

HCS HB 470 & 429 -- NONRESIDENT ENTERTAINER AND PROFESSIONAL ATHLETIC TEAM INCOME TAX

SPONSOR: Funderburk

COMMITTEE ACTION: Voted "do pass" by the Committee on Tax Reform by a vote of 11 to 0.

This substitute changes the laws regarding the nonresident entertainer and professional athletic team income tax. In its main provisions, the substitute:

(1) Exempts a not-for-profit entity that receives no benefit from a nonresident entertainer's appearance other than the entertainer's performance from the withholding requirement of the tax;

(2) Changes the distribution of the estimated tax revenue collected from the tax for each fiscal year beginning on or after July 1, 2012, to 25% to the St. Louis Convention and Visitors Commission, 25% to the Jackson County Convention and Sports Complex Fund, 30% to the Missouri Arts Council Trust Fund, 5% to historic black universities for sports safety; 5% to the Missouri State Library Networking Fund, 5% to the Missouri Public Television Broadcasting Corporation Special Fund, and 5% to the Missouri Humanities Council Trust Fund;

(3) Specifies that the provisions of the substitute must not be construed to apply to a person making a presentation for a professional or technical educational purpose or to any presentation that is part of a seminar, conference, convention, school, or similar program format designed to provide professional or technical education;

(4) Removes the December 31, 2015 expiration date of the provisions regarding the tax; and

(5) Changes the amount of time from 30 years to as long as the contract or lease is in effect for monthly general revenue transfers of up to \$3 million for each convention and sports complex.

FISCAL NOTE: No impact on state funds in FY 2012, FY 2013, and FY 2014.

PROPOSERS: Supporters of House Bill 470 say that the bill exempts nonprofit organizations from withholding the tax when the organization brings in an out-of-state group and gives them an honorarium. Ninety percent of churches do not know they owe the tax at the time they pay the nonresident entertainer. The

Department of Revenue sends a bill to the church after an out-of-state singing group performs at the church. If the amount paid was over \$300, the church is required to withhold 2% of the amount paid to the entertainers and remit it to the department. The group may have received money from a free-will offering, and the church must pay the tax. The bill clarifies that the tax does not apply to speakers, just entertainers.

Supporters of House Bill 429 say that the provisions regarding the tax do not expire, just the provisions regarding the estimated revenue distribution. The revenue will go into the General Revenue Fund if the expiration provision is not removed. The removal will allow the arts and cultural partners to continue to receive support once the state can appropriate the funds. No funds have been appropriated for this year or in the prior year. Approximately \$30 million is collected annually from the tax.

Testifying for HB 470 were Representative Funderburk; Missouri Family Network; and Missouri Baptist Convention - Christian Life Commission.

Testifying for HB 429 were Representative McGhee; Missouri Citizens for the Arts; University of Central Missouri; Jerry Burett, Missouri State University; Missouri Library Association; Beverly Strohmeyer, Missouri Arts Council; Geoff Giglierano, Missouri Humanities Council; and Greater Kansas City Chamber of Commerce.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on House Bill 470 say that any organization that hosts an entertainer must withhold 2% of the amount paid to the entertainer and remit it to the state. This works like a withholding tax on employees. This tax is an attempt to get out-of-state entertainers and professional athletes to pay their taxes that are due to Missouri. At year-end, a church will issue a Form 1099 with the amount paid and withheld. The entertainer will do a tax return just like every taxpayer.

Testifying on HB 470 was Missouri Library Association.