HCS SS SB 143 -- TAXATION

SPONSOR: Beck (Baker)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Tax Reform by a vote of 8 to 4. Voted "Do Pass" by the Standing Committee on Rules- Regulatory Oversight by a vote of 5 to 0 with 1 present.

The following is a summary of the House Committee Substitute for SB 143.

FINANCIAL INSTITUTION TAX CREDITS (Section 32.115)

This bill increases the total dollar amount of the tax credit to be taken from 50% to 70% of the total amount contributed during the taxable year.

HOMESTEAD EXEMPTION (Section 135.101, 135.025, and 135.030)

Currently, a tax credit is offered to eligible senior citizens and disabled individuals for a portion of the real estate taxes or rent they have paid for the year. The credit is for a maximum of $750 for renters and $1,100 for owners who occupied their home. The actual credit is based on the amount of real estate taxes or rent paid and total household income.

Beginning January 1, 2024, the tax credit for renters shall be increased to $1,055. For homeowners, the tax credit shall be increased to $1,550. Beginning January 1, 2025, these totals shall be increased annually for inflation.

This bill also increases the maximum upper limits of qualifying income for both renters and homeowners. Beginning January 1, 2024, the following maximum upper limits shall be established:

(1) For an unmarried renter, $38,200; for a married renter, $41,000; and

(2) For an unmarried homeowner, $42,200; for a married homeowner, $48,000.

Beginning January 1, 2025, these totals shall be increased annually for inflation.

This bill also gives qualifying taxpayers a larger reimbursement of the tax credit by increasing the incremental phase out from $300 to $495.

FIREARM EXCISE TAX (Section 135.098)

Beginning January 1, 2024, a taxpayer liable to pay federal firearms excise tax shall be authorized to claim a tax credit in an amount equal to 100% of such tax paid by the taxpayer on sales of firearms and ammunition sold by the taxpayer during the tax year.

These provisions sunset on December 31, 2029.

CHILD ADOPTION TAX CREDIT (Sections 135.327, 135.331, and 135.333)

Beginning January 1, 2024, the total of these tax credits allowed per child shall be adjusted annually for increases in cost-of-living, if any, as of the preceding July over the level of July of the immediately preceding year of the Consumer Price Index for All Urban Consumers. Beginning January 1, 2024, there shall be no limit imposed on the cumulative amount of tax credits that may be claimed by taxpayers claiming the credit for nonrecurring adoption expenses. Beginning January 1, 2024, any amount of tax credit that is issued and which exceeds the tax due shall be refunded to the taxpayer; however, any tax credits carried forward from tax years beginning on or before December 31, 2023, shall not be refundable.

YOUTH OPPORTUNITIES AND VIOLENCE PROTECTION ACT (Section 135.460)

This bill increases the credit a qualified taxpayer may take in contributions towards youth violence protection and opportunities from 50% to 70% of the monetary contribution.

DONATED FOOD TAX CREDIT (Section 135.647)

This bill increases the cumulative amount of tax credits to all taxpayers contributing to a local food pantry, local soup kitchen, or local homeless shelter in any one fiscal year to $2,750,000.

The bill extends the sunset from December 31, 2026 to December 31, 2027.

CHILD CARE CONTRIBUTION TAX CREDIT ACT (Section 135.1310)

This bill establishes the "Child Care Contribution Tax Credit Act".

Beginning January 1, 2023, a taxpayer may claim a credit of up to 75% of a verified contribution to a child care provider. The child care provider receiving a contribution shall, within 60 days of the date it received the contribution, issue the taxpayer a contribution verification and file a copy of the contribution verification with the Department of Revenue. The failure of the child care provider to timely issue the contribution verification to the taxpayer or file it with the Department shall entitle the taxpayer to a refund of the contribution from the child care provider.

The tax credit issued shall not be less than $100, and shall not exceed $200,000 per tax year. To be eligible for the tax credit, a donation must be:

(1) Used directly by a child care provider to promote child care for children 12 years of age or younger;

(2) Made to a child care provider in which the taxpayer or a person related to the taxpayer does not have a direct financial interest; and

(3) Not made in exchange for care of a child or children in the case of an individual taxpayer that is not an employer making a contribution on behalf of its employees.

The tax credits authorized by this section shall not be refundable and shall not transferred, sold, or otherwise conveyed. The cumulative amount of tax credits authorized shall not exceed $20 million for each calendar year. If the maximum amount of tax credits allowed in any calendar year is authorized, the maximum amount of tax credits shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

EMPLOYER PROVIDED CHILD CARE ASSISTANCE TAX CREDIT ACT (Section 135.1325)

This bill also establishes the "Employer Provided Child Care Assistance Tax Credit Act".

