

FIRST REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 333
100TH GENERAL ASSEMBLY

Reported from the Committee on Ways and Means, April 25, 2019, with recommendation that the Senate Committee Substitute do pass.

1033S.03C

ADRIANE D. CROUSE, Secretary.

AN ACT

To repeal sections 135.090, 143.071, 143.121, 143.451, 143.461, and 148.064, RSMo, and to enact in lieu thereof six new sections relating to taxation.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 135.090, 143.071, 143.121, 143.451, 143.461, and
2 148.064, RSMo, are repealed and six new sections enacted in lieu thereof, to be
3 known as sections 135.090, 143.071, 143.121, 143.451, 143.461, and 148.064, to
4 read as follows:

135.090. 1. As used in this section, the following terms mean:

2 (1) "Homestead", the dwelling in Missouri owned by the surviving spouse
3 and not exceeding five acres of land surrounding it as is reasonably necessary for
4 use of the dwelling as a home. As used in this section, "homestead" shall not
5 include any dwelling which is occupied by more than two families;

6 (2) "Public safety officer", any firefighter, police officer, capitol police
7 officer, parole officer, probation officer, correctional employee, water patrol officer,
8 park ranger, conservation officer, commercial motor enforcement officer,
9 emergency medical technician, first responder, or highway patrolman employed
10 by the state of Missouri or a political subdivision thereof who is killed in the line
11 of duty, unless the death was the result of the officer's own misconduct or abuse
12 of alcohol or drugs;

13 (3) "Surviving spouse", a spouse, who has not remarried, of a public safety
14 officer.

15 2. For all tax years beginning on or after January 1, 2008, a surviving

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

16 spouse shall be allowed a credit against the tax otherwise due under chapter 143,
17 excluding withholding tax imposed by sections 143.191 to 143.265, in an amount
18 equal to the total amount of the property taxes on the surviving spouse's
19 homestead paid during the tax year for which the credit is claimed. A surviving
20 spouse may claim the credit authorized under this section for each tax year
21 beginning the year of death of the public safety officer spouse until the tax year
22 in which the surviving spouse remarries. No credit shall be allowed for the tax
23 year in which the surviving spouse remarries. If the amount allowable as a credit
24 exceeds the income tax reduced by other credits, then the excess shall be
25 considered an overpayment of the income tax.

26 3. The department of revenue shall promulgate rules to implement the
27 provisions of this section.

28 4. Any rule or portion of a rule, as that term is defined in section 536.010,
29 that is created under the authority delegated in this section shall become effective
30 only if it complies with and is subject to all of the provisions of chapter 536 and,
31 if applicable, section 536.028. This section and chapter 536 are nonseverable and
32 if any of the powers vested with the general assembly pursuant to chapter 536 to
33 review, to delay the effective date, or to disapprove and annul a rule are
34 subsequently held unconstitutional, then the grant of rulemaking authority and
35 any rule proposed or adopted after August 28, 2007, shall be invalid and void.

36 5. Pursuant to section 23.253 of the Missouri sunset act:

37 (1) The program authorized under this section shall expire on December
38 31, [2019] **2027**, unless reauthorized by the general assembly; and

39 (2) This section shall terminate on September first of the calendar year
40 immediately following the calendar year in which the program authorized under
41 this section is sunset; and

42 (3) The provisions of this subsection shall not be construed to limit or in
43 any way impair the department's ability to redeem tax credits authorized on or
44 before the date the program authorized under this section expires or a taxpayer's
45 ability to redeem such tax credits.

143.071. 1. For all tax years beginning before September 1, 1993, a tax
2 is hereby imposed upon the Missouri taxable income of corporations in an amount
3 equal to five percent of Missouri taxable income.

4 2. For all tax years beginning on or after September 1, 1993, and [ending]
5 **beginning** on or before December 31, 2019, a tax is hereby imposed upon the
6 Missouri taxable income of corporations in an amount equal to six and one-fourth

7 percent of Missouri taxable income.

8 3. For all tax years beginning on or after January 1, 2020, a tax is hereby
9 imposed upon the Missouri taxable income of corporations in an amount equal to
10 four percent of Missouri taxable income.

11 4. The provisions of this section shall not apply to out-of-state businesses
12 operating under sections 190.270 to 190.285.

143.121. 1. The Missouri adjusted gross income of a resident individual
2 shall be the taxpayer's federal adjusted gross income subject to the modifications
3 in this section.

