

CCS HCS SS SCS SBs 153 & 97 -- TAXATION

This bill modifies several provisions relating to taxation.

USE TAX MAPPING (Section 32.310, RSMo)

Currently, the Department of Revenue has created and must maintain a mapping feature on its website that displays various sales tax information. This bill requires the mapping feature to include use tax information. Political subdivisions collecting a use tax must send such data to the Department of Revenue by January 1, 2022, and the Department will update the mapping feature by July 1, 2022.

By July 1, 2022, the Department will update the mapping feature to include the total sales tax rate for combined rates of overlapping sales taxes levied and the total use tax rate for combined rates of overlapping use taxes levied.

If the boundaries of a political subdivision in which a sales or use tax has been imposed are changed or altered, the political subdivision must forward such changes to the Department, as described in the bill.

COMMUNITY IMPROVEMENT DISTRICTS (Sections 67.1421, 67.1451, 67.1461, 67.1471, 67.1481, and 67.1545)

Currently, a petition is required for the creation of a community improvement district (CID) to include a five year plan describing the improvements to be made in the CID. This bill requires such plan to include the anticipated sources of funds and the term of such sources used to pay the costs of such improvements. This bill also limits the duration of a CID to 27 years for CIDs formed after August 28, 2021.

Upon the creation of a CID, this bill requires the municipal clerk of the municipality to report such in writing to the State Auditor in addition to the Missouri Department of Economic Development.

For CIDs established after August 28, 2021, in which there are no registered voters, this bill requires at least one director to be a person who resides within the municipality that established the CID, is registered to vote, has no financial interest in any real property or business operating within the CID, and is not a relative within the second degree of consanguinity to an owner of real property or a business operating within the CID. For CIDs that are political subdivisions and established after August 28, 2021, if the board of the CID is to be elected, the petition will require at least one member of the board to be appointed by the governing body of the municipality as described in the bill.

This bill requires all construction contracts entered into after August 28, 2021 in a district that has adopted a sales tax, and that are in excess of \$5,000 to be competitively bid and awarded to the lowest and best bidder.

Currently, CIDs are required, within 120 days after the end of the fiscal year, to submit a report to the municipal clerk and the Department of Economic Development stating the services provided, revenues collected, and expenditures made by the CID during the fiscal year. The bill requires that the report include the dates the CID adopted its annual budget, submitted its proposed annual budget to the municipality, and submitted its annual report to the municipal clerk.

Under this bill, for the termination of a CID, each ordinance establishing a CID will set forth the term for the existence of such CID which term may be defined as a minimum, maximum, or definite number of years, but in the case of CIDs established after August 28, 2021, the term will not exceed 27 years except as specified in the bill.

The exception provides that prior to the expiration of the term of a CID, a municipality may adopt an ordinance to extend the term of the existence of a CID after holding a public hearing on the proposed extension. The extended term may be defined as a minimum, maximum, or definite number of years, but the extended term will not exceed 27 years. Notice of the hearing will be given in the same manner as required under current law, except the notice will include the time, date, and place of the public hearing; the name of the CID; a map showing the boundaries of the existing CID; and a statement that all interested persons will be given an opportunity to be heard at the public hearing.

In each CID in which a sales tax is imposed, every retailer must prominently display the rate the of the sales tax imposed or increased at the cash register area.

DEFINITION OF "BLIGHTED" AND "BLIGHTED AREA" (Sections 67.1401, 99.020, 99.320, 99.805, 99.821, 99.918, 99.1082, 100.310, 135.950, 262.900, and 353.020)

This bill defines "blighted" and "blighted area" in numerous provisions of law to mean, "an area which, by reason of the predominance of 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".

VIDEO SERVICE PROVIDER FEES (Sections 67.2677, 67.2680, 67.2689, and 67.2720)

This bill modifies provisions relating to communications services offered in political subdivisions.

The bill modifies the definition of "gross revenues" for provisions of law relating to video service providers.

