

SECOND REGULAR SESSION

HOUSE BILL NO. 3503

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE THOMAS.

6908H.011

JOSEPH ENGLER, Chief Clerk

AN ACT

To repeal section 144.014, RSMo, and to enact in lieu thereof seven new sections relating to taxation, with penalty provisions.

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

Section A. Section 144.014, RSMo, is repealed and seven new sections enacted in lieu thereof, to be known as sections 143.3000, 143.3003, 143.3006, 143.3009, 143.3012, 143.3015, and 144.014, to read as follows:

143.3000. 1. Sections 143.3000 to 143.3015 shall be known and may be cited as the "Business Enterprise Tax Act".

2. As used in sections 143.3000 to 143.3015, the following terms mean:

(1) "Accumulated revenues and profits":

(a) In the case of a corporation other than an S corporation, the amount determined to be earnings and profits for federal income tax purposes; or

(b) In the case of all other business enterprises, including S corporations, the total undistributed revenues of the enterprise from whatever source derived, except that the distribution of capital, whether in liquidation or otherwise, shall not be included in the enterprise value tax base;

(2) "Affiliated group", the same meaning as such term is defined under 26 U.S.C. Section 1504(a) of the Internal Revenue Code, except that "affiliated group" shall not include:

(a) An insurance company subject to taxation under 26 U.S.C. Section 801 of the Internal Revenue Code;

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.

16 **(b) Regulated investment companies or real estate investment trusts subject to**
17 **tax under 26 U.S.C. Sections 851 to 860 of the Internal Revenue Code; or**

18 **(c) An includible insurance company as defined under 26 U.S.C. Section 1504(c)**
19 **of the Internal Revenue Code;**

20 **(3) "Business activity", a transfer of legal or equitable title to or rental of**
21 **property, whether real, personal, or mixed, tangible or intangible, or the performance of**
22 **services, or a combination thereof, made or engaged in, or caused to be made or engaged**
23 **in, whether in intrastate, interstate, or foreign commerce, with the object of gain,**
24 **benefit, net earnings, revenue, or advantage, whether direct or indirect, to the business**
25 **enterprise or to others. Although an activity of an enterprise may be incidental to**
26 **another of its business activities, each activity is considered to be business engaged in or**
27 **carried on within the meaning of sections 143.3000 to 143.3015. The term "business**
28 **activity" shall not include services rendered by an employee to an employer or services**
29 **as a director of a corporation or the holding of an ownership interest in a qualified**
30 **investment company if no other business activity is engaged outside of the holding of the**
31 **ownership interest;**

32 **(4) "Business enterprise", any for-profit or nonprofit enterprise or organization,**
33 **whether corporation, partnership, limited liability company, proprietorship,**
34 **association, trust, foundation, business trust, real estate trust, or other form of**
35 **organization engaged in or carrying on any business activity within this state, except**
36 **those enterprises as are expressly made exempt from taxation of net earnings under 26**
37 **U.S.C. Section 501(c)(3) of the Internal Revenue Code to the extent the enterprise does**
38 **not engage in any business activity constituting unrelated business activity as defined**
39 **under 26 U.S.C. Section 513 of the Internal Revenue Code. Each business enterprise is**
40 **subject to the tax imposed under sections 143.3000 to 143.3015 as a separate entity**
41 **except that trusts and foundations treated as grantor trusts under 26 U.S.C. Section 671**
42 **of the Internal Revenue Code shall be included in the return of their owners, and the**
43 **owners are subject to the tax on the trust or foundation to the extent the owners would**
44 **be considered a business enterprise under sections 143.3000 to 143.3015,**
45 **notwithstanding the existence of the trust or foundation. The use of consolidated**
46 **returns as defined in the Internal Revenue Code or of combined reporting is not**
47 **permitted. The term "business enterprise" shall not include a qualified investment**
48 **company;**

49 **(5) "Compensation", includes:**

50 **(a) All wages, salaries, fees, bonuses, commissions, or other payments paid**
51 **directly or accrued by the business enterprise in the taxable period on behalf of or for**
52 **the benefit of employees, officers, or directors of the business enterprise and subject to**

53 or specifically exempt from withholding under 26 U.S.C. Section 3401 of the Internal
54 Revenue Code except for payments that are made expressly exempt from withholding
55 under 26 U.S.C. Section 3401(a)(1), (9), (10), (13), (14), (15), (16), (18), (19), or (20); and
56 tips required to be reported by the employee to the employer under 26 U.S.C. Section
57 6053(a) of the Internal Revenue Code;