4 2. There shall be added to the taxpayer's federal adjusted gross income:

5 (1) The amount of any federal income tax refund received for a prior year
6 which resulted in a Missouri income tax benefit;

7 (2) Interest on certain governmental obligations excluded from federal
8 gross income by **26 U.S.C. Section 103** [of the Internal Revenue Code]. The
9 previous sentence shall not apply to interest on obligations of the state of
10 Missouri or any of its political subdivisions or authorities and shall not apply to
11 the interest described in subdivision (1) of subsection 3 of this section. The
12 amount added [pursuant to] **under** this subdivision shall be reduced by the
13 amounts applicable to such interest that would have been deductible in
14 computing the taxable income of the taxpayer except only for the application of
15 **26 U.S.C. Section 265** [of the Internal Revenue Code]. The reduction shall only
16 be made if it is at least five hundred dollars;

17 (3) The amount of any deduction that is included in the computation of
18 federal taxable income [pursuant to] **under** Section 168 of the Internal Revenue
19 Code as amended by the Job Creation and Worker Assistance Act of 2002 to the
20 extent the amount deducted relates to property purchased on or after July 1,
21 2002, but before July 1, 2003, and to the extent the amount deducted exceeds the
22 amount that would have been deductible [pursuant to] **under 26 U.S.C. Section**
23 **168** [of the Internal Revenue Code of 1986] as in effect on January 1, 2002;

24 (4) The amount of any deduction that is included in the computation of
25 federal taxable income for net operating loss allowed by **26 U.S.C. Section 172** [of
26 the Internal Revenue Code of 1986], as amended, other than the deduction
27 allowed by **26 U.S.C. Section 172(b)(1)(G)** and **26 U.S.C. Section 172(i)** [of the
28 Internal Revenue Code of 1986], as amended, for a net operating loss the
29 taxpayer claims in the tax year in which the net operating loss occurred or carries
30 forward for a period of more than twenty years and carries backward for more

31 than two years. Any amount of net operating loss taken against federal taxable
32 income but disallowed for Missouri income tax purposes [pursuant to] **under** this
33 subdivision after June 18, 2002, may be carried forward and taken against any
34 income on the Missouri income tax return for a period of not more than twenty
35 years from the year of the initial loss; and

36 (5) For nonresident individuals in all [taxable] **tax** years ending on or
37 after December 31, 2006, the amount of any property taxes paid to another state
38 or a political subdivision of another state for which a deduction was allowed on
39 such nonresident's federal return in the [taxable] **tax** year unless such state,
40 political subdivision of a state, or the District of Columbia allows a subtraction
41 from income for property taxes paid to this state for purposes of calculating
42 income for the income tax for such state, political subdivision of a state, or the
43 District of Columbia.

44 (6) **For all tax years beginning on or after January 1, 2018, any**
45 **interest expense paid or accrued in a previous taxable year, but**
46 **allowed as a deduction under 26 U.S.C. Section 163, as amended, in the**
47 **current taxable year by reason of the carryforward of disallowed**
48 **business interest provisions of 26 U.S.C. Section 163(j), as**
49 **amended. For the purposes of this subdivision, an interest expense is**
50 **considered paid or accrued only in the first taxable year the deduction**
51 **would have been allowable under 26 U.S.C. Section 163, as amended, if**
52 **the limitation under 26 U.S.C. Section 163(j), as amended, did not exist.**

53 3. There shall be subtracted from the taxpayer's federal adjusted gross
54 income the following amounts to the extent included in federal adjusted gross
55 income:

56 (1) Interest **received on deposits held at a Federal Reserve Bank**
57 **or interest or** dividends on obligations of the United States and its territories
58 and possessions or of any authority, commission or instrumentality of the United
59 States to the extent exempt from Missouri income taxes [pursuant to] **under** the
60 laws of the United States. The amount subtracted [pursuant to] **under** this
61 subdivision shall be reduced by any interest on indebtedness incurred to carry the
62 described obligations or securities and by any expenses incurred in the production
63 of interest or dividend income described in this subdivision. The reduction in the
64 previous sentence shall only apply to the extent that such expenses including
65 amortizable bond premiums are deducted in determining the taxpayer's federal
66 adjusted gross income or included in the taxpayer's Missouri itemized

67 deduction. The reduction shall only be made if the expenses total at least five
68 hundred dollars;

69 (2) The portion of any gain, from the sale or other disposition of property
70 having a higher adjusted basis to the taxpayer for Missouri income tax purposes
71 than for federal income tax purposes on December 31, 1972, that does not exceed
72 such difference in basis. If a gain is considered a long-term capital gain for
73 federal income tax purposes, the modification shall be limited to one-half of such
74 portion of the gain;

75 (3) The amount necessary to prevent the taxation [pursuant to] **under**
76 this chapter of any annuity or other amount of income or gain which was properly
77 included in income or gain and was taxed [pursuant to] **under** the laws of
78 Missouri for a [taxable] **tax** year prior to January 1, 1973, to the taxpayer, or to
79 a decedent by reason of whose death the taxpayer acquired the right to receive
80 the income or gain, or to a trust or estate from which the taxpayer received the
81 income or gain;

82 (4) Accumulation distributions received by a taxpayer as a beneficiary of
83 a trust to the extent that the same are included in federal adjusted gross income;

84 (5) The amount of any state income tax refund for a prior year which was
85 included in the federal adjusted gross income;

86 (6) The portion of capital gain specified in section 135.357 that would
87 otherwise be included in federal adjusted gross income;

