HCS HB 2638 -- CORPORATE INCOME TAX

SPONSOR: Smith (163)

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Ways and Means by a vote of 11 to 1.

This bill changes the calculation of taxable income of corporations by disallowing any inter-company transactions between corporations that file a consolidated income tax return in this state to be considered sales and business transactions in determining taxable income in Missouri.

PROPONENTS: Supporters say that the current Missouri apportionment factor calculations exclude intra-company transfers, but include inter-company transfers. This is inconsistent with good tax theory, and places Missouri-based corporate groups at a disadvantage compared to intra-company treatment groups. Current law provides an advantage to non-Missouri based corporate groups and provides a loophole for savvy corporate tax planning. Corporations and consolidated groups can adjust their corporate entity structure to create or eliminate entities to reduce Missouri tax liability. Only Missouri and Florida have this, while other states already exclude both intra-company and inter-company transactions from their calculations. This bill treats inter-company transactions consistently with intra-company transactions. This is good tax policy, consistent with other states, and is beneficial to Missouri-based businesses and locations.

Testifying for the bill were Representative Smith; Ken Purser, Leggett & Platt, Inc; Enterprise Leasing of St. Louis, LLC; Associated Industries of Missouri; and the Missouri Society of Certified Public Accountants.

OPPONENTS: There was no opposition voiced to the committee.