

SCS SB 19 -- ALLOCATION OF CORPORATE INCOME

Currently, in determining what portion of a corporation's income is taxable in Missouri, the business may use a method whereby the ratio of instate sales to total sales is multiplied by the net income. A method for determining whether sales of tangible property are to be considered instate is already established in current law. This bill specifies a process for all other sales.

For sales of real property or rentals of tangible personal property, the portion of the property sold or rented that is located in this state must be considered an instate sale. For sales of service, the portion of the benefits delivered to purchasers in this state must be considered an instate sale.

For rentals or licenses of intangible property, the portion used in this state by the rentee or licensee must be considered an instate sale. Intangible property used for marketing must be considered used in this state if the good or service being marketed is purchased by a consumer in this state. Franchise fees or royalties for intangible property must be considered used in this state if the franchise is located in this state.

For sales of intangible property, the portion of the sale used in this state must be considered an instate sale. If the sale is for the right to conduct business activity in a certain geographic area, the sale must be considered instate if the geographic area is in this state. If receipts for sales of intangible property are dependent on use or productivity, the sale must be considered a lease or rental of intangible property. All sales of intangible property other than the right to conduct business in a specific area or sales with receipts contingent on productivity or use must be excluded from the sales factor when determining corporate income tax.

If it cannot be determined or reasonably approximated that a sale occurs in this state, the sale must be excluded from the sales factor for corporate income taxation.