88 (7) The amount that would have been deducted in the computation of
89 federal taxable income [pursuant to] **under 26 U.S.C.** Section 168 [of the
90 Internal Revenue Code] as in effect on January 1, 2002, to the extent that
91 amount relates to property purchased on or after July 1, 2002, but before July 1,
92 2003, and to the extent that amount exceeds the amount actually deducted
93 [pursuant to] **under 26 U.S.C.** Section 168 [of the Internal Revenue Code] as
94 amended by the Job Creation and Worker Assistance Act of 2002;

95 (8) For all tax years beginning on or after January 1, 2005, the amount
96 of any income received for military service while the taxpayer serves in a combat
97 zone which is included in federal adjusted gross income and not otherwise
98 excluded therefrom. As used in this section, "combat zone" means any area which
99 the President of the United States by Executive Order designates as an area in
100 which Armed Forces of the United States are or have engaged in combat. Service
101 is performed in a combat zone only if performed on or after the date designated
102 by the President by Executive Order as the date of the commencing of combat

103 activities in such zone, and on or before the date designated by the President by
104 Executive Order as the date of the termination of combatant activities in such
105 zone;

106 (9) For all tax years ending on or after July 1, 2002, with respect to
107 qualified property that is sold or otherwise disposed of during a [taxable] **tax**
108 year by a taxpayer and for which an additional modification was made under
109 subdivision (3) of subsection 2 of this section, the amount by which additional
110 modification made under subdivision (3) of subsection 2 of this section on
111 qualified property has not been recovered through the additional subtractions
112 provided in subdivision (7) of this subsection; [and]

113 (10) For all tax years beginning on or after January 1, 2014, the amount
114 of any income received as payment from any program which provides
115 compensation to agricultural producers who have suffered a loss as the result of
116 a disaster or emergency, including the:

117 (a) Livestock Forage Disaster Program;

118 (b) Livestock Indemnity Program;

119 (c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised
120 Fish;

121 (d) Emergency Conservation Program;

122 (e) Noninsured Crop Disaster Assistance Program;

123 (f) Pasture, Rangeland, Forage Pilot Insurance Program;

124 (g) Annual Forage Pilot Program;

125 (h) Livestock Risk Protection Insurance Plan; and

126 (i) Livestock Gross Margin [insurance plan] **Insurance Plan; and**

127 **(11) For all tax years beginning on or after January 1, 2018, any**
128 **interest expense paid or accrued in the current taxable year, but not**
129 **deducted as a result of the limitation imposed under 26 U.S.C. Section**
130 **163(j), as amended. For the purposes of this subdivision, an interest**
131 **expense is considered paid or accrued only in the first taxable year the**
132 **deduction would have been allowable under 26 U.S.C. Section 163, as**
133 **amended, if the limitation under 26 U.S.C. Section 163(j), as amended,**
134 **did not exist. A taxpayer may file an amended return to adjust the**
135 **taxpayer's federal adjusted gross income under the provisions of this**
136 **subdivision.**

137 4. There shall be added to or subtracted from the taxpayer's federal
138 adjusted gross income the taxpayer's share of the Missouri fiduciary adjustment

139 provided in section 143.351.

140 5. There shall be added to or subtracted from the taxpayer's federal
141 adjusted gross income the modifications provided in section 143.411.

142 6. In addition to the modifications to a taxpayer's federal adjusted gross
143 income in this section, to calculate Missouri adjusted gross income there shall be
144 subtracted from the taxpayer's federal adjusted gross income any gain recognized
145 [pursuant to] **under 26 U.S.C.** Section 1033 [of the Internal Revenue Code of
146 1986], as amended, arising from compulsory or involuntary conversion of property
147 as a result of condemnation or the imminence thereof.

148 7. (1) As used in this subsection, "qualified health insurance premium"
149 means the amount paid during the tax year by such taxpayer for any insurance
150 policy primarily providing health care coverage for the taxpayer, the taxpayer's
151 spouse, or the taxpayer's dependents.

152 (2) In addition to the subtractions in subsection 3 of this section, one
153 hundred percent of the amount of qualified health insurance premiums shall be
154 subtracted from the taxpayer's federal adjusted gross income to the extent the
155 amount paid for such premiums is included in federal taxable income. The
156 taxpayer shall provide the department of revenue with proof of the amount of
157 qualified health insurance premiums paid.

158 8. (1) Beginning January 1, 2014, in addition to the subtractions provided
159 in this section, one hundred percent of the cost incurred by a taxpayer for a home
160 energy audit conducted by an entity certified by the department of natural
161 resources under section 640.153 or the implementation of any energy efficiency
162 recommendations made in such an audit shall be subtracted from the taxpayer's
163 federal adjusted gross income to the extent the amount paid for any such activity
164 is included in federal taxable income. The taxpayer shall provide the department
165 of revenue with a summary of any recommendations made in a qualified home
166 energy audit, the name and certification number of the qualified home energy
167 auditor who conducted the audit, and proof of the amount paid for any activities
168 under this subsection for which a deduction is claimed. The taxpayer shall also
169 provide a copy of the summary of any recommendations made in a qualified home
170 energy audit to the department of natural resources.