58 (b) The amount of any deduction taken under section 143.3003 in the taxable
59 period; and

60 (c) Net earnings from self-employment subject to tax under 26 U.S.C. Section
61 1401 of the Internal Revenue Code to the extent not included in the amount of any
62 deduction taken under section 143.3003 in the taxable period;

63 (6) "Department", the department of revenue;

64 (7) "Dividends", any distribution of money or property, other than the
65 distribution of newly issued stock of the same enterprise, to the owners of a business
66 enterprise with respect to their ownership interest in the enterprise from the
67 accumulated revenues and profits of the enterprise. The term "dividends" shall not
68 include:

69 (a) Distributions of money or property to beneficiaries of a trust qualified under
70 26 U.S.C. Section 401 of the Internal Revenue Code;

71 (b) Cash or noncash payments of life, sickness, accident, or other benefits to
72 members or their dependents or designated beneficiaries from a voluntary employee's
73 beneficiary association qualified under 26 U.S.C. Section 501(c)(9) of the Internal
74 Revenue Code;

75 (c) Distributions of money or property to participants from any common trust
76 fund as defined under 26 U.S.C. Section 584 of the Internal Revenue Code;

77 (d) Policyholder dividends as defined under 26 U.S.C. Section 808 of the Internal
78 Revenue Code, to the extent such dividends are not reduced under 26 U.S.C. Section 809
79 of the Internal Revenue Code;

80 (e) Payment of interest on deposits of depositors of a mutual bank or credit
81 union; or

82 (f) Distributions of money or property to or on behalf of beneficiaries of a trust
83 that is either subject to taxation under 26 U.S.C. Section 641 or described in 26 U.S.C.
84 Section 664 of the Internal Revenue Code; provided, that this paragraph applies only to
85 the extent that the trust limits its activities to personal investment activities that do not
86 constitute business activities, and those incidental to or in support of personal
87 investment activities;

88 **(8) "Employee", an employee as defined under 26 U.S.C. Section 3401(c) of the**
89 **Internal Revenue Code and includes any person from whom an employer is required to**
90 **withhold compensation for federal income tax purposes;**

91 **(9) "Employer", an employer as defined under 26 U.S.C. Section 3401(d) of the**
92 **Internal Revenue Code, and includes any person required to withhold compensation for**
93 **federal income tax purposes;**

94 **(10) "Enterprise value tax base", the sum of all compensation paid or accrued,**
95 **interest paid or accrued, and dividends paid by the business enterprise, before special**
96 **adjustments provided under section 143.3003 or apportionment as provided under**
97 **section 143.3006;**

98 **(11) "Gross business receipts", all earnings for federal income tax purposes from**
99 **whatever source derived in the conduct of business activity; provided, that, in the case of**
100 **nonprofit enterprises not required to pay income taxes, "gross business receipts" means**
101 **the sum of all revenues derived in the conduct of business activity. The term "gross**
102 **business receipts":**

103 **(a) Includes, but is not limited to, gross proceeds from sales; compensation for**
104 **rendering services; gross proceeds realized from trading in stocks, bonds, or other**
105 **evidences of indebtedness; gross proceeds realized from sale of assets used in trade or**
106 **business; interest, discount, gross rents, royalties, fees, commissions, and dividends,**
107 **without any deduction on account of the cost of property sold; and the cost of materials**
108 **used, labor costs, interest, discount, delivery costs, taxes, or any other expense paid or**
109 **accrued and without any deduction on account of losses; but**

110 **(b) Shall not include any receipts that would otherwise be considered "gross**
111 **business receipts" received by an enterprise that constitutes a qualified trust under 26**
112 **U.S.C. 401, or is defined in 26 U.S.C. Section 501(c)(9) or 584, of the Internal Revenue**
113 **Code;**

114 **(12) "Interest", all amounts paid or accrued for the use or forbearance of money**
115 **or property; and shall not include amounts paid, credited, or set aside in connection**
116 **with reserves by insurers to fulfill policy and contractual responsibilities to policy**
117 **holders or by voluntary employees' beneficiary associations qualified under 26 U.S.C.**
118 **Section 501(c)(9) of the Internal Revenue Code to fulfill obligations to members;**

119 **(13) "Internal Revenue Code", the federal Internal Revenue Code of 1986, as**
120 **amended;**

