

SECOND REGULAR SESSION

HOUSE BILL NO. 2188

101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE COLEMAN (97).

4642H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 144.030, 144.1021, and 427.200, RSMo, and section 144.020 as enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular session, and section 144.020 as enacted by house bill no. 220, one hundredth general assembly, first regular session, and to enact in lieu thereof four new sections relating to taxation of leased motor vehicles.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 144.030, 144.1021, and 427.200, RSMo, and section 144.020 as
2 enacted by senate bills nos. 153 & 97, one hundred first general assembly, first regular
3 session, and section 144.020 as enacted by house bill no. 220, one hundredth general
4 assembly, first regular session, are repealed and four new sections enacted in lieu thereof, to
5 be known as sections 144.020, 144.030, 144.1021, and 427.200, to read as follows:

144.020. 1. A tax is hereby levied and imposed for the privilege of titling new and
2 used motor vehicles, trailers, boats, and outboard motors purchased or acquired for use on the
3 highways or waters of this state which are required to be titled under the laws of the state of
4 Missouri and, except as provided in subdivision (9) of this subsection, upon all sellers for the
5 privilege of engaging in the business of selling tangible personal property or rendering
6 taxable service at retail in this state. The rate of tax shall be as follows:

7 (1) Upon every retail sale in this state of tangible personal property, excluding motor
8 vehicles, trailers, motorcycles, mopeds, motortricycles, boats and outboard motors required to
9 be titled under the laws of the state of Missouri and subject to tax under subdivision (9) of this
10 subsection, a tax equivalent to four percent of the purchase price paid or charged, or in case
11 such sale involves the exchange of property, a tax equivalent to four percent of the

EXPLANATION — Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

12 consideration paid or charged, including the fair market value of the property exchanged at
13 the time and place of the exchange, except as otherwise provided in section 144.025;

14 (2) A tax equivalent to four percent of the amount paid for admission and seating
15 accommodations, or fees paid to, or in any place of amusement, entertainment or recreation,
16 games and athletic events, except amounts paid for any instructional class;

17 (3) A tax equivalent to four percent of the basic rate paid or charged on all sales of
18 electricity or electrical current, water and gas, natural or artificial, to domestic, commercial or
19 industrial consumers;

20 (4) (a) A tax equivalent to four percent on the basic rate paid or charged on all sales
21 of local and long distance telecommunications service to telecommunications subscribers and
22 to others through equipment of telecommunications subscribers for the transmission of
23 messages and conversations and upon the sale, rental or leasing of all equipment or services
24 pertaining or incidental thereto; except that, the payment made by telecommunications
25 subscribers or others, pursuant to section 144.060, and any amounts paid for access to the
26 internet or interactive computer services shall not be considered as amounts paid for
27 telecommunications services;

28 (b) If local and long distance telecommunications services subject to tax under this
29 subdivision are aggregated with and not separately stated from charges for
30 telecommunications service or other services not subject to tax under this subdivision,
31 including, but not limited to, interstate or international telecommunications services, then the
32 charges for nontaxable services may be subject to taxation unless the telecommunications
33 provider can identify by reasonable and verifiable standards such portion of the charges not
34 subject to such tax from its books and records that are kept in the regular course of business,
35 including, but not limited to, financial statement, general ledgers, invoice and billing systems
36 and reports, and reports for regulatory tariffs and other regulatory matters;

37 (c) A telecommunications provider shall notify the director of revenue of its intention
38 to utilize the standards described in paragraph (b) of this subdivision to determine the charges
39 that are subject to sales tax under this subdivision. Such notification shall be in writing and
40 shall meet standardized criteria established by the department regarding the form and format
41 of such notice;

42 (d) The director of revenue may promulgate and enforce reasonable rules and
43 regulations for the administration and enforcement of the provisions of this subdivision. Any
44 rule or portion of a rule, as that term is defined in section 536.010, that is created under the
45 authority delegated in this section shall become effective only if it complies with and is
46 subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section
47 and chapter 536 are nonseverable and if any of the powers vested with the general assembly
48 pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a

49 rule are subsequently held unconstitutional, then the grant of rulemaking authority and any
50 rule proposed or adopted after August 28, 2019, shall be invalid and void;

51 (5) A tax equivalent to four percent of the basic rate paid or charged for all sales of
52 services for transmission of messages of telegraph companies;

53 (6) A tax equivalent to four percent on the amount of sales or charges for all rooms,
54 meals and drinks furnished at any hotel, motel, tavern, inn, restaurant, eating house,
55 drugstore, dining car, tourist cabin, tourist camp or other place in which rooms, meals or
56 drinks are regularly served to the public. The tax imposed under this subdivision shall not
57 apply to any automatic mandatory gratuity for a large group imposed by a restaurant when
58 such gratuity is reported as employee tip income and the restaurant withholds income tax
59 under section 143.191 on such gratuity;

60 (7) A tax equivalent to four percent of the amount paid or charged for intrastate
61 tickets by every person operating a railroad, sleeping car, dining car, express car, boat,
62 airplane and such buses and trucks as are licensed by the division of motor carrier and railroad
63 safety of the department of economic development of Missouri, engaged in the transportation
64 of persons for hire;

