufactured home, boat, vessel, floating home, floating

structure, airplane, or aircraft. Any storage facility that fails to provide the required documentation will be assessed a penalty and taxes for the personal property stored at its location (Section 137.092);

(6) Eliminates the corporate income tax, beginning January 1, 2008, for the first five taxable years of a new manufacturer's existence in Missouri as certified by the Department of Economic Development (Section 143.432);

(7) Removes the "solely in interstate commerce" requirement for the trucking exemption and exempts personal property and utilities used in the research and development of agricultural/biotechnology and plant genomics products and prescription pharmaceuticals from local sales tax (Section 144.030);

(8) Authorizes an exemption from state and local sales and use tax for the cost of all utilities, chemicals, and materials used in the manufacturing, processing, compounding, mining, or production of a product; processing recovered materials; or research and development related to manufacturing (Section 144.054);

(9) Assigns school districts to metropolitan statistical areas for the purpose of determining the dollar value modifier in the school foundation formula. When a school district contains territory from more than one county, the district is assigned to the county in which the district headquarters are located. The Monroe City R-II School District will be assigned to the county that will yield the highest dollar value modifier (Section 163.016); and

(10) Revises the definition of "community-based organizations" to include any nonprofit corporations formed under Chapter 355 for which the department can approve to implement the Family Development Account Program. Currently, no more than 20% of the moneys in the reserve fund account may be used for the administrative costs of the program during its first two years and 15% in subsequent years. The amount will be reduced to 15% for the first two years and 10% for subsequent years (Sections 208.750 and 208.755).

The provisions of the substitute regarding the Motherhood/Fatherhood Stay-at-home Tax Credit will expire on December 31 six years after the effective date.

The substitute contains an emergency clause.

FISCAL NOTE: Estimated Cost on General Revenue Fund of More than

\$1,724,896 in FY 2008, More than \$1,842,905 in FY 2009, and More than \$1,843,873 in FY 2010. Estimated Cost on Other State Funds of Unknown in FY 2008, FY 2009, and FY 2010.

PROPOSERS: Supporters say that the bill makes sure Missouri doesn't establish nexus that hurts economic development. The distributors want to protect their customers when they do business in the state and to codify current practice. Using a distribution center will not create nexus under the bill. The fear of taxation has limited the use of Missouri's wholesalers. The bill will encourage economic development. South Carolina passed a similar law in 2005 and the number of distributorships in the state has increased. A drop shipment occurs when a product order is received over the telephone or Internet at an out-of-state vendor and a distribution center in Missouri ships it to a Missouri customer. Currently, an out-of-state retailer could have nexus with the use of a distribution center in Missouri, and the distributors will stay out of this state if their customers are subject to taxation.

Testifying for the bill were Representative Stevenson; Taxpayers Research Institute of Missouri; Associated Industries of Missouri; and Missouri Chamber of Commerce and Industry.

OPPOSERS: There was no opposition voiced to the committee.