121 **(14) "Qualified investment company":**

122 **(a) A regulated investment company as defined in 26 U.S.C. Section 851 of the**
123 **Internal Revenue Code;**

124 (b) An organization that is an investment company under the Investment
125 Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), as amended;

126 (c) An organization that would be an investment company under the Investment
127 Company Act of 1940, as amended, but for the exception from investment company
128 status provided under 15 U.S.C. Section 80a-3(c)(1) or 80a-3(c)(7) of the Investment
129 Company Act of 1940; or

130 (d) A qualified community development entity, as defined under 26 U.S.C.
131 Section 45D of the Internal Revenue Code, that is owned, controlled, or managed,
132 directly or indirectly, by a department or agency of this state;

133 (15) "Taxable enterprise value tax base", the enterprise value tax base adjusted
134 by the special adjustments provided under section 143.3003 and then adjusted by the
135 method of apportionment provided section 143.3006;

136 (16) "Taxable period", the calendar or fiscal year, or fractional part of a year,
137 that a business enterprise uses for federal income tax purposes or if the business
138 enterprise is not required to make and file a return for federal income tax purposes,
139 then the calendar or fiscal year, or fractional part of a year, the enterprise has adopted
140 for financial purposes.

143.3003. 1. Notwithstanding any other provisions of law to the contrary, for all
2 tax years beginning on or after August 28, 2026, in addition to the taxes imposed under
3 this chapter or by general law, a tax shall be imposed at the rate of three-fourths of one
4 percent upon the taxable enterprise value tax base of every business enterprise in the
5 state of Missouri. The revenue derived from the additional tax imposed under sections
6 143.3000 to 143.3015 shall be deposited by the state treasurer in the school district trust
7 fund and shall be distributed as provided in section 144.701.

8 2. The following adjustments shall be made to the enterprise value tax base in
9 determining taxable enterprise value tax base:

10 (1) For each business enterprise the enterprise value tax base of which includes
11 compensation derived from net earnings from self-employment subject to tax 26 U.S.C.
12 Section 1401 of the Internal Revenue Code, a deduction of such amounts of
13 compensation as are retained for use in the business enterprise, except that
14 compensation deducted under this section shall not be included in this deduction.
15 The business enterprise has the burden to show that any amounts deducted have
16 actually been retained for use in the business enterprise;

17 (2) In the case of a business enterprise that is a corporation, a deduction of an
18 amount equal to dividends received from another corporation that have previously been
19 included in the payer corporation's taxable enterprise value tax base subject to taxation
20 under sections 143.3000 to 143.3015 and which payer corporation is, at the close of the

21 day on which such dividend is received, a member of the same affiliated group as the
22 corporation receiving the dividend; and

23 (3) In the case of a business enterprise that is not a corporation, a deduction of
24 an amount equal to dividend distributions received from another business enterprise
25 that have previously been included in the payer business enterprise's taxable enterprise
26 value tax base subject to taxation under sections 143.3000 to 143.3015 and which payer
27 business enterprise is, at the close of the day on which such dividend is received, a
28 member of the same affiliated group as the business enterprise receiving the dividend
29 distribution. For the purposes of this subdivision, the meaning of the term "affiliated
30 group" shall be determined by rules adopted by the department similar to those
31 applicable to corporations.

32 3. In the case of a proprietorship, partnership, or limited liability company filing
33 a return under sections 143.3000 to 143.3015 as a proprietorship or partnership, a
34 deduction shall be allowed in an amount equal to a fair and reasonable compensation
35 for the actual personal services of a natural person who is a proprietor, partner, or
36 member provided to the business organization; provided, however, that the amount of
37 such deduction shall not reduce such business organization's taxable business profits to
38 less than zero dollars. Such amounts shall not exceed the amount reported as net
39 earnings on the federal income tax returns of the proprietor, partner, or member, but
40 may also include an amount not to exceed net rental income as compensation for
41 operating rental property, and an amount not to exceed fifteen percent of the gross sales
42 price as commissions on the sale of business assets.

43 4. Subject to subsection 5, which establishes a record-keeping safe harbor, the
44 method of determining the amount of the deduction available to the business
45 organization allowed under this section shall use the standards set forth under 26
46 U.S.C. Section 162(a)(1) under the Internal Revenue Code, and the regulations,
47 administrative rulings, and judicial cases issued thereunder. The business organization
48 shall keep such records as may be necessary to determine that the deduction is
49 reasonable under these standards.

