

HCS HBs 517 & 754 -- TAXATION (Higdon)

Committee of Origin: Standing Committee on Ways and Means

This bill specifies that mandatory gratuities imposed by a restaurant must not be subject to state and local sales tax.

The bill limits the calculation of state income tax withholding on tips received by an employee in the course of his or her employment to the amount of total tips reported to the employer in a written statement and specifies that an employer cannot be obligated to pay withholding tax to the Department of Revenue for an employee's under-reported cash tip income. Currently, Missouri follows the federal Internal Revenue Code on how to determine the amount of cash tips that is taxable

Beginning January 1, 2016 and ending December 31, 2018, the bill establishes the Missouri Supporting Families Income Tax Holiday Act which requires an annual review of withholding tax revenues by the Department of Revenue to determine which month has the lowest average amount of withholding taxes historically collected and submit a report to the General Assembly not later than February 1, 2019. The provisions of this section expire December 31 six years after the effective date.

The bill allows a taxpayer to claim a credit or refund of an income tax overpayment when the Director of the Department of Revenue examines the taxpayer's return after the period of limitations expires and the examination reveals that the taxpayer would have been eligible for a credit or refund if the examination had been timely. The department director must notify the taxpayer of any overpayment discovered and the taxpayer must file a claim for the credit or refund within one year of the department director's notice.