

HCS SS#2 SB 704 -- TAXATION

SPONSOR: Hoskins

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Regulatory Oversight and Reform by a vote of 7 to 0.

The following is a summary of the House Committee Substitute for HCS SS#2 SB 704.

This bill modifies several provisions relating to taxation.

#### TRANSIENT GUEST TAXES

The bill authorizes the City of Butler to submit to the voters a transient guest tax not to exceed 6% of the charges per occupied room per night. The vote shall occur on a general election day not earlier than the 2022 general election (Section 67.1011, RSMo).

This provision is similar to HB 2562 (2020).

This bill authorizes the City of Springfield to submit to the voters a transient guest tax not to exceed 7.5% of the charges per occupied room per night. Such tax shall be used solely for capital investments that can be demonstrated to increase the number of overnight visitors.

Upon approval by the voters, the city may adopt rules and regulations for the internal collection of the tax, or may enter into an agreement with the Department of Revenue for the collection of the tax. The vote shall occur on a general election day not earlier than the 2022 general election (Section 94.842).

This provision is similar to SB 770 (2020), SB 387, HB 1073 (2019), and to a provision contained in SS SCS SBs 46 & 50, SCS HCS HB 674, and SCS HB 761 (2019).

This bill authorizes the City of Ashland to submit to the voters a transient guest tax not to exceed 5% of the charges per occupied room per night. Such tax shall be used for the promotion of tourism, growth of the region, economic development, and public safety, as described in the bill. The vote shall occur on a general election day not earlier than the 2022 general election (Section 94.1014).

This provision is similar to HB 1601 (2020).

This bill adds the City of Cameron to the list of cities authorized to propose a transient guest tax for the promotion of tourism. The

vote shall occur on a general election day not earlier than the 2022 general election (Section 67.1360).

This provision is similar to HB 2418 (2020).

#### PUBLIC SAFETY SALES TAXES

This bill adds the cities of Clinton, Lincoln, Branson West, Cole Camp, Hallsville, Kearney, Smithville, and Claycomo to the list of cities and villages authorized to levy a sales tax upon voter approval for the purposes of improving public safety. The tax shall be 0.25%, 0.5%, 0.75%, or 1%. The vote for such cities shall occur on a general election day not earlier than the 2022 general election (Sections 94.900 and 94.902).

These provisions are similar to SB 873, HB 1701, HB 1309, HB 1726, and HB 1731 (2020).

#### FIRE PROTECTION SALES TAXES

Currently, ambulance and fire protection districts in certain counties to propose a sales tax at a rate of up to 0.5%. This bill allows such districts to propose a sales tax of up to 1.0%. The vote shall occur on a general election day not earlier than the 2022 general election (Section 321.552).

This provision is similar to SB 869 and HB 2386 (2020).

#### LOCAL USE TAX BALLOT LANGUAGE

This bill modifies ballot language required for the submission of a local use tax to voters by including language stating that the approval of the local use tax will eliminate the disparity in tax rates collected by local and out-of-state sellers by imposing the same rate on all sellers (Section 144.757).

This provision is similar to SB 652 (2020) and to a provision contained in SCS SB 189, SS SCS SBs 46 & 50, SS HCS HB 255, SCS HCS HB 674, and HB 701 (2019).

#### EARLY CHILDHOOD SALES TAX

This bill allows Greene County and any city within the county to impose a sales tax, upon approval of a majority of the voters, not to exceed .25% for the purpose of funding early childhood education in the county or city. The vote shall occur on a general election day not earlier than the 2022 general election (Section 67.1790).

This provision is similar to HB 1480 (2020).

## CAPITAL IMPROVEMENT SALES TAX

This bill makes technical corrections to provisions of law authorizing Clay and Platte counties to propose a capital improvement sales tax. The vote shall occur on a general election day not earlier than the 2022 general election(Section 67.730).

This provision is similar to HB 1746 (2020).

Currently, the City of Lamar Heights is authorized to levy a sales tax of up to 2% on retail sales of food at cafes, cafeterias, lunchrooms, or restaurants for the purpose of funding the construction, maintenance, and operation of capital improvements. This bill allows such sales tax to be levied at a rate not to exceed 6% and allows the revenues to be used for general revenue purposes. The vote shall occur on a general election day not earlier than the 2022 general election(Section 94.838).

This provision is similar to HB 2180 (2020).

## TAX INCREMENT FINANCING

This bill modifies local tax increment financing projects by limiting such projects to redevelopment areas that are found to be blighted. This bill also provides that a redevelopment area shall not be found to be blighted without a study conducted by a party other than the municipality and developer which details how the redevelopment area meets the definition of "blighted area".

This bill modifies the definition of "blighted area".

This bill also modifies the definition of "redevelopment plan" and "redevelopment area" to provide that such definitions shall not include "conservation areas" or "economic development areas". This bill modifies local tax increment financing projects by providing that a study shall be conducted by a party other than the proponent of the redevelopment plan, which details how the area meets the definition of an area eligible to receive tax increment financing.

