

HOUSE BILL NO. 3026

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE RUSH.

6748H.011

JOSEPH ENGLER, Chief Clerk

AN ACT

To amend chapter 50, RSMo, by adding thereto three new sections relating to local earnings taxes.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 50, RSMo, is amended by adding thereto three new sections, to be known as sections 50.1351, 50.1356, and 50.1361, to read as follows:

50.1351. 1. As used in sections 50.1351 to 50.1361, the term "earnings tax" means a tax on the following:

(1) Salaries, wages, commissions, and other compensation earned by a county's residents;

(2) Salaries, wages, commissions, and other compensation earned by nonresidents of a county for work done or services performed or rendered in the county;

(3) Net profits of associations, businesses, or other activities conducted by a county's residents; and

(4) Net profits of associations, businesses, or other activities conducted in a county by nonresidents of the county.

2. (1) As used in sections 50.1351 to 50.1361, the term "salaries, wages, commissions, and other compensation" shall not be construed to include any contributions to a deferred compensation plan including, but not limited to, a salary reduction plan, a cafeteria plan, or any other similar plan deferring the receipt of compensation by a resident or nonresident of a county if such contribution is not subject to Missouri state income tax at the time such contribution is made.

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 **(2) The net profits or earnings of associations, businesses, other activities, and**
19 **corporations shall be ascertained and determined by deducting the necessary expenses**
20 **of operation from the gross profits or earnings.**

21 **(3) The earnings or net profits subject to tax of any nonresident individual, of**
22 **any association or business conducted by nonresidents, or of any corporation, in any**
23 **case in which the work done, services performed or rendered, and business or other**
24 **activities conducted are done, performed, rendered, or conducted both within and**
25 **without the county may be ascertained by formula as set forth in any ordinance enacted**
26 **under sections 50.1351 to 50.1361 or prescribed by rules or regulations adopted under**
27 **such ordinance.**

28 **3. The governing body of a county may, by order or ordinance, replace all taxes**
29 **levied and imposed on all real property and personal property by such county with an**
30 **earnings tax as provided in sections 50.1351 to 50.1361. No order or ordinance**
31 **replacing such property taxes with an earnings tax shall become effective unless the**
32 **governing body of the county submits to the qualified voters of the county at a state**
33 **general, primary, or general municipal election a proposal to authorize the governing**
34 **body of the county to replace such property taxes with such earnings tax.**

35 **4. The question submitted shall be in substantially the following form: "Shall __**
36 **___ (insert county name) County replace all real property and personal property taxes**
37 **levied and imposed by the county with an earnings tax at a rate that will produce**
38 **substantially the same revenues as produced by the real and personal property taxes?".**

39 **5. If a majority of the votes cast on the proposal by the qualified voters voting**
40 **thereon are in favor of the proposal, the order or ordinance shall be in effect. If a**
41 **majority of the votes cast by the qualified voters voting thereon are opposed to the**
42 **proposal, the governing body of the county shall have no power to replace the property**
43 **taxes and impose the earnings tax unless and until the governing body of the county**
44 **submits another proposal to authorize the governing body of the county to replace the**
45 **property taxes and impose the earnings tax under sections 50.1351 to 50.1361 and such**
46 **proposal is approved by a majority of the qualified voters voting thereon.**

50.1356. 1. The income received by any of the following shall not be taxable
2 **under an earnings tax imposed under sections 50.1351 to 50.1361:**

3 **(1) A labor, agricultural, or horticultural organization;**

4 **(2) A mutual savings bank not having a capital stock represented by shares;**

5 **(3) A fraternal-beneficiary society, order, or association, operating under the**
6 **lodge system or for the exclusive benefit of the members of a fraternity itself operating**
7 **under the lodge system and providing for the payment of life, sick, accident, or other**
8 **benefits to the members of such society, order, or association or their dependents;**