Beginning January 1, 2023, a taxpayer may claim a tax credit in an amount equal to 30% of the qualified child care expenditures paid or incurred with respect to a child care facility. The maximum amount of any tax credit issued shall not exceed $200,000 per taxpayer per tax year. A facility shall not be treated as a child care facility with respect to a taxpayer unless the following conditions have been met:

(1) Enrollment in the facility is open to employees of the taxpayer during the tax year; and

(2) If the facility is the principal business of the taxpayer, at least 30% of the enrollees of such facility are dependents of employees of the taxpayer.

The tax credits shall not be refundable, transferable, sold, assigned, or otherwise conveyed. The cumulative amount of tax credits shall not exceed $20 million for each calendar year. If the maximum amount of tax credits allowed in any calendar year is authorized, the maximum amount of tax credits shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

These provisions sunset on December 31, 2029.

CHILD CARE PROVIDERS TAX CREDIT ACT (135.1350)

This bill also establishes the "Child Care Providers Tax Credit Act".

Beginning January 1, 2024, a child care provider with three or more employees may claim a tax credit in an amount equal to the child care provider's eligible employer withholding tax, and may also claim a tax credit in an amount up to 30% of the child care provider's capital expenditures. No tax credit for capital expenditures shall be allowed if the capital expenditures are less than $1,000. The amount of any tax credit issued shall not exceed $200,000 per child care provider per tax year.

To claim a tax credit for capital expenditures, a child care provider shall present proof acceptable to the Department of Elementary and Secondary Education that the expenditures fall within the definition of capital expenditure, as defined in the bill.

The tax credits shall not be refundable and shall not be transferred, sold, assigned, or otherwise conveyed. Any amount of credit that exceeds the child care provider's state tax liability for the tax year for which the tax credit is issued may be carried back to the child care provider's immediately prior tax year or carried forward to the child care provider's subsequent tax year for up to five succeeding tax years. The cumulative amount of tax credits authorized pursuant to this section shall not exceed $20 million for each calendar year. If the maximum amount of tax credits allowed in any calendar year is authorized, the maximum amount of tax credits shall be increased by 15%, provided that all such increases of tax credits shall be reserved for contributions made to child care providers located in a child care desert.

These provisions sunset on December 31, 2029.

URBAN FARM TAX CREDIT (Sections 135.1610 and 135.647)

Current law authorizes a tax credit for 50% of eligible expenses incurred for establishing or improving an urban farm. This bill expands such tax credit to include expenses incurred for establishing or improving a small-scale specialty crop farm in a food desert, as such terms are defined in this bill. This bill also modifies the definition of "urban farm" to provide that urban farms shall not exceed five acres in size. Additionally, the maximum amount of such tax credits that may be authorized in a calendar year is increased from $200,000 to $400,000.

Current law authorizes tax credits for donations made to local food pantries, local soup kitchens, and local homeless shelters, with such tax credits limited to annual authorizations of $1.75 million. This bill increases the maximum amount of annual authorizations to $2.75 million.

GROCERY STORE TAX CREDIT (Section 135.1620)

For all tax years beginning on or after January 1, 2024, this bill authorizes a tax credit for expenses incurred in the establishment of a full-service grocery store located in a food desert, as such terms are defined in the bill. The tax credit shall be equal to 50% of eligible expenses that are in excess of initial expenses, which shall be at least $1 million in eligible expenses if the full-service grocery store is located in a charter county, a first class county, or in St. Louis City, or at least $500,000 if located in any other county.

A taxpayer shall apply to the Department of Economic Development and indicate the amount of eligible expenses, the date of the commencement of construction and operations, and any other information required by the Department.

The tax credit authorized by this bill shall not exceed $2.5 million per tax year and shall not be refundable, but may be carried forward for three subsequent tax years. The total amount of tax credits authorized under this bill shall not exceed $22 million per calendar year, and shall be issued on a first-come, first-served basis.

The Department shall recoup from a taxpayer any amount of tax credits issued if the taxpayer fails to complete construction of the full-service grocery store within five years of commencement of the project or if the taxpayer fails to operate the full-service grocery store for at least 10 consecutive years. A taxpayer shall annually submit a report to the Department indicating compliance with the bill.

These provisions sunset on December 31st, four years after the effective date.

SUCCESS TAX CREDIT (Section 135.2560)

This bill creates the "Supporting Use of Child Care for Economic Stability and Security Tax Credit" or the "SUCCESS Tax Credit".

Beginning January 1, 2024, an eligible taxpayer shall be allowed a nonrefundable tax credit equal to the eligible taxpayer's employment related expenses incurred for up to two qualifying children, but not exceeding the following amounts per qualifying child:

(1) $1,800 of such expenses for each such child who was under two years of age at any time during the tax year for which the tax credit is being sought; and

(2) $1,200 of such expenses for each such child who was two years of age or older during all of the tax year and under six years of age at any time during the tax year for which the tax credit is being sought.