This bill prohibits new projects from being authorized in any greenfield area(Sections 99.805 to 99.843).

This bill is the same as SB 871 (2020), SB 311 (2019), is similar to a provision contained in SS SCS SB 859, and HCS HB 1236 (2018), and is similar to SB 570 (2020).

## FINANCIAL REPORTS OF POLITICAL SUBDIVISIONS

Currently, political subdivisions are required to submit an annual report of the financial transactions of the political subdivision to the State Auditor, with any political subdivision failing to do so subject to a fine of \$500 per day. This bill provides that any political subdivision that has gross revenues of less than \$5,000 or that has not levied or collected sales or use taxes in the fiscal year for which the annual report was not timely filed shall not be subject to the fine. This bill also provides that if the annual report was not filed as a result of fraud or other illegal conduct by an employee or officer, such political subdivision shall not be subject to a fine if the annual report is filed within 30 days of the discovery of the fraud or illegal conduct.

The bill authorizes the Director of the Department of Revenue to make a one-time reduction in the amount of outstanding fines for political subdivisions filing its first annual report after January 1, 2021, or if the director determines the fine to be uncollectible, as described in the bill.

For any political subdivision with outstanding fines or penalties that does not file an annual report by January 1, 2021, or that files such report but fails to file any subsequent report, the Director of the Department of Revenue shall initiate the process to disincorporate the political subdivision. If a resident of the political subdivision believes the annual report has not been filed, he or she may file an affidavit with the Department of Revenue, which shall investigate. If the report has not been filed, the political subdivision shall file it within 90 days. If the political subdivision fails after 90 days to file the annual report, the Director of the Department of Revenue shall initiate the process to disincorporate the political subdivision.

The question of whether a political subdivision shall be disincorporated shall be submitted to the voters, as described in the bill. If a majority of voters vote for disincorporation, the circuit court shall appoint an administrative authority for the political subdivision, as described in the bill (Section 105.145).

#### DOMESTIC VIOLENCE SHELTER TAX CREDIT

Currently, a tax credit is authorized for contributions to domestic violence shelters in an amount equal to 50% of the contribution, with the maximum annual amount of tax credits limited to \$2 million. This bill increases the tax credit from 50% of the amount contributed to 70% beginning July 1, 2021, and increases the limit on the cumulative amount of tax credits claimed by all taxpayers in a fiscal year to \$4 million beginning July 1, 2021.

This bill also adds a definition of "rape crisis center" to allow taxpayers to receive tax credits for contributions to such facilities (Section 135.550).

This provision is the same as a provision contained in SS SCS SB 648 (2020) and is similar to SB 958 (2020).

#### PROPERTY TAXES

This bill modifies several provisions relating to property taxes. Currently, the St. Louis County Assessor is required to conduct a physical inspection of residential real property prior to increasing the assessed valuation of a property by more than 15% since the last assessment, and requires written notification of such inspection. This amendment applies such provision to all counties (Section 137.115).

For property tax assessments and appeals of such assessments, current law provides that, in first class counties, assessors shall notify property owners of an increase in the property owner's assessed valuation by June 15, taxpayers shall appeal to the county board of equalization by the third Monday in June, and the county board of equalization shall meet on the first Monday in July. For all other counties, assessors shall notify property owners of an increase in the property owner's assessed valuation by June 15, taxpayers shall appeal to the county board of equalization by the second Monday in July, and the county board of equalization shall meet on the third Monday in July.

This bill modifies such deadlines to provided that, for all counties, assessors shall notify property owners of an increase in the property owner's assessed valuation by June 1, taxpayers shall appeal to the county board of equalization by the first Monday in July, and the county board of equalization shall meet on the third Monday in July (Sections 137.180 to 137.385, 138.090).

These provisions are the same as SB 676 (2020).

For property tax assessments, current law provides that assessors shall notify property owners of an increase in the property owner's assessed valuation by June 15. This bill requires such notifications in St. Louis County to include information regarding the assessment method and computation of value for such property and, for properties valued using sales of comparable properties, a list of such comparable properties and the address or location and purchase prices from sales thereof that the assessor used in determining the assessed valuation of the owner's property (Section 137.180).

For property assessment appeals to the boards of equalization in

the City of St. Louis, St. Charles County, and St. Louis County, current law provides that the assessor shall have the burden to prove that the valuation does not exceed the true market value of the property. Additionally, if a physical inspection of a property is required for assessment, the assessor shall have the burden to prove that such inspection was performed. If the assessor fails to provide sufficient evidence that the inspection was performed, the property owner shall prevail on the appeal as a matter of law.

This bill applies such provisions to appeals in all counties for which the increase in assessed valuation for the subject property exceeds 15% (Section 138.060).