171 (2) At no time shall a deduction claimed under this subsection by an
172 individual taxpayer or taxpayers filing combined returns exceed one thousand
173 dollars per year for individual taxpayers or cumulatively exceed two thousand
174 dollars per year for taxpayers filing combined returns.

175 (3) Any deduction claimed under this subsection shall be claimed for the
176 tax year in which the qualified home energy audit was conducted or in which the
177 implementation of the energy efficiency recommendations occurred. If
178 implementation of the energy efficiency recommendations occurred during more
179 than one year, the deduction may be claimed in more than one year, subject to the
180 limitations provided under subdivision (2) of this subsection.

181 (4) A deduction shall not be claimed for any otherwise eligible activity
182 under this subsection if such activity qualified for and received any rebate or
183 other incentive through a state-sponsored energy program or through an electric
184 corporation, gas corporation, electric cooperative, or municipally owned utility.

185 9. The provisions of subsection 8 of this section shall expire on December
186 31, 2020.

143.451. 1. Missouri taxable income of a corporation shall include all
2 income derived from sources within this state.

3 2. For all tax years [~~ending~~] **beginning** on or before December 31, 2019,
4 a corporation described in subdivision (1) of subsection 1 of section 143.441 shall
5 include in its Missouri taxable income all income from sources within this state,
6 including that from the transaction of business in this state and that from the
7 transaction of business partly done in this state and partly done in another state
8 or states. However:

9 (1) Where income results from a transaction partially in this state and
10 partially in another state or states, and income and deductions of the portion in
11 the state cannot be segregated, then such portions of income and deductions shall
12 be allocated in this state and the other state or states as will distribute to this
13 state a portion based upon the portion of the transaction in this state and the
14 portion in such other state or states.

15 (2) The taxpayer may elect to compute the portion of income from all
16 sources in this state in the following manner, or the manner set forth in
17 subdivision (3) of this subsection:

18 (a) The income from all sources shall be determined as provided,
19 excluding therefrom the figures for the operation of any bridge connecting this
20 state with another state.

21 (b) The amount of sales which are transactions wholly in this state shall
22 be added to one-half of the amount of sales which are transactions partly within
23 this state and partly without this state, and the amount thus obtained shall be
24 divided by the total sales or in cases where sales do not express the volume of

25 business, the amount of business transacted wholly in this state shall be added
26 to one-half of the amount of business transacted partly in this state and partly
27 outside this state and the amount thus obtained shall be divided by the total
28 amount of business transacted, and the net income shall be multiplied by the
29 fraction thus obtained, to determine the proportion of income to be used to arrive
30 at the amount of Missouri taxable income. The investment or reinvestment of its
31 own funds, or sale of any such investment or reinvestment, shall not be
32 considered as sales or other business transacted for the determination of said
33 fraction.

34 (c) For the purposes of this subdivision, a transaction involving the sale
35 of tangible property is:

36 a. "Wholly in this state" if both the seller's shipping point and the
37 purchaser's destination point are in this state;

38 b. "Partly within this state and partly without this state" if the seller's
39 shipping point is in this state and the purchaser's destination point is outside
40 this state, or the seller's shipping point is outside this state and the purchaser's
41 destination point is in this state;

42 c. Not "wholly in this state" or not "partly within this state and partly
43 without this state" only if both the seller's shipping point and the purchaser's
44 destination point are outside this state.

45 (d) For purposes of this subdivision:

46 a. The purchaser's destination point shall be determined without regard
47 to the FOB point or other conditions of the sale; and

48 b. The seller's shipping point is determined without regard to the location
49 of the seller's principle office or place of business.

50 (3) The taxpayer may elect to compute the portion of income from all
51 sources in this state in the following manner:

52 (a) The income from all sources shall be determined as provided,
53 excluding therefrom the figures for the operation of any bridge connecting this
54 state with another state;

55 (b) The amount of sales which are transactions in this state shall be
56 divided by the total sales, and the net income shall be multiplied by the fraction
57 thus obtained, to determine the proportion of income to be used to arrive at the
58 amount of Missouri taxable income. The investment or reinvestment of its own
59 funds, or sale of any such investment or reinvestment, shall not be considered as
60 sales or other business transacted for the determination of said fraction;

61 (c) For the purposes of this subdivision, a transaction involving the sale
62 of tangible property is:

- 63 a. "In this state" if the purchaser's destination point is in this state;
64 b. Not "in this state" if the purchaser's destination point is outside this
65 state;

66 (d) For purposes of this subdivision, the purchaser's destination point
67 shall be determined without regard to the FOB point or other conditions of the
68 sale and shall not be in this state if the purchaser received the tangible personal
69 property from the seller in this state for delivery to the purchaser's location
70 outside this state;