This bill prohibits the state and political subdivisions from imposing a new tax, license, or fee in addition to any tax, license, or fee already authorized on or before August 28, 2021, upon the provision of satellite or streaming video services.

This bill specifies that, a franchise entity may collect a video service provider fee equal to not more than 5% of the gross revenues of a video service provider providing service in the geographic area of such franchise entity. The fee will be phased down as follows:

- 1) Beginning August 28, 2023, 4.5% of gross revenues;
- 2) Beginning August 28, 2024, 4% of gross revenues;
- 3) Beginning August 28, 2025, 3.5% of gross revenues;
- 4) Beginning August 28, 2026, 3% of gross revenues; and
- 5) Beginning August 28, 2027, and continuing thereafter, 2.5% of gross revenues.

Currently, video service providers may identify and collect the amount of the video service provider fee as a separate line item on subscriber bills. Under this bill, the fee will be identified and collected as a separate line item.

The bill creates the "Task Force on the Future of Right-of-Way Management and Taxation" consisting of 16 members, including two members of the Senate appointed by the President Pro Tem of the Senate and two members of the House of Representatives appointed by the Speaker of the House of Representatives. The remaining members are specified in the bill. The purpose of the Task Force is to study best methods for right-of-way management, taxation of video services, and the future revenue needs of municipalities and political subdivisions as such revenue relates to video services.

The Task Force will compile a report of its activities for submission to the General Assembly. The report will be submitted no later than December 31, 2023, and will include any recommendations which the Task Force may have for legislative action. The Task Force will expire on December 31, 2023.

TAX INCREMENT FINANCING (Sections 99.805, 99.810, 99.820, 99.843, 99.847, and 99.848)

Modifies several provisions relating to tax increment financing.

This bill modifies the definitions of "blighted area" and "conservation area", and creates new definitions for "port infrastructure projects", "retail area", and "retail infrastructure projects".

This bill modifies local tax increment financing projects by providing that a study will be conducted by a land use planner, urban planner, licensed architect, licensed commercial real estate appraiser, or licensed attorney, which details how the area meets the definition of an area eligible to receive tax increment financing.

This bill also provides that retail areas, as defined in the bill, will not receive tax increment financing unless such financing is exclusively utilized to fund retail infrastructure projects, as defined, or unless such area is a blighted or conservation area.

Currently, cities, towns, and villages located in St. Louis County, St. Charles County, or Jefferson County are required to establish a 12 member commission that will include six members appointed by the county executive or presiding commissioner prior to the adoption of any resolution or ordinance approving tax increment financing projects. This bill adds Cass County to such list of counties.

Redevelopment plans approved or amended after December 31, 2021, by a city not within a county may provide for the deposit of up to 10% of the tax increment financing revenues generated pursuant to Section 99.845 into a strategic infrastructure for economic growth fund established by such city in lieu of deposit into the special allocation fund. Moneys deposited into the strategic infrastructure for economic growth fund pursuant to this section may be expended by the city establishing such fund for the purpose of funding capital investments in public infrastructure that the governing body of such city has determined to be in a census tract that is defined as a low-income community pursuant to 26 U.S.C. Section 45D(e) or is eligible to be designated as a qualified opportunity zone pursuant to 26 U.S.C. Section 1400Z-1.

New projects are prohibited from being authorized in any greenfield area.

Beginning January 1, 2022, this also prohibits new projects from being authorized in an area designated as a flood plain by the Federal Emergency Management Agency unless such projects are located in:

- (1) Jackson, Platte, Clay, or Cole counties;
- (2) The cities of Springfield, St. Joseph, Jefferson City, or Hannibal,
- (3) In a port district, provided such financing is utilized for port infrastructure projects; or
- (4) In a levee or drainage district created prior to August 28, 2021. Projects in flood plains will not be authorized in St. Charles County unless the redevelopment area actually abuts a river or major waterway, as described in the bill.

