HCS HB 1605 -- TAX CREDITS (Kelley)

COMMITTEE OF ORIGIN: Standing Committee on Ways and Means

EARNED INCOME CREDIT (Section 135.760, RSMo)

This bill establishes the Missouri Earned Income Tax Credit Act which authorizes, beginning January 1, 2017, an individual income tax credit equal to 20% of any earned income tax credit claimed by the taxpayer on his or her federal income tax return. Any credit that exceeds the taxpayer's liability in any tax year cannot be refunded to the taxpayer. The Department of Revenue must notify taxpayers who may qualify for the credit and must contract with one or more nonprofit groups to contact non-English speaking individuals, elderly residents, tenants, and very low-income individuals who do not file tax returns to notify them annually of the credit. The department must prepare an annual report containing the number of credits issued and claimed, the total amount of revenue expended, and the average value of the credits issued within certain income ranges.

The provisions of Section 135.760 of the bill will expire December 31 six years after the effective date.

This provision of the bill is similar to HB 1296 (2015).

RENTAL PROPERTY TAX CREDIT (Section 135.1160)

Beginning January 1, 2017, this bill authorizes an income tax credit for certain specified costs incurred in the renovation of a taxpayer’s rented dwelling or residence. The building must be a multi-family dwelling with at least two units, one of which must be occupied by the taxpayer. The credit will be equal to 20% of the renovation's costs, up to $2,500 per taxpayer. The tax credit will be issued on a first-come, first-served basis and is not refundable or transferable but can be carried forward for three years. No more than $5 million of these tax credits can be issued in any fiscal year.

The provisions of Section 135.1160 of the bill will expire December 31 six years after the effective date.

This provision of the bill is similar to HB 863 (2015).

CONTRIBUTION TO SCHOOL FOUNDATIONS (Section 135.1910)

Beginning January 1, 2017, this bill authorizes a tax credit in an amount equal to 50% of the taxpayer’s contribution to a qualified organization that provides funding for unmet health, hunger, and hygiene needs for children in school. The amount of the tax credit claimed cannot exceed the amount of the taxpayer's state tax liability for the tax year that the credit is claimed, and the taxpayer is not allowed to claim a tax credit in excess of $50,000 per tax year. Any tax credit that cannot be claimed in the tax year that the contribution was made may be carried over to the next four succeeding tax years until the full credit has been claimed. A taxpayer's minimum contribution or contributions to a qualified organization or organizations must be $100, except for any excess credit that is being carried over.

A qualified organization may submit an application, along with other items, on behalf of taxpayers for tax credits.

The Director of the Department of Social Services must determine, at least annually, which organizations in the state may be classified as qualified organizations and may require the organization seeking the classification to provide any information that is reasonably necessary to make the determination.

The Director of the Department of Social Services must provide the information to the Director of the Department of Revenue. The director must be subject to the confidentiality and penalty provisions of Section 32.057, RSMo, relating to the disclosure of tax information.

These provisions must not limit or in any way impair the department's ability to issue tax credits authorized on or before the date the program expires or a taxpayer's ability to redeem the tax credits.

The provisions of Section 135.1910 of the bill will expire on December 31, 2022.

This provision of the bill is similar to HB 428 (2015).

BRING JOBS HOME ACT (Section 143.1100)

This bill establishes the Bring Jobs Home Act and authorizes an income tax deduction equal to 50% of the eligible insourcing expenses associated with eliminating a business located outside of the state and reestablishing it in Missouri. The elimination may occur in a year other than the year the relocation occurs, and the expenses must be under a written insourcing plan. To be eligible for the tax deduction, the number of full-time employees in Missouri for the year the deduction is claimed must exceed the number of full-time employees for the year preceding the year in which the eligible insourcing expenses were paid or incurred.

Eligible insourcing expenses must be taken into account during the taxable year that the plan has been completed and all eligible insourcing expenses have been paid or incurred or, if the taxpayer chooses, the first taxable year after the taxable year the expenses have been paid or incurred. A deduction will not be allowed for any expenses incurred when dissolving a business in Missouri and relocating it to another state.

The maximum annual amount of tax deductions is $5 million and will be allowed on a first come first served filing basis. Any deduction that cannot be claimed in the taxable year can be carried forward up to five years. If a taxpayer is allowed a deduction under this program and within 10 years of receiving the deduction eliminates the business unit for which the deduction was allowed, the taxpayer must repay the state an amount equal to the amount of the deduction.

The provisions of Section 143.1100 of the bill will expire six years after the effective date.

This provision of the bill is similar to SCS HCS HB 325 (2015).