71 (e) For the purposes of this subdivision, a transaction involving the sale
72 other than the sale of tangible property is "in this state" if the taxpayer's market
73 for the sales is in this state. The taxpayer's market for sales is in this state:

74 a. In the case of sale, rental, lease, or license of real property, if and to
75 the extent the property is located in this state;

76 b. In the case of rental, lease, or license of tangible personal property, if
77 and to the extent the property is located in this state;

78 c. In the case of sale of a service, if and to the extent the ultimate
79 beneficiary of the service is located in this state and shall not be in this state if
80 the ultimate beneficiary of the service rendered by the taxpayer or the taxpayer's
81 designee is located outside this state; and

82 d. In the case of intangible property:

83 (i) That is rented, leased, or licensed, if and to the extent the property is
84 used in this state by the rentee, lessee, or licensee, provided that intangible
85 property utilized in marketing a good or service to a consumer is "used in this
86 state" if that good or service is purchased by a consumer who is in this
87 state. Franchise fees or royalties received for the rent, lease, license, or use of a
88 trade name, trademark, service mark, or franchise system or provides a right to
89 conduct business activity in a specific geographic area are "used in this state" to
90 the extent the franchise location is in this state; and

91 (ii) That is sold, if and to the extent the property is used in this state,
92 provided that:

93 i. A contract right, government license, or similar intangible property that
94 authorizes the holder to conduct a business activity in a specific geographic area
95 is "used in this state" if the geographic area includes all or part of this state;

96 ii. Receipts from intangible property sales that are contingent on the

97 productivity, use, or disposition of the intangible property shall be treated as
98 receipts from the rental, lease, or licensing of such intangible property under item
99 (i) of this subparagraph; and

100 iii. All other receipts from a sales of intangible property shall be excluded
101 from the numerator and denominator of the sales factor;

102 (f) If the state or states of assignment under paragraph (e) of this
103 subdivision cannot be determined, the state or states of assignment shall be
104 reasonably approximated;

105 (g) If the state of assignment cannot be determined under paragraph (e)
106 of this subdivision or reasonably approximated under paragraph (f) of this
107 subdivision, such sales shall be excluded from the denominator of the sales factor;

108 (h) The director may prescribe such rules and regulations as necessary or
109 appropriate to carry out the purposes of this section.

110 (4) For purposes of this subsection, the following words shall, unless the
111 context otherwise requires, have the following meaning:

112 (a) "Administration services" include, but are not limited to, clerical, fund
113 or shareholder accounting, participant record keeping, transfer agency,
114 bookkeeping, data processing, custodial, internal auditing, legal and tax services
115 performed for an investment company;

116 (b) "Affiliate", the meaning as set forth in 15 U.S.C. Section 80a-2(a)(3)(C),
117 as may be amended from time to time;

118 (c) "Distribution services" include, but are not limited to, the services of
119 advertising, servicing, marketing, underwriting or selling shares of an investment
120 company, but, in the case of advertising, servicing or marketing shares, only
121 where such service is performed by a person who is, or in the case of a closed end
122 company, was, either engaged in the services of underwriting or selling
123 investment company shares or affiliated with a person that is engaged in the
124 service of underwriting or selling investment company shares. In the case of an
125 open end company, such service of underwriting or selling shares must be
126 performed pursuant to a contract entered into pursuant to 15 U.S.C. Section
127 80a-15(b), as from time to time amended;

128 (d) "Investment company", any person registered under the federal
129 Investment Company Act of 1940, as amended from time to time, (the act) or a
130 company which would be required to register as an investment company under
131 the act except that such person is exempt to such registration pursuant to Section
132 80a-3(c)(1) of the act;

133 (e) "Investment funds service corporation" includes any corporation or S
134 corporation doing business in the state which derives more than fifty percent of
135 its gross income in the ordinary course of business from the provision directly or
136 indirectly of management, distribution or administration services to or on behalf
137 of an investment company or from trustees, sponsors and participants of employee
138 benefit plans which have accounts in an investment company. An investment
139 funds service corporation shall include any corporation or S corporation providing
140 management services as an investment advisory firm registered under Section
141 203 of the Investment Advisors Act of 1940, as amended from time to time,
142 regardless of the percentage of gross revenues consisting of fees from
143 management services provided to or on behalf of an investment company;

144 (f) "Management services" include but are not limited to, the rendering of
145 investment advice directly or indirectly to an investment company making
146 determinations as to when sales and purchases of securities are to be made on
147 behalf of the investment company, or the selling or purchasing of securities
148 constituting assets of an investment company, and related activities, but only
149 where such activity or activities are performed:

150 a. Pursuant to a contract with the investment company entered into
151 pursuant to 15 U.S.C. Section 80a-15(a), as from time to time amended;

152 b. For a person that has entered into such contract with the investment
153 company; or

154 c. For a person that is affiliated with a person that has entered into such
155 contract with an investment company;