Currently the law allows districts and counties imposing a property tax for the purposes of providing emergency services to be entitled to reimbursement from the special allocation fund of a portion of the district's or county's tax increment. For projects approved after August 28, 2021, this bill modifies the provision to allow reimbursement to ambulance districts, fire protection districts, and governing bodies operating a 911 center providing dispatch services and which impose economic activity taxes for such purposes.

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 200 hours in order to be assessed and valued at 5% of the aircraft's true value for property tax purposes.

INDIVIDUAL INCOME TAX (Sections 143.011, 143.121, 143.171 and 143.177)

Current law provides for a reduction in the top rate of income tax of 0.5% phased-in over a period of years in 0.1% increments, with each cut becoming effective if net general revenue collections meet a certain trigger. This bill adds two additional 0.1% reductions. Additionally, beginning with the 2024 calendar year, the top rate of tax will be reduced by 0.1%.

Currently, a taxpayer is allowed to deduct from his or her Missouri

adjusted gross income a portion of his or her federal income taxes paid. This bill provides that federal income tax credits received under Public Law 116-260 or any amount of federal income tax refund attributable to a tax credit reducing a taxpayer's federal tax liability under any other federal law that provides direct economic impact payments to taxpayers to mitigate financial challenges related to the COVID-19 pandemic will not be considered when determining the amount of federal income tax liability allowable as a deduction.

This provision contains an emergency clause.

Currently, taxpayers who itemize deductions are required to include any federal income tax refund amounts in his or her Missouri adjusted gross income if such taxpayer previously claimed a deduction for federal income tax liability on his or her Missouri income tax return. This bill provides that any amount of a federal income tax refund attributable to a tax credit received under Public Law 116-260 or any amount of federal income tax refund attributable to a tax credit reducing a taxpayer's federal tax liability under any other federal law that provides direct economic impact payments to taxpayers to mitigate financial challenges related to the COVID-19 pandemic will not be included in the taxpayer's Missouri adjusted gross income

This provision contains an emergency clause.

This bill also establishes the "Missouri Working Family Tax Credit Act". Beginning with the 2023 calendar year, this bill creates a tax credit to be applied to a taxpayer's Missouri income tax liability after all reductions for other credits for which the taxpayer is eligible have been applied. The tax credit will not exceed the amount of the taxpayer's tax liability, and will not be refundable. The amount of such tax credit will be a percentage of the amount of a taxpayer's federal earned income tax credit as such credit existed as of January 1, 2021. The initial percentage will be 10% and may be increased to 20% of the amount of a taxpayer's federal earned income tax credit. The initial percentage claimed and any increase in the percentage claimed will only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least \$150 million.

The Department of Revenue will determine whether a taxpayer who did not apply for the tax credit established by this bill is eligible and will notify such taxpayer of his or her potential eligibility.

The Department will prepare an annual report regarding the tax

credit established by this bill containing certain information as described in the bill.

SALES TAX ADMINISTRATION (Section 144.049, 144.080, 144.140, 144.526, 144.608, 144.637, and 144.638)

This bill authorizes the Department of Revenue to consult, contract, and work jointly with the Streamlined Sales and Use Tax Agreement's Governing Board to allow sellers to use the Governing Board's certified service providers and central registration system services, or to consult, contract, and work with certified service providers independently. The Department may determine the method and amount of compensation to be provided to certified service providers. The bill also authorizes the Department to independently take such actions as may be reasonably necessary to secure the payment of and account for the tax collected and remitted by retailers and vendors under the bill.

This provision will expire on January 1, 2028, unless reauthorized by the General Assembly.

The school and Show Me Green sales tax holidays are modified by repealing the ability for political subdivisions to opt out of the sales tax holidays, and by defining how the sales tax exemption applies to the purchase or return of certain items.

The Director will provide and maintain downloadable electronic databases at no cost to the user of the databases for taxing jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services. Sellers and certified service providers (CSP) will be relieved from liability if they fail to properly collect tax based upon information provided by the Department. Certified service providers, sellers, and marketplace facilitators may utilize proprietary data, provided the Director certifies that such data meets the standards provided for under the bill.