- 9 **(4) A domestic building and loan association or credit union without capital**
10 **stock organized and operated for mutual purposes and without profit;**
- 11 **(5) A cemetery company owned and operated exclusively for the benefit of its**
12 **members, unless such cemetery company is operated for profit;**
- 13 **(6) A corporation or association organized and operated exclusively for**
14 **religious, charitable, scientific, or educational purposes, no part of the net income of**
15 **which inures to the benefit of any private stockholder or individual;**
- 16 **(7) A business league, chamber of commerce, or board of trade not organized for**
17 **profit and no part of the net income of which inures to the benefit of any private**
18 **stockholder or individual;**
- 19 **(8) A civic league or organization not organized for profit but operated**
20 **exclusively for the promotion of social welfare;**
- 21 **(9) A club organized and operated exclusively for pleasure, recreation, and other**
22 **nonprofitable purposes, no part of the net income of which inures to the benefit of any**
23 **private stockholder or member;**
- 24 **(10) A farmer or other mutual hail, cyclone, or fire insurance company, mutual**
25 **ditch or irrigation company, mutual or cooperative telephone company, or like**
26 **organization, the income of which consists solely of assessments, dues, and fees collected**
27 **from members for the sole purpose of meeting its expenses;**
- 28 **(11) A farmer, fruit grower, or like association, organized and operated as a sales**
29 **agent for the purpose of marketing the products of its members and turning back to**
30 **them the proceeds of sales, less the necessary selling expenses, on the basis of the**
31 **quantity of produce furnished by them;**
- 32 **(12) A corporation or association organized for the exclusive purpose of holding**
33 **title to property, collecting income therefrom, and turning over the entire amount**
34 **thereof, less expenses, to an organization that itself is exempt from the tax imposed by**
35 **chapter 143;**
- 36 **(13) A federal land bank or national farm loan association, as provided in**
37 **section 26 of an Act of Congress approved July 17, 1916, entitled "An act to provide**
38 **capital for agricultural development, to create standard forms of investment based upon**
39 **farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for**
40 **United States bonds, to create government depositaries and financial agents for the**
41 **United States, and for other purposes";**
- 42 **(14) A joint stock land bank as to income derived from bonds or debentures or**
43 **other joint stock land banks or any federal land bank belonging to such joint stock land**
44 **bank;**

45 **(15) An express company that now pays an annual tax on its gross receipts in this**
46 **state or an insurance company that pays an annual tax on its gross premium receipts in**
47 **this state; or**

48 **(16) A trust created by an employer and employees as part of a stock bonus,**
49 **pension, or profit-sharing plan, for the exclusive benefit of employees, to which**
50 **contributions are made by such employer or employees, or both, for the purpose of**
51 **distributing to such employees the earnings and principal of the fund accumulated by**
52 **the trust in accordance with such plan, or a trust consisting solely of one or more**
53 **restricted retirement funds created for one or more self-employed persons as part of a**
54 **retirement plan for the exclusive benefit of such self-employed person or persons, to**
55 **which contributions are made by such self-employed person or persons, for the purpose**
56 **of distributing to such self-employed person or persons the earnings and principal of the**
57 **fund accumulated by the trust in accordance with such plan and the amount actually**
58 **distributed, or made available to any distributee.**

59 **2. The following income shall be exempt from an earnings tax imposed under**
60 **sections 50.1351 to 50.1361:**

61 **(1) The proceeds of life insurance policies paid to the individual beneficiaries**
62 **upon the death of the insured;**

63 **(2) The amount received by the insured as a return of premium or premiums**
64 **paid by the insured under life insurance or endowment contracts, either during the term**
65 **or at the maturity of the term mentioned in the contract or upon the surrender of the**
66 **contract;**

67 **(3) Any amount received under workers' compensation acts, as compensation**
68 **for personal injuries or sickness, plus the amount of any damages received whether by**
69 **suit or agreement on account of such injuries or sickness, or through the federal War**
70 **Risk Insurance Act or any law for the benefit or relief of injured or disabled members of**
71 **the Armed Forces of the United States;**

72 **(4) The value of property acquired by gift, bequest, devise, or descent, but the**
73 **income from such property shall be included as income;**

74 **(5) Interest upon the obligations of this state or of any political subdivision**
75 **thereof or upon the obligations of the United States or its possessions; or**

76 **(6) Any income derived from any public utility performing functions of national**
77 **government or those incident to the state or any political subdivision thereof, or from**
78 **the exercise of any essential government function accruing to any state, territory, or the**
79 **District of Columbia.**

80 **3. The governing body of a county may provide for deductions and exemptions**
81 **from salaries, wages, and commissions of employees and may provide for exemptions on**
82 **account of the spouses and dependents of such employees.**

50.1361. 1. A county may impose upon employers the duty of collecting and
2 **remitting to the county any earnings tax that may be levied upon the earnings of**
3 **employees under sections 50.1351 to 50.1361 and may prescribe penalties for failure to**
4 **perform such duty. In the event that such county imposes such duty on employers, each**
5 **such employer shall be entitled to deduct and retain one and one-half percent of the total**
6 **amount collected to compensate such employer for collecting such tax. The governing**
7 **body of any such county may, by order or ordinance, reduce, eliminate, or reimpose, if**
8 **eliminated, the fee allowed to employers by this subsection.**

9 **2. In order to facilitate the collection of the earnings tax authorized under**
10 **sections 50.1351 to 50.1361, such county may, by order or ordinance, create wage**
11 **brackets within which the earnings tax shall be uniform for taxpayers entitled to the**
12 **same number of exemptions.**

13 **3. No earnings tax order or ordinance enacted under sections 50.1351 to 50.1361**
14 **shall require any taxpayer to file copies of such taxpayer's state or federal income tax**
15 **returns with any county officer, employee, or other person designated by such order or**
16 **ordinance to collect or otherwise administer such earnings tax.**