65 (8) A tax equivalent to four percent of the amount paid or charged for rental or lease
66 of tangible personal property, provided that if the lessor or renter of any tangible personal
67 property had previously purchased the property under the conditions of sale at retail or leased
68 or rented the property and the tax was paid at the time of purchase, lease or rental, the lessor,
69 sublessor, renter or subrenter shall not apply or collect the tax on the subsequent lease,
70 sublease, rental or subrental receipts from that property. The purchase~~[, rental or lease]~~ **or**
71 **rental** of motor vehicles~~;~~ **and the purchase, rental, or lease of** trailers, motorcycles,
72 mopeds, motortricycles, boats, and outboard motors shall be taxed and the tax paid as
73 provided in this section and section 144.070. In no event shall the rental or lease of boats and
74 outboard motors be considered a sale, charge, or fee to, for, or in places of amusement,
75 entertainment or recreation nor shall any such rental or lease be subject to any tax imposed to,
76 for, or in such places of amusement, entertainment or recreation. Rental and leased boats or
77 outboard motors shall be taxed under the provisions of the sales tax laws as provided under
78 such laws for motor vehicles and trailers. Tangible personal property which is exempt from
79 the sales or use tax under section 144.030 upon a sale thereof is likewise exempt from the
80 sales or use tax upon the lease or rental thereof. **The provisions of this subdivision shall not**
81 **apply to lease transactions of motor vehicles, as provided under section 144.030;**

82 (9) A tax equivalent to four percent of the purchase price, as defined in section
83 144.070, of new and used motor vehicles, trailers, boats, and outboard motors purchased or
84 acquired for use on the highways or waters of this state which are required to be registered

85 under the laws of the state of Missouri. This tax is imposed on the person titling such
86 property, and shall be paid according to the procedures in section 144.440.

87 2. All tickets sold which are sold under the provisions of this chapter which are
88 subject to the sales tax shall have printed, stamped or otherwise endorsed thereon, the words
89 "This ticket is subject to a sales tax."

2 ~~[144.020. 1. A tax is hereby levied and imposed for the privilege of~~
3 ~~titling new and used motor vehicles, trailers, boats, and outboard motors~~
4 ~~purchased or acquired for use on the highways or waters of this state which are~~
5 ~~required to be titled under the laws of the state of Missouri and, except as~~
6 ~~provided in subdivision (9) of this subsection, upon all sellers for the privilege~~
7 ~~of engaging in the business of selling tangible personal property or rendering~~
8 ~~taxable service at retail in this state. The rate of tax shall be as follows:~~

9 ~~(1) Upon every retail sale in this state of tangible personal property,~~
10 ~~excluding motor vehicles, trailers, motoreycles, mopeds, motortricycles, boats~~
11 ~~and outboard motors required to be titled under the laws of the state of~~
12 ~~Missouri and subject to tax under subdivision (9) of this subsection, a tax~~
13 ~~equivalent to four percent of the purchase price paid or charged, or in case~~
14 ~~such sale involves the exchange of property, a tax equivalent to four percent of~~
15 ~~the consideration paid or charged, including the fair market value of the~~
16 ~~property exchanged at the time and place of the exchange, except as otherwise~~
17 ~~provided in section 144.025;~~

18 ~~(2) A tax equivalent to four percent of the amount paid for admission~~
19 ~~and seating accommodations, or fees paid to, or in any place of amusement,~~
20 ~~entertainment or recreation, games and athletic events, except amounts paid~~
21 ~~for any instructional class;~~

22 ~~(3) A tax equivalent to four percent of the basic rate paid or charged on~~
23 ~~all sales of electricity or electrical current, water and gas, natural or artificial,~~
24 ~~to domestic, commercial or industrial consumers;~~

25 ~~(4) (a) A tax equivalent to four percent on the basic rate paid or~~
26 ~~charged on all sales of local and long distance telecommunications service to~~
27 ~~telecommunications subscribers and to others through equipment of~~
28 ~~telecommunications subscribers for the transmission of messages and~~
29 ~~conversations and upon the sale, rental or leasing of all equipment or~~
30 ~~services pertaining or incidental thereto; except that, the payment made by~~
31 ~~telecommunications subscribers or others, pursuant to section 144.060, and~~
32 ~~any amounts paid for access to the internet or interactive computer services~~
33 ~~shall not be considered as amounts paid for telecommunications services;~~

34 ~~(b) If local and long distance telecommunications services subject to~~
35 ~~tax under this subdivision are aggregated with and not separately stated from~~
36 ~~charges for telecommunications service or other services not subject to tax~~
37 ~~under this subdivision, including, but not limited to, interstate or international~~
38 ~~telecommunications services, then the charges for nontaxable services may be~~
39 ~~subject to taxation unless the telecommunications provider can identify by~~
40 ~~reasonable and verifiable standards such portion of the charges not subject to~~
41 ~~such tax from its books and records that are kept in the regular course of~~
~~business, including, but not limited to, financial statement, general ledgers,~~

42 invoice and billing systems and reports, and reports for regulatory tariffs and
43 other regulatory matters;

44 (c) A telecommunications provider shall notify the director of revenue
45 of its intention to utilize the standards described in paragraph (b) of this
46 subdivision to determine the charges that are subject to sales tax under this
47 subdivision. Such notification shall be in writing and shall meet standardized
48 criteria established by the department regarding the form and format of such
49 notice;

50 (d) The director of revenue may promulgate and enforce reasonable
51 rules and regulations for the administration and enforcement of the provisions
52 of this subdivision. Any rule or portion of a rule, as that term is defined in
53 section 536.010, that is created under the authority delegated in this section
54 shall become effective only if it complies with and is subject to all of the
55 provisions of chapter 536 and, if applicable, section 536.028. This section and
56 chapter 536 are nonseverable and if any of the powers vested with the general
57 assembly pursuant to chapter 536 to review, to delay the effective date, or to
58 disapprove and annul a rule are subsequently held unconstitutional, then the
59 grant of rulemaking authority and any rule proposed or adopted after August
60 28, 2019, shall be invalid and void;