50 5. (1) For purposes of this section, "record-keeping safe harbor" means the
51 amount of compensation for personal services claimed by a business organization that
52 does not need to be substantiated by any evidence, records, or legal or regulatory
53 authority, except as provided under subsection 6 of this section. However, the record-
54 keeping safe harbor shall not be relevant or admissible for any purpose in determining
55 whether a compensation deduction claimed in an amount in excess of any such record-
56 keeping safe harbor is fair and reasonable.

57 (2) In lieu of substantiating the value of the personal services of proprietors,
58 partners, or members, a business organization or group of related business
59 organizations may elect, as a record-keeping safe harbor, to deduct up to seventy-five
60 thousand dollars as total compensation for the tax year.

61 6. A business organization or group of related business organizations may elect
62 to use the record-keeping safe harbor option under subdivision (2) of subsection 5 of this
63 section without a redetermination of the reasonableness of the deduction by the
64 department. Any such deduction claimed by the business organization or group of
65 related business organizations shall not be subject to challenge; provided, that upon
66 request, the business organization or group of related business organizations shall be
67 required to substantiate that the proprietor or at least one partner or member
68 performed actual personal services for the business organization or group of related
69 business organizations.

70 7. Related business organizations electing not to substantiate the extent of the
71 actual personal services of their proprietors, partners, and members, are limited to the
72 record-keeping safe harbor deduction, less any owners' compensation taken on the
73 federal tax returns of corporate members of the group, allocated among the related
74 business organizations. For the purposes of this subsection, "related business
75 organizations" are unitary business organizations and business organizations that
76 would qualify as unitary but for the fact that they conduct business only within this
77 state.

78 8. A business enterprise claiming a deduction under this section bears the
79 burden of proving that all proprietors, partners, or members for whom a deduction is
80 being claimed provided actual personal services to the business enterprise at any time
81 during the taxable period. Once a business organization has satisfied this burden of
82 proof, the amount claimed as a deduction is presumed to be reasonable, unless the
83 department proves by a preponderance of the evidence that the deduction claimed by
84 the business enterprise is clearly unreasonable.

143.3006. 1. A business entity, the business activities of which are taxable both
2 within and without this state and which is subject to a tax of the type imposed by
3 sections 143.3000 to 143.3015 or is subject to the jurisdiction of another state to impose a
4 business privilege tax, a tax on net earnings, a franchise tax measured by net earnings, a
5 capital stock tax, or a tax of the type imposed by sections 143.3000 to 143.3015 shall
6 apportion its enterprise value tax base so as to allocate to this state a fair and equitable
7 proportion of such base.

8 2. Except as otherwise provided in this section, the apportionment shall be made
9 in the following manner:

10 **(1) The portion of the base from compensation shall:**

11 **(a) Include the amount of any deduction taken under section 143.3003, the**
12 **amount relating to self-employment income, and the amount relating to wages and**
13 **salaries subject to or specifically exempt from withholding under 26 U.S.C. Section 3401**
14 **of the Internal Revenue Code, except such payments as are made expressly exempt from**
15 **withholding under 26 U.S.C. Sections 3401(a)(1), (9), (10), (13), (14), (15), (16), (18), (19),**
16 **and (20); and**

17 **(b) Be apportioned to this state as a percentage of total compensation paid by the**
18 **business enterprise to employees everywhere as is paid by the business enterprise to**
19 **employees for services rendered within this state. Such compensation is deemed to be**
20 **disbursed for services in this state if:**

21 **a. The service is performed entirely within this state;**

22 **b. The service is performed both within and without this state, and the service**
23 **performed without this state is incidental to the service within this state; or**

24 **c. Some of the service is performed in this state; and**

25 **(i) The base of operations or the place from which the service is directed or**
26 **controlled is located in this state; or**

27 **(ii) The base of operations or the place from which the service is directed or**
28 **controlled is not located in any state in which some part of the service is performed, but**
29 **the individual performing such service resides within this state;**

30 **(2) The portion of the base from interest shall be apportioned by multiplying the**
31 **percentage of value of the total real and tangible personal property owned and**
32 **employed by the business enterprise everywhere as is owned and employed by it in**
33 **business activities in this state. Property owned by the business enterprise shall be**
34 **valued at its original cost; and**

35 **(3) The portion of the base from dividends shall be apportioned on the basis of**
36 **the following three factors, giving equal weight to each, and applying the average of the**
37 **three percentages to the dividends:**