These provisions sunset on December 31, 2029.

PROPERTY ASSESSMENT (Section 137.110)

This bill states that in all laws governing property assessment, the requirements for terms "assessment book" and "assessment rolls" may be satisfied by computer programs that create the required tables and information.

MOTOR VEHICLE ASSESSMENT (Section 137.115)

Until December 31, 2023, the county assessors shall make use of a nationally recognized automotive trade publication for determining the true value in money all motor vehicles. The State Tax Commission shall choose which publication, and will use the October edition of any of the three immediately previous years.

Beginning January 1, 2024, the assessors shall use a 10 year depreciation table as specified in the bill to determine the value of motor vehicles in the state of Missouri.

These provisions contains an emergency clause.

FINES ASSESSED AGAINST PUBLIC OFFICIALS (Section 137.150)

Currently, a County Assessor may be fined not less than $10 for certain failures of duty. This bill eliminates the imposition of those fines.

DUTIES OF THE COUNTY OFFICIALS (Sections 137.180, 137.220, 137.245, and 137.415)

The bill makes it permissible for the County Assessors to notify a homeowner of an increase in his or her home value by way of electronic notification.

This bill allows the Assessor to make use of satellite imagery and geographic information systems (GIS) to replace plat books if the required information is included in such system.

The bill requires the County Clerk to make an abstract of the County Assessor's book and forward the abstract to the State Tax Commission on or before July 20.

This bill eliminates the compensation that a County Recorder might receive, and also eliminates legal action against the Recorder for having failed to comply with certain duties.

STATE TAX COMMISSION (Sections 138.260, 138.330, and 138.440)

This bill requires that the administrative secretary of the Commission to post reports and records of the Commission to the Commission's website and print the annual report when requested.

The bill allows for an electronic seal to be used for online documents and files transferred by way of a computer.

PERSONAL INCOME TAX (Section 143.011)

Beginning January 1, 2024, the top rate of tax on personal income shall be 4.5%. Beginning 2025, if certain triggers are met, that top rate shall be reduced by .15%.

CORPORATE INCOME TAX (Section 143.071)

Beginning January 1, 2024, the top rate of tax on corporate income shall be reduced from 4% to 2%. If certain triggers are met thereafter, the rate may be further reduced by 1%. Such a reduction may only occur once per year.

SOCIAL SECURITY TAX (Section 143.125)
Beginning January 1, 2024, any Social Security benefits received by a taxpayer, regardless of age, including retirement, disability, survivors, and supplemental benefits, shall be entitled to the

maximum exemption regardless of the taxpayer's filing status or the amount of the taxpayer's Missouri adjusted gross income.

SALES TAX EXEMPTIONS (Section 144.030)

Beginning January 1, 2024, all purchases of diapers, feminine hygiene products, and boat dock sales, shall be exempt from the imposition of sales tax.

FIREARM SALES TAX (Section 144.064)

Beginning August 28, 2023, all sales of firearms and ammunition made in the United States and sold in this state shall be exempt from the imposition of sales tax. The person required to remit the exemption to the Department of Revenue shall be entitled to deduct and retain an amount equal to the amount of the federal firearms and ammunition excise tax paid by such person pursuant to 26 U.S.C. Section 14 4181, as amended. If the amount of sales tax required to be remitted is less than the amount of the federal firearms and ammunition excise tax paid, the amount allowed to be deducted and retained shall be carried forward to subsequent sales tax filing periods until the full deduction is made.

REPEAL OF TAX LAWS

This bill repeals certain provisions related to way in which the property is assessed, reviewed, and equalized, as enumerated in the bill. This bill also repeals a tax assessed against the ownership of dogs.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the Senate perfected version of the bill.

PROPONENTS: Supporters say that wide swaths of Missouri go without healthy food. Lower consumption of nutritious food leads to more health problems. If there are any stores present in a food desert, they are often convenience stores, which sell mainly junk food. Building proper grocery stores involves a tremendous amount of initial capital. This tax credit would help to defray those costs. Supporters further say that access to diapers is a necessity. But the cost of diapers has increased dramatically since 2018. Early childhood programs do not allow participation in the program without the parent or guardian supplying sufficient diapers. As a result, an average of five workdays per month are lost to families who have no choice but to stay home with their children. This tax credit will therefore ease the burden on families.

Testifying in person for the bill were Senator Beck; Missouri Catholic Conference; Missouri Grocers Association; Missouri Retailers Association; Kids Win Missouri; Gabrielle Murphy, Associated Students of the University Of Missouri; Missouri State Alliance Of YMCAs; Associated Industries of MO; Empower Mo; Sierra Club Missouri Chapter; St. Louis Area Diaper Bank; Susan Belger Angulo, Happy Bottoms; Gay Litteken, First Chance For Children; Madison Eacret, Operation Food Search; and National Realty Advisors.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.