61 (5) A tax equivalent to four percent of the basic rate paid or charged
62 for all sales of services for transmission of messages of telegraph companies;

63 (6) A tax equivalent to four percent on the amount of sales or charges
64 for all rooms, meals and drinks furnished at any hotel, motel, tavern, inn,
65 restaurant, eating house, drugstore, dining car, tourist cabin, tourist camp or
66 other place in which rooms, meals or drinks are regularly served to the public.
67 The tax imposed under this subdivision shall not apply to any automatic
68 mandatory gratuity for a large group imposed by a restaurant when such
69 gratuity is reported as employee tip income and the restaurant withholds
70 income tax under section 143.191 on such gratuity;

71 (7) A tax equivalent to four percent of the amount paid or charged for
72 intrastate tickets by every person operating a railroad, sleeping car, dining car,
73 express car, boat, airplane and such buses and trucks as are licensed by the
74 division of motor carrier and railroad safety of the department of economic
75 development of Missouri, engaged in the transportation of persons for hire;

76 (8) A tax equivalent to four percent of the amount paid or charged for
77 rental or lease of tangible personal property, provided that if the lessor or
78 renter of any tangible personal property had previously purchased the property
79 under the conditions of sale at retail or leased or rented the property and the tax
80 was paid at the time of purchase, lease or rental, the lessor, sublessor, renter or
81 subrenter shall not apply or collect the tax on the subsequent lease, sublease,
82 rental or subrental receipts from that property. The purchase, rental or lease of
83 motor vehicles, trailers, motorcycles, mopeds, motortricycles, boats, and
84 outboard motors shall be taxed and the tax paid as provided in this section and
85 section 144.070. In no event shall the rental or lease of boats and outboard
86 motors be considered a sale, charge, or fee to, for or in places of amusement,
87 entertainment or recreation nor shall any such rental or lease be subject to any
88 tax imposed to, for, or in such places of amusement, entertainment or
89 recreation. Rental and leased boats or outboard motors shall be taxed under

90 the provisions of the sales tax laws as provided under such laws for motor
91 vehicles and trailers. Tangible personal property which is exempt from the
92 sales or use tax under section 144.030 upon a sale thereof is likewise exempt
93 from the sales or use tax upon the lease or rental thereof;

94 (9) A tax equivalent to four percent of the purchase price, as defined in
95 section 144.070, of new and used motor vehicles, trailers, boats, and outboard
96 motors purchased or acquired for use on the highways or waters of this state
97 which are required to be registered under the laws of the state of Missouri.
98 This tax is imposed on the person titling such property, and shall be paid
99 according to the procedures in section 144.440.

100 2. All tickets sold which are sold under the provisions of sections
101 144.010 to 144.525 which are subject to the sales tax shall have printed,
102 stamped or otherwise endorsed thereon, the words "This ticket is subject to a
103 sales tax."]

144.030. 1. There is hereby specifically exempted from the provisions of sections
2 144.010 to 144.525 and from the computation of the tax levied, assessed or payable pursuant
3 to sections 144.010 to 144.525 such retail sales as may be made in commerce between this
4 state and any other state of the United States, or between this state and any foreign country,
5 and any retail sale which the state of Missouri is prohibited from taxing pursuant to the
6 Constitution or laws of the United States of America, and such retail sales of tangible
7 personal property which the general assembly of the state of Missouri is prohibited from
8 taxing or further taxing by the constitution of this state.

9 2. There are also specifically exempted from the provisions of the local sales tax law
10 as defined in section 32.085, section 238.235, and sections 144.010 to 144.525 and 144.600 to
11 144.761 and from the computation of the tax levied, assessed or payable pursuant to the local
12 sales tax law as defined in section 32.085, section 238.235, and sections 144.010 to 144.525
13 and 144.600 to 144.745:

14 (1) Motor fuel or special fuel subject to an excise tax of this state, unless all or part of
15 such excise tax is refunded pursuant to section 142.824; or upon the sale at retail of fuel to be
16 consumed in manufacturing or creating gas, power, steam, electrical current or in furnishing
17 water to be sold ultimately at retail; or feed for livestock or poultry; or grain to be converted
18 into foodstuffs which are to be sold ultimately in processed form at retail; or seed, limestone
19 or fertilizer which is to be used for seeding, liming or fertilizing crops which when harvested
20 will be sold at retail or will be fed to livestock or poultry to be sold ultimately in processed
21 form at retail; economic poisons registered pursuant to the provisions of the Missouri
22 pesticide registration [law] act, sections [281.220] **281.210** to 281.310, which are to be used
23 in connection with the growth or production of crops, fruit trees or orchards applied before,
24 during, or after planting, the crop of which when harvested will be sold at retail or will be
25 converted into foodstuffs which are to be sold ultimately in processed form at retail;

26 (2) Materials, manufactured goods, machinery and parts which when used in
27 manufacturing, processing, compounding, mining, producing or fabricating become a
28 component part or ingredient of the new personal property resulting from such
29 manufacturing, processing, compounding, mining, producing or fabricating and which new
30 personal property is intended to be sold ultimately for final use or consumption; and
31 materials, including without limitation, gases and manufactured goods, including without
32 limitation slagging materials and firebrick, which are ultimately consumed in the
33 manufacturing process by blending, reacting or interacting with or by becoming, in whole
34 or in part, component parts or ingredients of steel products intended to be sold ultimately for
35 final use or consumption;

