

HCS HB 1427 -- TAXATION

SPONSOR: McGirl

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Ways and Means by a vote of 10 to 1. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 6 to 2.

The following is a summary of the House Committee Substitute for HB 1427.

This bill modifies provisions relating to taxation.

MEDICAL DEVICES (Sections 144.030 and 144.813)

This bill authorizes a sales tax exemption for sales of class III medical devices that use electric fields for the purposes of treating cancer, including components, repair parts, and disposable or single-patient-use supplies required for such devices.

Current law provides a sales tax exemption for certain durable medical equipment as defined on January 1, 1980, by the federal Medicare program. This bill removes the reference to January 1, 1980.

Additionally, current law provides a sales tax exemption for the sales or rental of manual and powered wheelchairs, including parts. The bill also applies the exemption to accessories for such wheelchairs.

PERSONAL PROPERTY (Sections 144.030 and 144.615)

This bill exempts from sales tax all sales of used tangible personal property, including any tangible personal property that is sold a second time or any number of additional subsequent times after the initial point of sale, at an auction. The provisions of this bill shall not apply to motor vehicles, trailers, boats, or outboard motors purchased or acquired for use on the highways or waters of this state which are required to be titled.

RESEARCH AND EXPERIMENTAL EXPENDITURES (Section 143.121)

Currently, Missouri taxpayers are unable to deduct certain research and experimentation expenditures from their adjusted gross income for tax purposes. This limitation is a result of the federal "Tax Cuts and Jobs Act" of 2017. This bill de-couples Missouri from the provisions of the federal law, and allows taxpayers to deduct

specified research and experimental expenditures from their federal adjusted gross income, beginning with the 2022 tax year.

BINGO (Sections 313.057 & 313.057)

This bill repeals a 2% tax on the gross receipts of retail sales paid on each pull tab card sold in the state.

The bill also repeals a tax imposed on each organization conducting a game of bingo which annually awards at least \$5000 and more than \$100 in a single day.

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

**PROPONENTS:** Supporters say that this bill will allow tax exempt organizations to utilize all income that they generate to help pay for necessities. Such tax exempt organizations would include VFWs, Elks Clubs, and American Legions. Most of these organizations hold bingos, and any organization hosting a bingo must be classified as tax exempt. Supporters further say that the income that these tax exempt organizations receive is used to promote their objectives, such as helping veterans. A large amount of the income they receive is paid towards the current 2% tax, which gives the organizations much less of an opportunity to use those funds to promote their charitable objectives. Bingo games are the highest producing revenue activities that these organizations host, requiring that a lot of people are hired to run the event, and making it much less profitable for smaller tax exempt organizations.

Testifying in person for the bill were Representative McGirl; Gary Grigsby, Association of Charitable Games of Missouri; and John E. Mueller.

**OPPONENTS:** Those who oppose the bill say that games of chance, such as bingo, are very profitable, and provide a good deal of revenue to state schools. Therefore, the 2% tax should be viewed as the cost of doing business for these tax exempt organizations to support state services.

Testifying in person against the bill was Arnie C. Dienoff.

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.