156 (g) "Qualifying sales", gross income derived from the provision directly or
157 indirectly of management, distribution or administration services to or on behalf
158 of an investment company or from trustees, sponsors and participants of employee
159 benefit plans which have accounts in an investment company. For purposes of
160 this section, "gross income" is defined as that amount of income earned from
161 qualifying sources without deduction of expenses related to the generation of such
162 income;

163 (h) "Residence", presumptively the fund shareholder's mailing address on
164 the records of the investment company. If, however, the investment company or
165 the investment funds service corporation has actual knowledge that the fund
166 shareholder's primary residence or principal place of business is different than
167 the fund shareholder's mailing address such presumption shall not control. To
168 the extent an investment funds service corporation does not have access to the

169 records of the investment company, the investment funds service corporation may
170 employ reasonable methods to determine the investment company fund
171 shareholder's residence.

172 (5) Notwithstanding other provisions of law to the contrary, qualifying
173 sales of an investment funds service corporation, or S corporation, shall be
174 considered wholly in this state only to the extent that the fund shareholders of
175 the investment companies, to which the investment funds service corporation, or
176 S corporation, provide services, are resided in this state. Wholly in this state
177 qualifying sales of an investment funds service corporation, or S corporation, shall
178 be determined as follows:

179 (a) By multiplying the investment funds service corporation's total dollar
180 amount of qualifying sales from services provided to each investment company by
181 a fraction, the numerator of which shall be the average of the number of shares
182 owned by the investment company's fund shareholders resided in this state
183 at the beginning of and at the end of the investment company's taxable year that
184 ends with or within the investment funds service corporation's taxable year, and
185 the denominator of which shall be the average of the number of shares owned by
186 the investment company's fund shareholders everywhere at the beginning of and
187 at the end of the investment company's taxable year that ends with or within the
188 investment funds service corporation's taxable year;

189 (b) A separate computation shall be made to determine the wholly in this
190 state qualifying sales from each investment company. The qualifying sales for
191 each investment company shall be multiplied by the respective percentage of each
192 fund, as calculated pursuant to paragraph (a) of this subdivision. The product of
193 this equation shall result in the wholly in this state qualifying sales. The
194 qualifying sales for each investment company which are not wholly in this state
195 will be considered wholly without this state;

196 (c) To the extent an investment funds service corporation has sales which
197 are not qualifying sales, those nonqualified sales shall be apportioned to this
198 state based on the methodology utilized by the investment funds service
199 corporation without regard to this subdivision.

200 (6) Notwithstanding the Multistate Tax Compact, sections 32.200 to
201 32.240, this section, and section 143.461 to the contrary, sales and business
202 transactions shall not include any intercompany transactions, as that term is
203 defined under 26 C.F.R. 1.1502 -13, between corporations that file a consolidated
204 income tax return in this state.

205 3. Any corporation described in subdivision (1) of subsection 1 of section
206 143.441 organized in this state or granted a permit to operate in this state for the
207 transportation or care of passengers shall report its gross earnings within the
208 state on intrastate business and shall also report its gross earnings on all
209 interstate business done in this state which report shall be subject to inquiry for
210 the purpose of determining the amount of income to be included in Missouri
211 taxable income. The previous sentence shall not apply to a railroad.

212 4. A corporation described in subdivision (2) of subsection 1 of section
213 143.441 shall include in its Missouri taxable income all income arising from all
214 sources in this state and all income from each transportation service wholly
215 within this state, from each service where the only lines of such corporation used
216 are those in this state, and such proportion of revenue from each service where
217 the facilities of such corporation in this state and in another state or states are
218 used, as the mileage used over the lines of such corporation in the state shall
219 bear to the total mileage used over the lines of such corporation. The taxpayer
220 may elect to compute the portion of income from all sources within this state in
221 the following manner:

222 (1) The income from all sources shall be determined as provided;

223 (2) The amount of investment of such corporation on December thirty-first
224 of each year in this state in fixed transportation facilities, real estate and
225 improvements, plus the value on December thirty-first of each year of any fixed
226 transportation facilities, real estate and improvements in this state leased from
227 any other railroad shall be divided by the sum of the total amount of investment
228 of such corporation on December thirty-first of each year in fixed transportation
229 facilities, real estate and improvements, plus the value on December thirty-first
230 of each year, of any fixed transportation facilities, real estate and improvements
231 leased from any other railroad. Where any fixed transportation facilities, real
232 estate or improvements are leased by more than one railroad, such portion of the
233 value shall be used by each railroad as the rental paid by each shall bear to the
234 rental paid by all lessees. The income shall be multiplied by the fraction thus
235 obtained to determine the proportion to be used to arrive at the amount of
236 Missouri taxable income.