36 (3) Materials, replacement parts and equipment purchased for use directly upon, and
37 for the repair and maintenance or manufacture of, motor vehicles, watercraft, railroad rolling
38 stock or aircraft engaged as common carriers of persons or property;

39 (4) Replacement machinery, equipment, and parts and the materials and supplies
40 solely required for the installation or construction of such replacement machinery, equipment,
41 and parts, used directly in manufacturing, mining, fabricating or producing a product which is
42 intended to be sold ultimately for final use or consumption; and machinery and equipment,
43 and the materials and supplies required solely for the operation, installation or construction of
44 such machinery and equipment, purchased and used to establish new, or to replace or expand
45 existing, material recovery processing plants in this state. For the purposes of this
46 subdivision, a "material recovery processing plant" means a facility that has as its primary
47 purpose the recovery of materials into a usable product or a different form which is used in
48 producing a new product and shall include a facility or equipment which are used exclusively
49 for the collection of recovered materials for delivery to a material recovery processing plant
50 but shall not include motor vehicles used on highways. For purposes of this section, the terms
51 motor vehicle and highway shall have the same meaning pursuant to section 301.010. For the
52 purposes of this subdivision, subdivision (5) of this subsection, and section 144.054, as well
53 as the definition in subdivision (9) of subsection 1 of section 144.010, the term "product"
54 includes telecommunications services and the term "manufacturing" shall include the
55 production, or production and transmission, of telecommunications services. The preceding
56 sentence does not make a substantive change in the law and is intended to clarify that the term
57 "manufacturing" has included and continues to include the production and transmission of
58 "telecommunications services", as enacted in this subdivision and subdivision (5) of this
59 subsection, as well as the definition in subdivision (9) of subsection 1 of section 144.010.
60 The preceding two sentences reaffirm legislative intent consistent with the interpretation of
61 this subdivision and subdivision (5) of this subsection in *Southwestern Bell Tel. Co. v.*
62 *Director of Revenue*, 78 S.W.3d 763 (Mo. banc 2002) and *Southwestern Bell Tel. Co. v.*

63 Director of Revenue, 182 S.W.3d 226 (Mo. banc 2005), and accordingly abrogates the
64 Missouri supreme court's interpretation of those exemptions in *IBM Corporation v. Director*
65 *of Revenue*, 491 S.W.3d 535 (Mo. banc 2016) to the extent inconsistent with this section and
66 *Southwestern Bell Tel. Co. v. Director of Revenue*, 78 S.W.3d 763 (Mo. banc 2002) and
67 *Southwestern Bell Tel. Co. v. Director of Revenue*, 182 S.W.3d 226 (Mo. banc 2005). The
68 construction and application of this subdivision as expressed by the Missouri supreme court
69 in *DST Systems, Inc. v. Director of Revenue*, 43 S.W.3d 799 (Mo. banc 2001); *Southwestern*
70 *Bell Tel. Co. v. Director of Revenue*, 78 S.W.3d 763 (Mo. banc 2002); and *Southwestern Bell*
71 *Tel. Co. v. Director of Revenue*, 182 S.W.3d 226 (Mo. banc 2005), is hereby affirmed.
72 Material recovery is not the reuse of materials within a manufacturing process or the use of a
73 product previously recovered. The material recovery processing plant shall qualify under the
74 provisions of this section regardless of ownership of the material being recovered;

75 (5) Machinery and equipment, and parts and the materials and supplies solely
76 required for the installation or construction of such machinery and equipment, purchased and
77 used to establish new or to expand existing manufacturing, mining or fabricating plants in the
78 state if such machinery and equipment is used directly in manufacturing, mining or
79 fabricating a product which is intended to be sold ultimately for final use or consumption.
80 The construction and application of this subdivision as expressed by the Missouri supreme
81 court in *DST Systems, Inc. v. Director of Revenue*, 43 S.W.3d 799 (Mo. banc 2001);
82 *Southwestern Bell Tel. Co. v. Director of Revenue*, 78 S.W.3d 763 (Mo. banc 2002); and
83 *Southwestern Bell Tel. Co. v. Director of Revenue*, 182 S.W.3d 226 (Mo. banc 2005), is
84 hereby affirmed;

85 (6) Tangible personal property which is used exclusively in the manufacturing,
86 processing, modification or assembling of products sold to the United States government or to
87 any agency of the United States government;

88 (7) Animals or poultry used for breeding or feeding purposes, or captive wildlife;

89 (8) Newsprint, ink, computers, photosensitive paper and film, toner, printing plates
90 and other machinery, equipment, replacement parts and supplies used in producing
91 newspapers published for dissemination of news to the general public;

92 (9) The rentals of films, records or any type of sound or picture transcriptions for
93 public commercial display;

94 (10) Pumping machinery and equipment used to propel products delivered by
95 pipelines engaged as common carriers;

96 (11) Railroad rolling stock for use in transporting persons or property in interstate
97 commerce and motor vehicles licensed for a gross weight of twenty-four thousand pounds or
98 more or trailers used by common carriers, as defined in section 390.020, in the transportation
99 of persons or property;