38 **(a) The compensation factor determined in accordance with paragraph (b) of**
39 **subdivision (1) of this subsection;**

40 **(b) The interest apportionment factor calculated in accordance with subdivision**
41 **(2) of this subsection; and**

42 **(c) The percentage of the total sales, including charges for services, made by the**
43 **business enterprise everywhere as is made by it within this state and determined as**
44 **follows:**

45 **a. Sales of tangible personal property are made in this state if:**

46 (i) The property is delivered or shipped to a purchaser, other than the United
47 States government, within this state regardless of free on board point or other
48 conditions of sale; or

49 (ii) The property is shipped from an office, store, warehouse, factory, or other
50 place of storage in this state and:

51 i. The purchaser is the United States government; or

52 ii. The business enterprise is not taxable in the state of the purchaser;

53 b. Sales other than sales of tangible personal property are made in this state if
54 the business enterprise's market for the sales is in this state, as follows:

55 (i) In the case of sale, rental, lease, or license of real property, if and to the extent
56 the property is located in this state;

57 (ii) In the case of rental, lease, or license of tangible personal property, if and to
58 the extent the property is located in this state;

59 (iii) In the case of sale of a service, if and to the extent the service is delivered to a
60 location in this state;

61 (iv) In the case of sale, rental, lease, or license of intangible property, if and to the
62 extent the property is used in this state;

63 (v) In the case of interest income, if and to the extent the debtor or encumbered
64 property is located in this state;

65 (vi) In the case of dividend income, if and to the extent the business enterprise's
66 commercial domicile is in this state; and

67 (vii) In the case of other income, if and to the extent the income is derived from
68 sources in this state;

69 c. In the case of sales other than sales of tangible personal property, if the state
70 or states of assignment cannot be determined, the state or states of assignment shall be
71 reasonably approximated; and

72 d. In the case of sales other than sales of tangible personal property, if the
73 taxpayer is not taxable in a state to which a sale is assigned, or if the state of assignment
74 cannot be determined or reasonably approximated, then the sale is excluded from the
75 denominator of the sales factor.

76 3. If the method of apportionment in subsection 2 of this section does not fairly
77 represent the business enterprise's business activity in this state, then the business
78 enterprise may petition for, or the department may require, in respect to all or part of
79 the business enterprise's business activity, if reasonable:

80 (1) The exclusion of one or more of the apportionment factors;

81 (2) The inclusion of one or more additional apportionment factors that will fairly
82 represent the business enterprise's business activity in the state; or

83 **(3) The employment of another method to effect an equitable apportionment of**
84 **the business enterprise's enterprise value tax base.**

143.3009. 1. A business enterprise having gross business receipts in excess of two
2 **hundred fifty thousand dollars during the taxable period or an enterprise value tax base**
3 **that is greater than two hundred fifty thousand dollars shall make a return to the**
4 **department in accordance with the following schedule:**

5 **(1) If required to file a United States partnership tax return, then on or before**
6 **the fifteenth day of the third month following expiration of its taxable period;**

7 **(2) If required to file a United States exempt organization return, then on or**
8 **before the fifteenth day of the fifth month following expiration of its taxable period; and**

9 **(3) For all other business enterprises, on or before the fifteenth day of the fourth**
10 **month following expiration of its taxable period.**

11 **2. The department shall biennially adjust these threshold amounts rounding to**
12 **the nearest one thousand dollars based on the twenty-four-month percentage change as**
13 **measured by Consumer Price Index for All Urban Consumers for the Midwest Region,**
14 **as defined and officially recorded by the Bureau of Labor Statistics, or its successor**
15 **index, using the amount published for the month of June in the year prior to the start of**
16 **the tax year.**

17 **3. All returns shall be signed by the business enterprise or by its authorized**
18 **representative under penalty of perjury.**

19 **4. A business enterprise shall also file a declaration of its estimated business**
20 **enterprise tax for its subsequent taxable period; provided, however, that if the estimated**
21 **tax is less than two hundred sixty dollars, a declaration need not be filed. A declaration**
22 **shall be filed at the end of any quarter in which the estimated tax is greater than or**
23 **equal to two hundred sixty dollars. The declaration shall be filed when payments are**
24 **due under subsection 5 of this section.**

25 **5. A business enterprise required to file a declaration of its estimated business**
26 **enterprise tax under subsection 4 of this section shall make payments of the estimated**
27 **tax in installments as follows:**

