

HB 3503 -- TAXATION

SPONSOR: Thomas

This bill establishes the Business Enterprise Tax Act (Section 143.3000, RSMo).

Beginning August 28, 2026, a 0.75% tax must be imposed upon the taxable enterprise value tax base of every business enterprise in Missouri. The revenue generated by such tax must be deposited by the State Treasurer into the School District Trust Fund.

To determine the enterprise value tax base, adjustments must be considered based on:

- (1) For each business enterprise, compensation derived from net earnings from self-employment;
- (2) For a business enterprise that is a corporation, certain dividends received from another corporation; and
- (3) For a business enterprise that is not a corporation, certain dividend distributions received from another business enterprise.
- (4) For a proprietorship, partnership, or limited liability company (LLC), fair and reasonable compensation for the actual personal services of a natural person who is a proprietor, partner, or member to the business organization's taxable business profits.

The amount of this adjustment must not exceed certain amounts. In order to determine the amount of the deductions available to business organizations, and subject to the record-keeping safe harbor described in the bill, certain standards must be used and the business organization must keep records that may be necessary to determine whether the deduction is reasonable.

A business organization or group of business organizations may choose to elect to use a record-keeping safe harbor without a redetermination of the deduction. However, upon request, the business organization or group of business organizations must be required to prove an actual personal service was performed for the organization or organizations.

A business enterprise claiming a deduction bears the burden of proving that certain actual personal services were provided to

the business enterprise during the taxable period (Section 143.3003).

A business entity that operates both inside and outside of Missouri and is subject to certain taxes in Missouri or in another state must apportion its enterprise value tax base in order to allocate a fair and equitable portion of the base to Missouri. The portion of the base from compensation, the portion of the base from interest, and the portion of the base from dividends must be apportioned in the manner described in the bill.

If the method of apportionment does not fairly represent the business enterprise's business activity in Missouri, the business entity may petition for, or the Department of Revenue (DOR) may require, the following:

- (1) The exclusion of one or more apportionment factors;
- (2) The inclusion of additional apportionment factors; or
- (3) The employment of another method (Section 143.3006).

A business enterprise with gross business receipts that exceed \$250,000 or with an enterprise value tax base that exceeds \$250,000 must make a return to DOR with the schedule provided in the bill. The business enterprise must also file a declaration of its estimated business enterprise tax for its subsequent taxable period at the end of any quarter when the estimated tax is \$260 or more.

A business entity that is required to file a declaration must make payments of the estimated tax in certain installments.

The bill provides required actions for DOR when:

- (1) A return shows an overpayment of the tax due; and
- (2) The Department believes a business enterprise failed to file a return or include part of its enterprise value tax base in the filed return (Section 143.3009).

A business organization must file an election with DOR to be a qualified investment company and must file a report that provides certain information.

The report or copy of the Federal income tax return must be filed within 30 days following the filing of the Federal income tax return with the Internal Revenue Service (IRS).

The election allowed in this bill may be terminated by revoking the election by consent of the majority of the members, partners, or shareholders of the investment company or by the manager of the qualified investment company. The election allowed may also be terminated whenever the company no longer satisfies the requirements for qualification (Section 143.3012).

A business enterprise must report any change in the amount of compensation, interest, or dividends as determined by the IRS in previous years to DOR. A business enterprise reporting a correction must be given notice by DOR of any adjustment to the tax due resulting from the correction within 6 months after the report is filed.

A business enterprise must keep certain records to determine its tax liability, preserve the records for a period of time provided in the bill, and make the records available for inspection by DOR or authorized agents (Section 143.3015).

There is currently a sales tax levied and imposed on all retail sales of food. This bill provides that, beginning August 28, 2026, there must no longer be a State sales or use tax levied or imposed on any retail sale of food in Missouri. The bill provides that, beginning January 1, 2027, the rate of local sales and use tax imposed on all retail sales of food must be reduced in four equal increments over a four-year period. Beginning January 1, 2031, there must no longer be local sales or use tax levied or imposed on the retail sale of food in Missouri (Section 144.014).

This bill is similar to HB 2079 (2026) and SB 57 (2025).