(12) Electrical energy used in the actual primary manufacture, processing, compounding, mining or producing of a product, or electrical energy used in the actual secondary processing or fabricating of the product, or a material recovery processing plant as defined in subdivision (4) of this subsection, in facilities owned or leased by the taxpayer, if the total cost of electrical energy so used exceeds ten percent of the total cost of production, either primary or secondary, exclusive of the cost of electrical energy so used or if the raw materials used in such processing contain at least twenty-five percent recovered materials as defined in section 260.200. There shall be a rebuttable presumption that the raw materials used in the primary manufacture of automobiles contain at least twenty-five percent recovered materials. For purposes of this subdivision, "processing" means any mode of treatment, act or series of acts performed upon materials to transform and reduce them to a different state or thing, including treatment necessary to maintain or preserve such processing by the producer at the production facility;

(13) Anodes which are used or consumed in manufacturing, processing, compounding, mining, producing or fabricating and which have a useful life of less than one year;

(14) Machinery, equipment, appliances and devices purchased or leased and used solely for the purpose of preventing, abating or monitoring air pollution, and materials and supplies solely required for the installation, construction or reconstruction of such machinery, equipment, appliances and devices;

(15) Machinery, equipment, appliances and devices purchased or leased and used solely for the purpose of preventing, abating or monitoring water pollution, and materials and supplies solely required for the installation, construction or reconstruction of such machinery, equipment, appliances and devices;

(16) Tangible personal property purchased by a rural water district;

(17) All amounts paid or charged for admission or participation or other fees paid by or other charges to individuals in or for any place of amusement, entertainment or recreation, games or athletic events, including museums, fairs, zoos and planetariums, owned or operated by a municipality or other political subdivision where all the proceeds derived therefrom benefit the municipality or other political subdivision and do not inure to any private person, firm, or corporation, provided, however, that a municipality or other political subdivision may enter into revenue-sharing agreements with private persons, firms, or corporations providing goods or services, including management services, in or for the place of amusement, entertainment or recreation, games or athletic events, and provided further that nothing in this subdivision shall exempt from tax any amounts retained by any private person, firm, or corporation under such revenue-sharing agreement;

(18) All sales of insulin, and all sales, rentals, repairs, and parts of durable medical equipment, prosthetic devices, and orthopedic devices as defined on January 1, 1980, by the federal Medicare program pursuant to Title XVIII of the Social Security Act of 1965, including the items specified in Section 1862(a)(12) of that act (**42 U.S.C. Section 1395y, as amended**), and also specifically including hearing aids and hearing aid supplies and all sales of drugs which may be legally dispensed by a licensed pharmacist only upon a lawful prescription of a practitioner licensed to administer those items, including samples and materials used to manufacture samples which may be dispensed by a practitioner authorized to dispense such samples and all sales or rental of medical oxygen, home respiratory equipment and accessories including parts, and hospital beds and accessories and ambulatory aids including parts, and all sales or rental of manual and powered wheelchairs including parts, and stairway lifts, Braille writers, electronic Braille equipment and, if purchased or rented by or on behalf of a person with one or more physical or mental disabilities to enable them to function more independently, all sales or rental of scooters including parts, and reading machines, electronic print enlargers and magnifiers, electronic alternative and augmentative communication devices, and items used solely to modify motor vehicles to permit the use of such motor vehicles by individuals with disabilities or sales of over-the-counter or nonprescription drugs to individuals with disabilities, and drugs required by the Food and Drug Administration to meet the over-the-counter drug product labeling requirements in 21 CFR 201.66, or its successor, as prescribed by a health care practitioner licensed to prescribe;

(19) All sales made by or to religious and charitable organizations and institutions in their religious, charitable or educational functions and activities and all sales made by or to all elementary and secondary schools operated at public expense in their educational functions and activities;

(20) All sales of aircraft to common carriers for storage or for use in interstate commerce and all sales made by or to not-for-profit civic, social, service or fraternal organizations, including fraternal organizations which have been declared tax-exempt organizations pursuant to Section 501(c)(8) or (10) of the 1986 Internal Revenue Code, as amended, in their civic or charitable functions and activities and all sales made to eleemosynary and penal institutions and industries of the state, and all sales made to any private not-for-profit institution of higher education not otherwise excluded pursuant to subdivision (19) of this subsection or any institution of higher education supported by public funds, and all sales made to a state relief agency in the exercise of relief functions and activities;

(21) All ticket sales made by benevolent, scientific and educational associations which are formed to foster, encourage, and promote progress and improvement in the science

173 of agriculture and in the raising and breeding of animals, and by nonprofit summer theater
174 organizations if such organizations are exempt from federal tax pursuant to the provisions of
175 the Internal Revenue Code and all admission charges and entry fees to the Missouri state fair
176 or any fair conducted by a county agricultural and mechanical society organized and operated
177 pursuant to sections 262.290 to 262.530;

178 (22) All sales made to any private not-for-profit elementary or secondary school, all
179 sales of feed additives, medications or vaccines administered to livestock or poultry in the
180 production of food or fiber, all sales of pesticides used in the production of crops, livestock or
181 poultry for food or fiber, all sales of bedding used in the production of livestock or poultry for
182 food or fiber, all sales of propane or natural gas, electricity or diesel fuel used exclusively for
183 drying agricultural crops, natural gas used in the primary manufacture or processing of fuel
184 ethanol as defined in section 142.028, natural gas, propane, and electricity used by an eligible
185 new generation cooperative or an eligible new generation processing entity as defined in
186 section 348.432, and all sales of farm machinery and equipment, other than airplanes, motor
187 vehicles and trailers, and any freight charges on any exempt item. As used in this
188 subdivision, the term "feed additives" means tangible personal property which, when mixed
189 with feed for livestock or poultry, is to be used in the feeding of livestock or poultry. As used
190 in this subdivision, the term "pesticides" includes adjuvants such as crop oils, surfactants,
191 wetting agents and other assorted pesticide carriers used to improve or enhance the effect of a
192 pesticide and the foam used to mark the application of pesticides and herbicides for the
193 production of crops, livestock or poultry. As used in this subdivision, the term "farm
194 machinery and equipment" means new or used farm tractors and such other new or used farm
195 machinery and equipment and repair or replacement parts thereon and any accessories for and
196 upgrades to such farm machinery and equipment, rotary mowers used exclusively for
197 agricultural purposes, and supplies and lubricants used exclusively, solely, and directly for
198 producing crops, raising and feeding livestock, fish, poultry, pheasants, chukar, quail, or for
199 producing milk for ultimate sale at retail, including field drain tile, and one-half of each
200 purchaser's purchase of diesel fuel therefor which is:

- 201 (a) Used exclusively for agricultural purposes;
202 (b) Used on land owned or leased for the purpose of producing farm products; and
203 (c) Used directly in producing farm products to be sold ultimately in processed form
204 or otherwise at retail or in producing farm products to be fed to livestock or poultry to be sold
205 ultimately in processed form at retail;

206 (23) Except as otherwise provided in section 144.032, all sales of metered water
207 service, electricity, electrical current, natural, artificial or propane gas, wood, coal or home
208 heating oil for domestic use and in any city not within a county, all sales of metered or
209 unmetered water service for domestic use:

210 (a) "Domestic use" means that portion of metered water service, electricity, electrical
211 current, natural, artificial or propane gas, wood, coal or home heating oil, and in any city not
212 within a county, metered or unmetered water service, which an individual occupant of a
213 residential premises uses for nonbusiness, noncommercial or nonindustrial purposes. Utility
214 service through a single or master meter for residential apartments or condominiums,
215 including service for common areas and facilities and vacant units, shall be deemed to be for
216 domestic use. Each seller shall establish and maintain a system whereby individual purchases
217 are determined as exempt or nonexempt;

218 (b) Regulated utility sellers shall determine whether individual purchases are exempt
219 or nonexempt based upon the seller's utility service rate classifications as contained in tariffs
220 on file with and approved by the Missouri public service commission. Sales and purchases
221 made pursuant to the rate classification "residential" and sales to and purchases made by or on
222 behalf of the occupants of residential apartments or condominiums through a single or master
223 meter, including service for common areas and facilities and vacant units, shall be considered
224 as sales made for domestic use and such sales shall be exempt from sales tax. Sellers shall
225 charge sales tax upon the entire amount of purchases classified as nondomestic use. The
226 seller's utility service rate classification and the provision of service thereunder shall be
227 conclusive as to whether or not the utility must charge sales tax;

228 (c) Each person making domestic use purchases of services or property and who uses
229 any portion of the services or property so purchased for a nondomestic use shall, by the
230 fifteenth day of the fourth month following the year of purchase, and without assessment,
231 notice or demand, file a return and pay sales tax on that portion of nondomestic purchases.
232 Each person making nondomestic purchases of services or property and who uses any portion
233 of the services or property so purchased for domestic use, and each person making domestic
234 purchases on behalf of occupants of residential apartments or condominiums through a single
235 or master meter, including service for common areas and facilities and vacant units, under a
236 nonresidential utility service rate classification may, between the first day of the first month
237 and the fifteenth day of the fourth month following the year of purchase, apply for credit or
238 refund to the director of revenue and the director shall give credit or make refund for taxes
239 paid on the domestic use portion of the purchase. The person making such purchases on
240 behalf of occupants of residential apartments or condominiums shall have standing to apply to
241 the director of revenue for such credit or refund;

242 (24) All sales of handicraft items made by the seller or the seller's spouse if the seller
243 or the seller's spouse is at least sixty-five years of age, and if the total gross proceeds from
244 such sales do not constitute a majority of the annual gross income of the seller;

245 (25) Excise taxes, collected on sales at retail, imposed by Sections 4041, 4071, 4081,
246 ~~[4091,]~~ 4161, 4181, 4251, 4261 and 4271 of Title 26, United States Code. The director of

247 revenue shall promulgate rules pursuant to chapter 536 to eliminate all state and local sales
248 taxes on such excise taxes;

249 (26) Sales of fuel consumed or used in the operation of ships, barges, or waterborne
250 vessels which are used primarily in or for the transportation of property or cargo, or the
251 conveyance of persons for hire, on navigable rivers bordering on or located in part in this
252 state, if such fuel is delivered by the seller to the purchaser's barge, ship, or waterborne vessel
253 while it is afloat upon such river;

254 (27) All sales made to an interstate compact agency created pursuant to sections
255 70.370 to 70.441 or sections 238.010 to 238.100 in the exercise of the functions and activities
256 of such agency as provided pursuant to the compact;

257 (28) Computers, computer software and computer security systems purchased for use
258 by architectural or engineering firms headquartered in this state. For the purposes of this
259 subdivision, "headquartered in this state" means the office for the administrative management
260 of at least four integrated facilities operated by the taxpayer is located in the state of Missouri;

261 (29) All livestock sales when either the seller is engaged in the growing, producing or
262 feeding of such livestock, or the seller is engaged in the business of buying and selling,
263 bartering or leasing of such livestock;

264 (30) All sales of barges which are to be used primarily in the transportation of
265 property or cargo on interstate waterways;

266 (31) Electrical energy or gas, whether natural, artificial or propane, water, or other
267 utilities which are ultimately consumed in connection with the manufacturing of cellular glass
268 products or in any material recovery processing plant as defined in subdivision (4) of this
269 subsection;