28 **(1) Twenty-five percent is due and payable on the fifteenth day of the third**
29 **month of the subsequent tax year;**

30 **(2) Twenty-five percent is due and payable on the fifteenth day of the sixth**
31 **month of the subsequent tax year;**

32 **(3) Twenty-five percent is due and payable on the fifteenth day of the ninth**
33 **month of the subsequent tax year; and**

34 **(4) Twenty-five percent is due and payable on the fifteenth day of the twelfth**
35 **month of the subsequent tax year.**

36 **6. If the return required under this section shows an amount to be due, the**
37 **amount is due and payable on the prescribed payment date. If the return shows an**
38 **overpayment of the tax due, the department shall refund or credit the overpayment to**
39 **the business enterprise in accordance rules or standards set out by the department.**

40 **7. When the department has reason to believe that a business enterprise failed to**
41 **file a return or to include any part of its enterprise value tax base in a filed return, the**
42 **department may require the enterprise to file a return or a supplementary return**
43 **showing such additional information as the department prescribes. Upon the receipt of**
44 **the supplementary return, or if none is received within the time set by the department,**
45 **the department may find and assess the amount due based upon the information that is**
46 **available. The making of the additional return does not relieve the business enterprise**
47 **of any penalty for failure to make a correct original return or relieve it from liability for**
48 **interest or any other additional charges imposed by the department.**

49 **8. For good cause, the department may extend the time within which a business**
50 **enterprise is required to file a return. If the return is filed during the period of**
51 **extension, a penalty shall not be imposed for failure to file the return at the time**
52 **required by this section but the business enterprise shall be liable for interest and late**
53 **payment charges. Failure to file the return during the period of the extension voids the**
54 **extension.**

143.3012. 1. A business organization shall file an election with the department to
2 **be a qualified investment company with respect to any taxable period on a form**
3 **prescribed by the department at any time on or before the fifteenth day of the third**
4 **month of the taxable period. An election is effective for the taxable period of the**
5 **qualified investment company for which it is made and for all succeeding taxable**
6 **periods until the election is terminated as provided in this section.**

7 **2. A business organization electing treatment as a qualified investment company**
8 **shall, with respect to each taxable period, file a report, in accordance with such rules or**
9 **forms as the department may prescribe, setting forth the following:**

10 **(1) The aggregate amounts of funds invested in the qualified investment**
11 **company;**

12 **(2) The names, addresses, and federal taxpayer identification numbers of the**
13 **holders of the qualified investment company and the amount, if any, of their**
14 **proportional share of the net earnings required to be included in the holder's state**
15 **tax return;**

16 **(3) The name, address, and federal taxpayer identification number of the**
17 **manager of the qualified investment company;**

18 **(4) The amount of the net earnings received and expenses incurred by the**
19 **qualified investment company for the tax period; and**

20 **(5) Notwithstanding this section, a qualified investment company has satisfied**
21 **the reporting requirements of this section if it files with the department a copy of its**
22 **federal income tax return, as filed with the Internal Revenue Service.**

23 **3. (1) The report or copy of the federal income tax return shall be filed on or**
24 **before thirty days following the filing of the federal income tax return with the Internal**
25 **Revenue Service.**

26 **(2) A qualified investment company that fails to timely file the report as required**
27 **by this section shall pay a penalty equal to one hundred dollars for each day the report is**
28 **not filed, unless an extension has been granted by the department. A monetary fine**
29 **imposed by this subdivision shall not exceed five thousand dollars.**

30 **(3) A qualified investment company notified by the department that the report is**
31 **overdue by more than fifty days has thirty days from the date of the notification to file**
32 **the delinquent report. If the delinquent report is not filed within thirty days after**
33 **notification, the department shall disallow the business organization qualified**
34 **investment company status for the tax periods for which a timely report is not filed.**

35 **4. The election provided for in subsection 1 of this section may be terminated as**
36 **follows:**

37 **(1) By revoking the election by consent of the majority of the members, partners,**
38 **or shareholders of the qualified investment company, or by determination of the**
39 **manager of the qualified investment company. The revocation shall be filed with the**
40 **department on or before the fifteenth day of the third month of the taxable period to be**
41 **effective for the period. A revocation filed after the fifteenth day of the third month of**
42 **the taxable period shall be effective for the following tax period; or**

