HB 1101 -- Taxation

Sponsor: Brattin

This bill authorizes Missouri to enter into the multistate Streamlined Sales and Use Tax Agreement, eliminates all state tax credits, phases in a flat income tax rate for individuals and corporations, and increases the state sales and use tax by .25%.

STREAMLINED SALES AND USE TAX AGREEMENT

The Director of the Department of Revenue is required to enter into the multistate Streamlined Sales and Use Tax Agreement and the department is required to establish the necessary rules to implement the compliance provisions of the agreement. The bill specifies that:

(1) When a political subdivision changes the tax rate or the local sales tax boundary, the change must take effect on the first day of the calendar quarter 120 days after the sellers receive notice of the change;

(2) When a city annexes or detaches property, the city clerk must forward a certified copy of the ordinance to the department director within 10 days. The tax rate in the added or abolished territory must become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the boundary change;

(3) If a political subdivision repeals an existing tax, the repeal must become effective on the first day of the calendar quarter 120 days after the sellers receive notice that the abolishment of the tax was approved;

(4) When an entity remits the tax authorized under Section 67.1959, RSMo, it will no longer receive a reduction in its sales tax liability for transactions with businesses that also collect a local tourism tax; and

(5) When a seller fails to properly collect tax based on certain information provided by the department, the seller will be relieved from the tax liability.

The bill also requires:

(1) The state to be represented as a member of the agreement for amending the agreement by three delegates including a person appointed by the Governor, a member of the General Assembly appointed by the mutual consent of the President Pro Tem of the Senate and the Speaker of the House of Representatives, and the

department director or his or her designee. The delegates must make an annual report by January 15 on the status of the agreement;

(2) The department director to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes;

(3) The department to provide electronic databases for tax jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services;

(4) All state and local sales taxes to have the same base which means that exemptions at the state and local level must be identical;

(5) A seller to be allowed a deduction from taxable sales for bad debts attributable to taxable sales that are uncollectable;

(6) The definitions for "delivery charges," "food," "bottled water," "candy," "ancillary services," "lease or rental," "purchase price," "sales price," "tangible personal property," "captive wildlife" and other definitions to be adopted as defined in the streamlined agreement;

(7) The term "engaging in business activities within the state" and "maintains a place of business in this state" to be defined as they relate to the collection of taxes;

(8) The department to be able to require any seller to electronically file and remit sales and use taxes;

(9) The definition of "tangible personal property" to exclude specified digital products, digital audio-visual works, digital audio works, and digital books;

(10) A seller to be allowed to advertise that the required sales tax will be assumed or absorbed into the price of the property sold or the service rendered if the amount of the tax is separately stated on the invoice or receipt. Any person who fails to separately state the assumed or absorbed sales tax on the invoice or receipt will be guilty of a misdemeanor;

(11) The on-line registration for an out-of-state seller to be simplified and no bond to be required;

(12) No caps or thresholds to exist on the collection of sales or use taxes;

(13) Out-of-state sellers to be offered uniform, simplified

electronic filing;

(14) Uniform sourcing rules to determine what tax rates will apply to certain transactions;

(15) Various rules to determine the taxability of bundled transactions involving both taxable and nontaxable goods or services;

(16) Amnesty to be available to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of the streamlined agreement; and

(17) A monetary allowance of up to 2% of the amount of remittance to sellers and certified service providers to be allowed for collecting and remitting the state and local sales taxes. However, they cannot simultaneously receive this monetary allowance and the 2% timely filing deduction.

ELIMINATION OF TAX CREDITS

All tax credits are eliminated after December 31, 2012; and any previously issued tax credit must be redeemed before January 1, 2015.

FLAT INCOME TAX RATE

Beginning January 1, 2013, the bill phases in a flat tax rate for individual income tax of 4.4% for tax year 2013, 4% for 2014, and 3.8% for 2015 and all subsequent tax years. The corporate income rate is reduced from 6.25% to 5% for tax year 2013, 4% for tax year 2014, and 3.5% for 2015 and all subsequent tax years. Beginning January 1, 2015, the bill increases the state sales and use tax rate by .25% for general revenue. The Missouri adjusted gross income will be the taxpayer's federal adjusted gross income with the following deductions added: individual retirement accounts; interest on student loans; tuition and fees; moving expenses; self-employment taxes; self-employed health insurance premiums; self-employed SEP, SIMPLE, or qualified retirement plans; penalties for the early withdrawal of savings; alimony paid; individual retirement account deductions; educator expenses; domestic production activities; business expenses of reservists, performing artists, and fee-based governmental officials; interest on state and local obligations other than from a Missouri source; nonqualified distributions from a 529 plan; nonresident property taxes; and adjustments for businesses and net operating losses. The bill authorizes deductions from Missouri taxable income for certain capital gains from the sale of a taxpayer's principal residence; personal use of employerowned property; Social Security benefits; public and private pensions; individual retirement account distributions; workers' compensation benefits; unemployment benefits; public assistance payments; sick pay; inheritances and gifts; alimony received; employment-related expenses that were not reimbursed by the taxpayer's employer; contributions to a medical or health savings account; contributions to a 529 plan; Missouri state or local tax refunds; interest income from Missouri state and local bonds; 25% of education costs over $250 including clothing for school and school supplies for a home, parochial, private, or public school; a deduction of $5,000 each for the taxpayer, spouse, and dependents to be increased annually based on the federal Consumer Price Index for All Urban Consumers.

The provisions of the bill regarding the streamlined sales tax become effective January 1, 2014.