270 (32) Notwithstanding other provisions of law to the contrary, all sales of pesticides or
271 herbicides used in the production of crops, aquaculture, livestock or poultry;

272 (33) Tangible personal property and utilities purchased for use or consumption
273 directly or exclusively in the research and development of agricultural/biotechnology and
274 plant genomics products and prescription pharmaceuticals consumed by humans or animals;

275 (34) All sales of grain bins for storage of grain for resale;

276 (35) All sales of feed which are developed for and used in the feeding of pets owned
277 by a commercial breeder when such sales are made to a commercial breeder, as defined in
278 section 273.325, and licensed pursuant to sections 273.325 to 273.357;

279 (36) All purchases by a contractor on behalf of an entity located in another state,
280 provided that the entity is authorized to issue a certificate of exemption for purchases to a
281 contractor under the provisions of that state's laws. For purposes of this subdivision, the term
282 "certificate of exemption" shall mean any document evidencing that the entity is exempt from
283 sales and use taxes on purchases pursuant to the laws of the state in which the entity is

284 located. Any contractor making purchases on behalf of such entity shall maintain a copy of
285 the entity's exemption certificate as evidence of the exemption. If the exemption certificate
286 issued by the exempt entity to the contractor is later determined by the director of revenue to
287 be invalid for any reason and the contractor has accepted the certificate in good faith, neither
288 the contractor or the exempt entity shall be liable for the payment of any taxes, interest and
289 penalty due as the result of use of the invalid exemption certificate. Materials shall be exempt
290 from all state and local sales and use taxes when purchased by a contractor for the purpose of
291 fabricating tangible personal property which is used in fulfilling a contract for the purpose of
292 constructing, repairing or remodeling facilities for the following:

293 (a) An exempt entity located in this state, if the entity is one of those entities able to
294 issue project exemption certificates in accordance with the provisions of section 144.062; or

295 (b) An exempt entity located outside the state if the exempt entity is authorized to
296 issue an exemption certificate to contractors in accordance with the provisions of that state's
297 law and the applicable provisions of this section;

298 (37) All sales or other transfers of tangible personal property to a lessor who leases
299 the property under a lease of one year or longer executed or in effect at the time of the sale or
300 other transfer to an interstate compact agency created pursuant to sections 70.370 to 70.441 or
301 sections 238.010 to 238.100;

302 (38) Sales of tickets to any collegiate athletic championship event that is held in a
303 facility owned or operated by a governmental authority or commission, a quasi-governmental
304 agency, a state university or college or by the state or any political subdivision thereof,
305 including a municipality, and that is played on a neutral site and may reasonably be played at
306 a site located outside the state of Missouri. For purposes of this subdivision, "neutral site"
307 means any site that is not located on the campus of a conference member institution
308 participating in the event;

309 (39) All purchases by a sports complex authority created under section 64.920, and all
310 sales of utilities by such authority at the authority's cost that are consumed in connection with
311 the operation of a sports complex leased to a professional sports team;

312 (40) All materials, replacement parts, and equipment purchased for use directly upon,
313 and for the modification, replacement, repair, and maintenance of aircraft, aircraft power
314 plants, and aircraft accessories;

315 (41) Sales of sporting clays, wobble, skeet, and trap targets to any shooting range or
316 similar places of business for use in the normal course of business and money received by a
317 shooting range or similar places of business from patrons and held by a shooting range or
318 similar place of business for redistribution to patrons at the conclusion of a shooting event;

319 (42) All sales of motor fuel, as defined in section 142.800, used in any watercraft, as
320 defined in section 306.010;

321 (43) Any new or used aircraft sold or delivered in this state to a person who is not a
322 resident of this state or a corporation that is not incorporated in this state, and such aircraft is
323 not to be based in this state and shall not remain in this state more than ten business days
324 subsequent to the last to occur of:

325 (a) The transfer of title to the aircraft to a person who is not a resident of this state or a
326 corporation that is not incorporated in this state; or

327 (b) The date of the return to service of the aircraft in accordance with 14 CFR 91.407
328 for any maintenance, preventive maintenance, rebuilding, alterations, repairs, or installations
329 that are completed contemporaneously with the transfer of title to the aircraft to a person who
330 is not a resident of this state or a corporation that is not incorporated in this state;

331 (44) Motor vehicles registered in excess of fifty-four thousand pounds, and the
332 trailers pulled by such motor vehicles, that are actually used in the normal course of business
333 to haul property on the public highways of the state, and that are capable of hauling loads
334 commensurate with the motor vehicle's registered weight; and the materials, replacement
335 parts, and equipment purchased for use directly upon, and for the repair and maintenance or
336 manufacture of such vehicles. For purposes of this subdivision, "motor vehicle" and "public
337 highway" shall have the meaning as ascribed in section 390.020;

338 (45) All internet access or the use of internet access regardless of whether the tax is
339 imposed on a provider of internet access or a buyer of internet access. For purposes of this
340 subdivision, the following terms shall mean:

341 (a) "Direct costs", costs incurred by a governmental authority solely because of an
342 internet service provider's use of the public right-of-way. The term shall not include costs that
343 the governmental authority would have incurred if the internet service provider did not make
344 such use of the public right-of-way. Direct costs shall be determined in a manner consistent
345 with generally accepted accounting principles;

346 (b) "Internet", computer and telecommunications facilities, including equipment and
347 operating software, that comprises the interconnected worldwide network that employ the
348 transmission control protocol or internet protocol, or any predecessor or successor protocols
349 to that protocol, to communicate information of all kinds by wire or radio;