237 5. A corporation described in subdivision (3) of subsection 1 of section
238 143.441 shall include in its Missouri taxable income one-half of the net income
239 from the operation of a bridge between this and another state. If any such bridge
240 is owned or operated by a railroad corporation or corporations, or by a corporation

241 owning a railroad corporation using such bridge, then the figures for operation
242 of such bridge may be included in the return of such railroad or railroads; or if
243 such bridge is owned or operated by any other corporation which may now or
244 hereafter be required to file an income tax return, one-half of the income or loss
245 to such corporation from such bridge may be included in such return by adding
246 or subtracting same to or from another net income or loss shown by the return.

247 6. A corporation described in subdivision (4) of subsection 1 of section
248 143.441 shall include in its Missouri taxable income all income arising from all
249 sources within this state. Income shall include revenue from each telephonic or
250 telegraphic service rendered wholly within this state; from each service rendered
251 for which the only facilities of such corporation used are those in this state; and
252 from each service rendered over the facilities of such corporation in this state and
253 in other state or states, such proportion of such revenue as the mileage involved
254 in this state shall bear to the total mileage involved over the lines of said
255 company in all states. The taxpayer may elect to compute the portion of income
256 from all sources within this state in the following manner:

257 (1) The income from all sources shall be determined as provided;

258 (2) The amount of investment of such corporation on December thirty-first
259 of each year in this state in telephonic or telegraphic facilities, real estate and
260 improvements thereon, shall be divided by the amount of the total investment of
261 such corporation on December thirty-first of each year in telephonic or telegraphic
262 facilities, real estate and improvements. The income of the taxpayer shall be
263 multiplied by the fraction thus obtained to determine the proportion to be used
264 to arrive at the amount of Missouri taxable income.

265 7. From the income determined in subsections 2, 3, 4, 5 and 6 of this
266 section to be from all sources within this state shall be deducted such of the
267 deductions for expenses in determining Missouri taxable income as were incurred
268 in this state to produce such income and all losses actually sustained in this state
269 in the business of the corporation.

270 8. If a corporation derives only part of its income from sources within
271 Missouri, its Missouri taxable income shall only reflect the effect of the following
272 listed deductions to the extent applicable to Missouri. The deductions are: (a)
273 its deduction for federal income taxes pursuant to section 143.171, and (b) the
274 effect on Missouri taxable income of the deduction for net operating loss allowed
275 by Section 172 of the Internal Revenue Code. The extent applicable to Missouri
276 shall be determined by multiplying the amount that would otherwise affect

277 Missouri taxable income by the ratio for the year of the Missouri taxable income
278 of the corporation for the year divided by the Missouri taxable income for the year
279 as though the corporation had derived all of its income from sources within
280 Missouri. For the purpose of the preceding sentence, Missouri taxable income
281 shall not reflect the listed deductions.

282 9. Any investment funds service corporation organized as a corporation
283 or S corporation which has any shareholders resided in this state shall be
284 subject to Missouri income tax as provided in this chapter.

285 10. The provisions of this section do not impact any other apportionment
286 election available to a taxpayer under Missouri statutes unless explicitly stated
287 in this section.

143.461. 1. A corporation shall elect to determine income applicable to
2 this state by multiplying the total income from all sources by the fraction
3 determined in the manner in section 143.451 for all tax years [ending]
4 **beginning** on or before December 31, 2019, and for all tax years beginning on or
5 [before] **after** January 1, 2020, in the manner set forth in section 143.455; first,
6 by filing written notice with the director of revenue on or before the due date of
7 the return (including extensions of time) of the taxpayer's election, or, second, by
8 failing to keep its books and records in such manner as to show the income
9 applicable to this state, including gross income and deductions applicable thereto.

10 2. If the corporation shall keep its books and records so as to show the
11 income applicable to this state by any other method of allocation between this
12 state and other states, including gross income and deductions applicable thereto,
13 and such method shows the income applicable to this state, including gross
14 income and deductions applicable thereto, then it may, on or before sixty days
15 before the end of any taxable year, petition the director of revenue, in writing, to
16 be permitted in its return required to be filed to apportion to this state according
17 to the method shown by such books or records. If the director of revenue finds
18 that such method does show the income applicable to this state including gross
19 income and the deductions applicable thereto, he or she shall notify the
20 corporation, at least thirty days prior to the last day on which such corporation's
21 return for that taxable year is to be filed, that it may use that method for the
22 shorter of five years or as long as such method shows the income applicable to
23 this state, including gross income and deductions applicable thereto.

24 3. The corporation shall cease using such method after the shorter of five
25 years or whenever the director of revenue finds and notifies such corporation on

26 or before ninety days before the end of the taxable year, that such method does
27 not so show. Upon and after such expiration or revocation the corporation shall
28 be permitted to petition to use the same or another method of allocation that will
29 show such income including gross income and deductions applicable thereto as
30 though no petition had ever been filed.

