SS HB 1912 -- TAXATION OF PASS-THROUGH ENTITIES

Currently, the law authorizes a taxpayer to claim a tax credit for income tax paid to another state on income that is also taxable in Missouri. This bill allows S Corporation shareholders to take a similar tax credit for the shareholder's share of the S Corporation's income derived from sources in another state.

Currently, the SALT Parity Act allows for an alternative method for the taxation of income in pass-through entities, as well as a tax credit against those sources of income tax. Current law also allows a taxpayer to reduce his or her tax burden through use of the Federal business income deduction. This bill alters such calculation by allowing the use of the Missouri State business income deduction instead.

This bill allows a member of an affected business entity to opt-out of the SALT Parity Act's taxation methods. If one or more members opt-out, the affected business shall subtract the opt-out members' allocable income and deduction items. If a member does not file a timely opt-out election for a tax year, that member shall not be precluded from timely filing an opt-out election for subsequent tax years.

If a nonresident member chooses to opt-out, that nonresident shall agree to:

(1) File a return based on Missouri nonresident adjusted gross income and to make timely payment of taxes with respect to income of the affected business entity; and

(2) Be subject to personal jurisdiction in this State for purposes of tax collection with respect to the income of the affected business entity.

This bill applies the SALT Parity tax credit to a fiduciary of an estate or trust that is also a member of an affected business entity.