

HCS SB 247 -- TAXATION AND RETIREMENT

SPONSOR: Brown (Baker)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Tax Reform by a vote of 8 to 3. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 6 to 3.

The following is a summary of the House Committee Substitute for SB 247.

DEFINITIONS

The term "income" has been modified to include that Missouri adjusted gross income for all calendar years ending before December 31, 2023 or beginning after January 1, 2024 , less \$2800 or in the case of a homestead owned and occupied, for the entire year, by a claimant, less \$5800, as an exemption for the claimant's spouse residing at the same address (Section 135.010, RSMo).

PROPERTY TAXES

Currently, up to \$750 in rent constituting property taxes actually paid or \$1100 in actual property tax paid shall be used in determining the property tax credit for all years ending December 31, 2023. This bill specifies that beginning January 1, 2024 the total , up to \$1055 in rent constituting property taxes actually paid or \$1550 shall be used to determine the property tax credit and after January 1, 2025 the credit totals shall be increased annually for inflation (Section 135.025).

MAXIMUM UPPER LIMIT

Currently, the maximum upper limit is \$27,500, beginning January 1, 2024 the maximum upper limit shall be \$38,200 and in the case of a homestead owned and occupied for the entire year by the claimant, \$42,200. Beginning January 1, 2025 the maximum upper limit shall be increased based on inflation (Section 135.030).

MOTOR VEHICLE ASSESSMENT VALUATIONS

This bill requires the State Tax Commission to choose the October edition of a national vehicle guide over the last three most recent years to determine the assessed values of motor vehicles until December 31, 2023.

Beginning January 1, 2024, the county assessor is required to use the manufacturer's suggested retail price (MSRP) for the original

value of all motor vehicle assessment valuations. A 10-year depreciation schedule will be applied to the MSRP to develop the annual and historical valuation guide for all motor vehicles. The values will be delivered to software vendors no later than November 15th annually and vendors must have the values in place by December 15th annually for use in the next assessment year.

Implementing the new schedule without large variations from the current method is specified in the bill, as well as how the State Tax Commission will develop bid specifications to secure the MSRP and how an annual appropriation will be used.

This section contains an emergency clause (Section 137.115).

PROPERTY TAX CREDIT

This bill authorizes a county to grant a property tax credit to eligible taxpayers, as specified in the bill, residing in the county, provided that the county has adopted an ordinance authorizing such credit, or a petition in support of such credit is delivered to the governing body of the county and is subsequently submitted to and approved by the voters, as described in the bill. The amount of the property tax credit shall be equal to the difference between the real property tax liability on the homestead in a given year minus the real property tax liability on such homestead in the year in which the taxpayer became an eligible taxpayer.

A credit granted pursuant to this bill shall be applied when calculating the eligible taxpayer's property tax liability for the tax year. The amount of the credit shall be noted on the statement of tax due sent to the eligible taxpayer by the county collector. The amount of property tax credits authorized by a county pursuant to this bill shall be considered tax revenue actually received by the county for the purposes of calculating property tax (Section 137.1050).

PERSONAL INCOME TAX

Beginning January 1, 2024, the rate of taxation on the highest bracket of income shall be 4.5%. Thereafter, the rate of taxation may decrease if certain triggers are met, as described in the bill (Section 143.011).

CORPORATE INCOME TAX

Beginning January 1, 2024, the rate of taxation on corporate income shall be 2%; thereafter, the rate of taxation may decrease to 0% if certain triggers are met, as described in the bill (Section 143.071.)

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) INCOME TAX DEDUCTION

Currently, an income tax deduction equal to 50% of the net capital gain from selling employer securities is authorized to a qualified Missouri employee stock ownership plan, with such deduction

scheduled to sunset on December 31, 2022. This bill repeals the sunset provision (Section 143.114).

RETIREMENT BENEFITS INCOME TAX DEDUCTION

Currently, taxpayers with certain filing status and adjusted gross income below certain thresholds may deduct 100% of certain retirement and Social Security benefits from the taxpayer's Missouri adjusted gross income, with a reduced deduction as the taxpayer's adjusted gross income increases.

For all tax years beginning on or after January 1, 2024, this bill allows the maximum deduction to all taxpayers regardless of filing status or adjusted gross income (Sections 143.124 and 143.125).

SALES AND USE TAX EXEMPTION

This bill exempts from sales and use tax all sales of used tangible personal property at an auction (Section 144.030 and 144.615).

SALES TAX EXEMPTION

This bill authorizes a state and local sales tax exemption for utilities, equipment, and materials used to generate or transmit electricity. A public utility realizing savings as a result of this exemption shall provide the Public Service Commission information on the amount of savings realized and shall include a statement that such savings will be passed through to the public utility's rate determined in the public utility's next general rate proceeding (Section 144.058).

DOG TAX

This bill repeals a tax imposed on the owners of dogs (Section 273.050 and 273.060).

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 an ESOP provision is needed to ensure that entrepreneurs will want to open new businesses in Missouri because those individuals have an interest in seeing their companies continue in existence after they retire. This in turn is beneficial to Missouri consumers because ESOPs allow local businesses to stay open and retain their employees.

Supporters further say that increasing provisions of the Public Service Retirement System (PSRS) will help to keep good teachers in the classroom. Increasing the retirement benefits of teachers will incentivize existing teachers to hold off on retirement, which is especially helpful during a time of teacher shortage in the state.

Testifying in person for the bill were Senator Brown; Mo Chamber of Commerce; Mo State Teachers Assoc.; and the Missouri Retired Teacher Association.

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 "House Testimony on Senate Bills" on the House website.