

HCS HBs 149 & 536 -- TAXATION

SPONSOR: Burlison

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Ways and Means by a vote of 8 to 4.

This substitute changes the laws regarding taxation.

The substitute establishes the Broad-Based Tax Relief Act of 2013 which authorizes an individual income tax deduction for business income and phases it in over five years. Taxpayers will be allowed to deduct 10% of business income for the 2013 tax year, 20% for 2014, 30% for 2015, 40% for 2016, and, once fully phased-in, will be allowed a 50% deduction for all tax years after the 2016 tax year. Shareholders of S corporations and partners in partnerships will be allowed a proportional deduction based on their share of ownership. The substitute phases in a reduction in the corporate income tax rate over five years from 6.25% of Missouri taxable income to 5.625% for tax year 2013, 5% for 2014, 4.375% for 2015, 3.75% for 2016, and 3.125% for 2017 and all subsequent tax years.

The substitute clarifies that the fees paid to places of recreation are not taxable for state and local sales and use tax purposes.

PROPONENTS: Supporters of HB 149 say that the statutes were not intended to tax health clubs but court decisions in the 1990s expanded the definition of recreation. Now when a health club is audited by the Department of Revenue, the business is required to pay the tax. The bill will provide clarity and help Missouri have healthier citizens.

Supporters of HB 536 say that it lessens the burden on businesses and provides opportunity for growth in the job market. The bill is a better approach than the creation of tax credits. The tax code needs to be fair and equitable. Lowering the tax burden on all Missouri businesses will lead to true economic recovery as the businesses will reinvest that tax money in their businesses, employing additional people and reinvesting in capital or spend it to help the state economy grow.

Testifying for HB 149 were Representative Burlison; Associated Industries of Missouri; Noah Alldredge; Joe Thompson; and Missouri Canoe and Floaters Association.

Testifying for HB 536 were Representative Burlison; Associated Industries of Missouri; National Federation of Independent Business; Missouri Retailers Association; Missouri Grocers' Association; James Pete Hall, Curry Investment Company; Clay County

Economic Development Council; United for Missouri; and Missouri Society of Certified Public Accountants.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on HB 536 say studies show that there is a negative effect on the economy from taxes. Missouri could be left behind as other states make tax reforms. Income taxes limit investment dollars. To optimize, don't tax income.

Testifying on HB 536 was Patrick Ishmael, Show-Me Institute.