This bill relieves a purchaser from any penalties for failure to pay the proper amount of sales tax if the error was a result of erroneous information provided by the Director of Revenue.

Monetary allowances from taxes collected will be provided to certain sellers and certified service providers for collecting and remitting state and local taxes, as described in the bill.

Currently, the law provides statutory sales tax collection thresholds to determine the frequency at which sellers must file and remit sales taxes collected, with such periods being quarter-monthly, monthly, quarterly, and annually. Currently, the law also

allows the Department of Revenue to increase, but not decrease, such thresholds through rule. This bill modifies the statutory thresholds for the monthly, quarterly, and annual filing periods.

For monthly filing, the threshold is changed from at least \$250 in the first or second month of a calendar quarter to at least \$500 per calendar month for the prior year.

For quarterly filing, the threshold is changed from at least \$45 in a calendar quarter, to less than \$500 per calendar month, but at least \$200 in a calendar quarter during the previous calendar year.

For annual filing, the threshold is changed from less than \$45 per calendar quarter to less than \$200 per calendar quarter during the previous calendar year.

USE TAX ECONOMIC NEXUS (Section 144.605)

This bill modifies the definition of "engaging in business activities within this state" to include vendors that had cumulative gross receipts from taxable sales of at least \$100,000 from the sale of tangible personal property for the purpose of storage, use, or consumption in this state in the previous 12 month period, as described in the bill. Vendors meeting such criteria will be required to collect and remit the use tax as provided under current law.

MARKETPLACE FACILITATORS (Section 144.752)

Beginning January 1, 2023, marketplace facilitators, as defined in the bill, that engages in business activities within the state must register with the Department to collect and remit use tax on sales delivered into the state through the marketplace facilitator's marketplace by or on behalf of a marketplace seller, as defined in the bill. Such 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.

Marketplace facilitators will report and remit use tax collected under these provisions as determined by the Department. Marketplace facilitators properly collecting and remitting use tax in a timely manner will be eligible for any discount provided for under current law.

Marketplace facilitators must provide purchasers with an invoice showing that the use tax was collected and will be remitted on the marketplace seller's behalf.

No class action will be brought against a marketplace facilitator

in any court in this state on behalf of purchasers arising from or in any way related to an overpayment of sales or use tax collected on retail sales facilitated by a marketplace facilitator, regardless of whether that claim is characterized as a tax refund claim.

LOCAL USE TAXES (Section 144.757, 144.759, and Section 1)

This bill modifies ballot language required for the submission of a local use tax to voters by repealing ballot language specific to St. Louis County and its municipalities and the City of St. Louis, making the required ballot language in all municipalities identical.

This bill prohibits a local use tax from being described as a new tax, described as not being a new tax, and being advertised or promoted in a manner in violation of current law.

This bill provides that the portion of the local use tax imposed by St. Louis County will be distributed to the cities, towns, villages, and unincorporated areas of the county on the ratio of the population that each such city, town, village, and unincorporated area bears to the total population of the county.

No later than the first week of November 2021, any county or municipality that has enacted a local use tax must provide notice, as described in the bill, in a newspaper and on the county's or municipality's website that certain purchases from out-of-state vendors will become subject to the provisions of the bill.

MISSOURI WORKS (Section 620.2005)

Current law excludes store front consumer-based retail trade establishments from the definition of "qualified company" for the purposes of receiving benefits under the Missouri Works program. This bill allows such establishments located in a third or fourth class county to be included in such definition.

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

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

EFFECTIVE DATES

Provisions of the bill relating to the deduction of federal income taxes paid contain an emergency clause.

The provisions of this bill relating to sales tax administration, use taxes, and income taxes will become effective January 1, 2023.

Provisions of the bill modifying definitions relating to video service provider fees will become effective August 28, 2023.

The remaining provisions will become effective August 28, 2021.