43 **(2) Whenever the company ceases to satisfy the requirements for qualification as**
44 **a qualified investment company under section 143.3000.**

143.3015. 1. A business enterprise shall report to the department any change in
2 **the amount of the business enterprise's compensation, interest, or dividends as finally**
3 **determined by the Internal Revenue Service with respect to any previous year for which**
4 **the business enterprise has made a return under sections 143.3000 to 143.3015. The**
5 **report shall be made not later than six months after the business enterprise has received**
6 **notice that the change has finally been determined. Notwithstanding any other law, a**
7 **business enterprise reporting a correction under this section shall be given notice by the**
8 **department of any adjustment to the tax due with respect to the correction within six**
9 **months after the filing of the report.**

10 **2. A business enterprise shall:**

11 **(1) Keep such records as may be necessary to determine the amount of its tax**
12 **liability under sections 143.3000 to 143.3015;**

13 **(2) Preserve the records for the period of five years or until any litigation or**
14 **prosecution under this chapter is finally determined; and**

15 **(3) Make the records available for inspection by the department or authorized**
16 **agents, upon demand, at reasonable times during regular business hours.**

17 **3. Any taxpayer who fails to comply with the provisions of subsection 2 of this**
18 **section shall be assessed taxes, plus any applicable penalty and interest based on the best**
19 **information available to the department; and the burden shall be on the taxpayer to**
20 **show by clear and convincing evidence that the assessment is incorrect.**

21 **4. The administration and the tax imposed under the provisions of sections**
22 **143.3000 to 143.3015 shall be assessed, collected, and paid in the same manner as taxes**
23 **imposed under this chapter. The department may promulgate all necessary rules and**
24 **regulations for the administration of sections 143.3000 to 143.3015. Any rule or portion**
25 **of a rule, as that term is defined in section 536.010, that is created under the authority**
26 **delegated in this section shall become effective only if it complies with and is subject to**
27 **all of the provisions of chapter 536 and, if applicable, section 536.028. This section and**
28 **chapter 536 are nonseverable and if any of the powers vested with the general assembly**
29 **pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul**
30 **a rule are subsequently held unconstitutional, then the grant of rulemaking authority**
31 **and any rule proposed or adopted after August 28, 2026, shall be invalid and void.**

 144.014. 1. **(1) Notwithstanding other provisions of law to the contrary, beginning**
2 **October 1, 1997, but ending on or before December 31, 2030, the tax levied and imposed**
3 **under this chapter on all retail sales of food shall be at the rate of one percent, except as**
4 **provided under subdivisions (2), (3), and (4) of this subsection. The revenue derived from**
5 **the one percent rate pursuant to this section shall be deposited by the state treasurer in the**
6 **school district trust fund and shall be distributed as provided in section 144.701.**

7 **(2) Notwithstanding any provision of law to the contrary, beginning August 28,**
8 **2026, there shall be no state sales or use tax levied or imposed on any retail sale of food**
9 **in this state. The exemption granted under this subsection shall not apply to local sales**
10 **tax as defined under section 32.085 or local use tax, levied or imposed as authorized by**
11 **law, except as provided under subdivision (3) of this subsection.**

12 **(3) Beginning January 1, 2027, the rate of local sales and use tax imposed on all**
13 **retail sales of food shall annually be reduced in four equal increments over a period of**
14 **four years.**

15 **(4) Beginning January 1, 2031, notwithstanding other provisions of law to the**
16 **contrary, there shall be no local sales tax as defined in section 32.085 or local use tax**
17 **levied or imposed on any retail sale of food in this state.**

18 2. For the purposes of this section, the term "food" shall include only those products
19 and types of food for which ~~[food stamps]~~ **benefits** may be redeemed pursuant to the
20 provisions of the ~~[Federal Food Stamp]~~ **Supplemental Nutrition Assistance** Program as
21 contained in 7 U.S.C. Section 2012, as that section now reads or as it may be amended
22 hereafter, and shall include food dispensed by or through vending machines. For the purpose
23 of this section, except for vending machine sales, the term "food" shall not include food or
24 drink sold by any establishment where the gross receipts derived from the sale of food
25 prepared by such establishment for immediate consumption on or off the premises of the
26 establishment constitutes more than eighty percent of the total gross receipts of that
27 establishment, regardless of whether such prepared food is consumed on the premises of that
28 establishment, including, but not limited to, sales of food by any restaurant, fast food
29 restaurant, delicatessen, eating house, or café.

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