350 (c) "Internet access", a service that enables users to connect to the internet to access
351 content, information, or other services without regard to whether the service is referred to as
352 telecommunications, communications, transmission, or similar services, and without regard to
353 whether a provider of the service is subject to regulation by the Federal Communications
354 Commission as a common carrier under 47 U.S.C. Section 201, et seq. For purposes of this
355 subdivision, internet access also includes: the purchase, use, or sale of communications
356 services, including telecommunications services as defined in section 144.010, to the extent
357 the communications services are purchased, used, or sold to provide the service described in

358 this subdivision or to otherwise enable users to access content, information, or other services
359 offered over the internet; services that are incidental to the provision of a service described in
360 this subdivision, when furnished to users as part of such service, including a home page,
361 electronic mail, and instant messaging, including voice-capable and video-capable electronic
362 mail and instant messaging, video clips, and personal electronic storage capacity; a home
363 page electronic mail and instant messaging, including voice-capable and video-capable
364 electronic mail and instant messaging, video clips, and personal electronic storage capacity
365 that are provided independently or that are not packed with internet access. As used in this
366 subdivision, internet access does not include voice, audio, and video programming or other
367 products and services, except services described in this paragraph or this subdivision, that use
368 internet protocol or any successor protocol and for which there is a charge, regardless of
369 whether the charge is separately stated or aggregated with the charge for services described in
370 this paragraph or this subdivision;

371 (d) "Tax", any charge imposed by the state or a political subdivision of the state for
372 the purpose of generating revenues for governmental purposes and that is not a fee imposed
373 for a specific privilege, service, or benefit conferred, except as described as otherwise under
374 this subdivision, or any obligation imposed on a seller to collect and to remit to the state or a
375 political subdivision of the state any gross retail tax, sales tax, or use tax imposed on a buyer
376 by such a governmental entity. The term tax shall not include any franchise fee or similar fee
377 imposed or authorized under ~~[section 67.1830]~~ **sections 67.1830 to 67.1846** or 67.2689;
378 Section 622 or 653 of the Communications Act of 1934, 47 U.S.C. Section 542 and 47 U.S.C.
379 Section 573; or any other fee related to obligations of telecommunications carriers under the
380 Communications Act of 1934, 47 U.S.C. Section 151, et seq., except to the extent that:

381 a. The fee is not imposed for the purpose of recovering direct costs incurred by the
382 franchising or other governmental authority from providing the specific privilege, service, or
383 benefit conferred to the payer of the fee; or

384 b. The fee is imposed for the use of a public right-of-way based on a percentage of the
385 service revenue, and the fee exceeds the incremental direct costs incurred by the
386 governmental authority associated with the provision of that right-of-way to the provider
387 of internet access service.

388

389 Nothing in this subdivision shall be interpreted as an exemption from taxes due on goods or
390 services that were subject to tax on January 1, 2016;

391 **(46) All lease transactions of motor vehicles. For the purposes of this**
392 **subdivision, "motor vehicles" means any automobile, truck, or self-propelled vehicle**
393 **designed and licensed for operation upon the highways and that is held for sale in the**
394 **ordinary course of business. This term does not include farm tractors or machinery,**

395 **vehicles exclusively operated or driven upon fixed rails or track, electric bicycles, or**
396 **motorized bicycles.**

397 3. Any ruling, agreement, or contract, whether written or oral, express or implied,
398 between a person and this state's executive branch, or any other state agency or department,
399 stating, agreeing, or ruling that such person is not required to collect sales and use tax in this
400 state despite the presence of a warehouse, distribution center, or fulfillment center in this state
401 that is owned or operated by the person or an affiliated person shall be null and void unless it
402 is specifically approved by a majority vote of each of the houses of the general assembly. For
403 purposes of this subsection, an "affiliated person" means any person that is a member of the
404 same controlled group of corporations as defined in Section 1563(a) of the Internal Revenue
405 Code of 1986, as amended, as the vendor or any other entity that, notwithstanding its form of
406 organization, bears the same ownership relationship to the vendor as a corporation that is a
407 member of the same controlled group of corporations as defined in Section 1563(a) of the
408 Internal Revenue Code, as amended.

144.1021. The enactment of sections 143.177, 144.608, 144.637, 144.638, and
2 144.752 of this act; the repeal and reenactment of sections 143.011, 144.011, 144.014,
3 [144.020,] 144.049, 144.054, 144.140, 144.526, and 144.605 of this act; and the repeal of
4 sections 144.710, 144.1000, 144.1003, 144.1006, 144.1009, 144.1012, and 144.1015 of this
5 act shall become effective January 1, 2023.

427.200. Any person may hold personal property for lease, except as otherwise
2 provided by law. A lease shall be in writing and may be either the functional equivalent of a
3 loan or a true lease where the lessee pays compensation for the use of the leased property
4 which is returned to the lessor at the end of the lease. A motor vehicle lease may include the
5 outstanding balance of a prior loan or lease of a motor vehicle used as a trade-in, as well as
6 other items that are capitalized or amortized during the lease term. Lease payments shall be
7 considered in the nature of rent rather than interest, and the provisions of chapter 408 relating
8 to interest, shall not apply. **Notwithstanding any other provision of law to the contrary,**
9 **property tax due on a leased motor vehicle shall be paid by the lessor and shall not be**
10 **assigned to, paid by, or charged back to the lessee through other fees, charges, or**
11 **payments.**

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