31 4. Failure, after a method has expired or been revoked by the director of
32 revenue, to submit a method which the director of revenue finds will show such
33 income applicable to this state including gross income and deductions applicable
34 thereto, on or before sixty days before the end of any taxable year, or failure to
35 make a return on the basis, which has been approved by the director of revenue
36 on petition of the corporation and which stands unrevoked or unexpired, shall
37 constitute an election to accept the determination of income applicable to this
38 state by multiplying the total income from all sources by the fraction determined
39 in the manner set forth in section 143.451 for all tax years **[ending] beginning**
40 on or before December 31, 2019, and for all tax years beginning on or
41 **[before] after** January 1, 2020, in the manner set forth in section 143.455.

148.064. 1. Notwithstanding any law to the contrary, this section shall
2 determine the ordering and limit reductions for certain taxes and tax credits
3 which may be used as credits against various taxes paid or payable by banking
4 institutions. Except as adjusted in subsections 2, 3 and 6 of this section, such
5 credits shall be applied in the following order until used against:

6 (1) The tax on banks determined under subdivision (2) of subsection 2 of
7 section 148.030;

8 (2) The tax on banks determined under subdivision (1) of subsection 2 of
9 section 148.030;

10 (3) The state income tax in section 143.071.

11 2. The tax credits permitted against taxes payable **[pursuant to] under**
12 subdivision (2) of subsection 2 of section 148.030 shall be utilized first and
13 include taxes referenced in subdivisions (2) and (3) of subsection 1 of this section,
14 which shall be determined without reduction for any tax credits identified in
15 subsection 5 of this section which are used to reduce such taxes. Where a
16 banking institution subject to this section joins in the filing of a consolidated
17 state income tax return under chapter 143, the credit allowed under this section
18 for state income taxes payable under chapter 143 shall be determined based upon
19 the consolidated state income tax liability of the group and allocated to a banking
20 institution, without reduction for any tax credits identified in subsection 5 of this

21 section which are used to reduce such consolidated taxes as provided in chapter
22 143.

23 3. The taxes referenced in subdivisions (2) and (3) of subsection 1 of this
24 section may be reduced by the tax credits in subsection 5 of this section without
25 regard to any adjustments in subsection 2 of this section.

26 4. To the extent that certain tax credits which the taxpayer is entitled to
27 claim are transferable, such transferability may include transfers among such
28 taxpayers who are members of a single consolidated income tax return, and this
29 subsection shall not impact other tax credit transferability.

30 5. For the purpose of this section, the tax credits referred to in
31 subsections 2 and 3 shall include tax credits available for economic development,
32 low-income housing and neighborhood assistance which the taxpayer is entitled
33 to claim for the year, including by way of example and not of limitation, tax
34 credits [pursuant to] **under** the following sections: section 32.115, section
35 100.286, and sections 135.110, 135.225, 135.352 and 135.403.

36 6. For tax returns filed on or after January 1, 2001, including returns
37 based on income in the year 2000, and after, a banking institution shall be
38 entitled to an annual tax credit equal to one-sixtieth of one percent of its
39 outstanding shares and surplus employed in this state if the outstanding shares
40 and surplus exceed one million dollars, determined in the same manner as in
41 section 147.010. This tax credit shall be taken as a dollar-for-dollar credit
42 against the bank tax provided for in subdivision (2) of subsection 2 of section
43 148.030; if such bank tax was already reduced to zero by other credits, then
44 against the corporate income tax provided for in chapter 143. **For any tax year**
45 **beginning on or after January 1, 2020, no credit shall be allowed under**
46 **this subsection.**

47 7. In the event the corporation franchise tax in chapter 147 is repealed by
48 the general assembly, there shall also be a reduction in the taxation of banks as
49 follows: in lieu of the loss of the corporation franchise tax credit reduction in
50 subdivision (1) of subsection 2 of section 148.030, the bank shall receive a tax
51 credit equal to one and one-half percent of net income as determined in this
52 chapter. This subsection shall take effect at the same time the corporation
53 franchise tax in chapter 147 is repealed.

54 8. An S corporation bank or bank holding company that otherwise
55 qualifies to distribute tax credits to its shareholders shall pass through any tax
56 credits referred to in subsection 5 of this section to its shareholders as otherwise

57 provided for in subsection 10 of section 143.471 with no reductions or limitations
58 resulting from the transfer through such S corporation, and on the same terms
59 originally made available to the original taxpayer, subject to any original dollar
60 or percentage limitations on such credits, and when such S corporation is the
61 original taxpayer, treating such S corporation as having not elected Subchapter
62 S status.

63 9. Notwithstanding any law to the contrary, in the event the corporation
64 franchise tax in chapter 147 is repealed by the general assembly, after such
65 repeal all Missouri taxes of any nature and type imposed directly or used as a tax
66 credit against the bank's taxes shall be passed through to the S corporation bank
67 or bank holding company shareholder in the form otherwise permitted by law,
68 except for the following:

69 (1) Credits for taxes on real estate and tangible personal property owned
70 by the bank and held for lease or rental to others;

71 (2) Contributions paid pursuant to the unemployment compensation tax
72 law of Missouri; or

73 (3) State and local sales and use taxes collected by the bank on its sales
74 of tangible personal property and the services enumerated in chapter 144.

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