

HB 1734 -- TAXATION OF PARTNERSHIPS

SPONSOR: Christofanelli

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Ways and Means by a vote of 4 to 2. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 7 to 3.

This bill requires taxpayers in a partnership to report and pay any tax due as a result of federal adjustments from an audit or other action taken by the IRS or reported by the taxpayer on an amended federal income tax return. The report will be made to the Department of Revenue, and payments of additional tax due must be made no later than 180 days after the final determination date of the IRS action, as defined in the bill.

Partners and partnerships shall also report final federal adjustments as a result of partnership level audits or administrative adjustment requests, as defined in the bill. The payments shall be calculated and paid as described in the bill. Partnerships will be represented in such actions by the partnership's state partnership representative, which will be the partnership's federal partnership representative unless otherwise designated in writing.

Partners will be prohibited from applying any deduction or credit on any amount determined to be owed under this bill.

The department will assess additional tax, interest, and penalties due as a result of federal adjustments under this bill no later than three years after the return was filed, as provided in current law, or one year following the filing of the federal adjustments report under this bill. For taxpayers who fail to timely file the federal adjustments report as provided under this bill, the department will assess additional tax, interest, and penalties either by three years after the return was filed, one year following the filing of the federal adjustments report, or six years after the final determination date, whichever is later.

A Taxpayer may make estimated payments of the tax expected to result from a pending IRS audit. The payments will be credited against any tax liability ultimately found to be due. If the estimated payments made exceed the final tax liability, the taxpayer will be entitled to a refund or credit for the excess amount, as described in the bill.

The provisions of this bill will apply to any adjustments to a taxpayer's federal taxable income or federal adjusted gross income

with a final determination date occurring on or after January 1, 2021.

This bill is the same as HB 477 (2019).

PROPONENTS: Supporters say that in 2015 the IRS changed the law so they could audit and assess tax from partnerships and this bill would allow the state to do the same. Additionally, it was claimed that since Missouri conforms to the federal law for income tax purposes, in the absence of this bill becoming law, individual partners would need to amend returns to pay state taxes.

Testifying for the bill were Representative Christofanelli and Missouri Society of Certified Public Accountants.

OPPONENTS: There was no opposition voiced to the committee.