Currently, certain counties and St. Louis City are allowed to reimburse taxpayers who successfully appeal a property tax assessment to the State Tax Commission for appraisal costs, attorney fees, and court costs, with such reimbursements limited to \$1,000 for residential appeals and the lesser of \$4,000 or 25% of the tax savings resulting from the appeal for other non-residential appeals. Beginning January 1, 2021, this bill increases such limits for St. Louis County to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings resulting from the appeal for other non-residential appeals (Section 138.434). These provisions are similar to SB 547 (2020).

#### INCOME TAXES

Currently, a taxpayer may deduct from his or her Missouri adjusted gross income a portion of his or her federal income taxes paid. This bill provides that federal income tax credits received under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act shall not be considered when determining the amount of federal income tax liability allowable as a deduction under current law (Section 143.171).

Currently, taxpayers who itemize deductions are required to include any federal income tax refund amounts in his or her Missouri adjusted gross income if such taxpayer previously claimed a deduction for federal income tax liability on his or her Missouri income tax return. This bill provides that any amount of a federal income tax refund attributable to a tax credit received under the CARES Act shall not be included in the taxpayer's Missouri adjusted gross income (Section 143.121).

#### TAXATION OF PARTNERSHIPS

This bill requires taxpayers in a partnership to report and pay any tax due as a result of federal adjustments from an audit or other action taken by the IRS or reported by the taxpayer on an amended

federal income tax return. Such report shall be made to the Department of Revenue on forms prescribed by the department, and payments of additional tax due shall be made no later than 180 days after the final determination date of the IRS action, as defined in the bill.

Partners and partnerships shall also report final federal adjustments as a result of partnership level audits or administrative adjustment requests, as defined in the bill. Such payments shall be calculated and made as described in the bill. Partnerships shall be represented in such actions by the partnership's state partnership representative, which shall be the partnership's federal partnership representative unless otherwise designated in writing.

Partners shall be prohibited from applying any deduction or credit on any amount determined to be owed under this bill.

The department shall assess additional tax, interest, and penalties due as a result of federal adjustments under this bill no later than three years after the return was filed, as provided in current law, or one year following the filing of the federal adjustments report under this bill. For taxpayers who fail to timely file the federal adjustments report as provided under this bill, the department shall assess additional tax, interest, and penalties either by three years after the return was filed, one year following the filing of the federal adjustments report, or six years after the final determination date, whichever is later.

Taxpayers may make estimated payments of the tax expected to result from a pending IRS audit. Such payments shall be credited against any tax liability ultimately found to be due. If the estimated payments made exceed the final tax liability, the taxpayer shall be entitled to a refund or credit for the excess amount, as described in the bill.

The provisions of this bill shall apply to any adjustments to a taxpayer's federal taxable income or federal adjusted gross income with a final determination date occurring on or after January 1, 2021 (Section 143.425).

This provision is the same as SCS SB 220 (2019), is similar to HB 477 (2019), and SB 897 (2018).

#### TERRORIST ATTACK VICTIMS TAX RELIEF

This bill provides an income tax exemption for victims who die as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001, or as a

result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002. Such income tax exemption shall apply for the period beginning in the tax year such injuries occurred and ending in the tax year of such victim's death.

The tax exemption provided by this bill shall not apply to the amount of any tax imposed which would be computed by only taking into account the items of income, gain, or other amounts determined to be taxable under federal law, as described in the bill. This bill shall not apply to any individual as a participant or conspirator in any such attack or a representative of such an individual.

Provisions in current law requiring a claim for refund to be filed within three years from the time the return is filed shall not apply to refunds claimed pursuant to this bill (Section 143.991). This provision is substantially similar to SB 742 (2020).

#### CLOSURE OF COUNTY HOSPITAL DISTRICTS

This bill provides that, upon the dissolution of a county hospital district in Ripley County levying a sales tax for the purpose of funding the district, the sales tax shall be automatically repealed and 25% of the funds remaining in the special trust fund shall be distributed to the county public health center and 75% shall be distributed to a federally qualified health center located in the county (Section 205.202).

This provision is the same as SCS SB 616 and HB 2376 (2020).

#### CERTIFIED PUBLIC ACCOUNTANTS

Under this bill, the Missouri State Board of Accountancy may obtain information regarding peer review from any approved American Institute for Certified Public Accountants peer review program. The board may obtain the name and address of the public accounting firm, the firm's dates of enrollment in the program, the date of acceptance and the period covered by the firm's most recently accepted peer review, and if applicable, whether the firm's enrollment in the program has been dropped or terminated (Section 326.289).

This provision is the same as SCS SB 219 (2019) and to a provision contained in SCS SB 703 (2020), and is similar to provisions contained in HB 585, HB 943, and SCS HB 705 (2019).

#### LIMITED LIABILITY COMPANIES



Every limited liability company (LLC) and foreign limited liability company (foreign LLC) is required to file an information statement with the Secretary of State (SOS) once every 5 years, accompanied by a fee of \$15, or \$5 if filed electronically. The SOS is permitted to administratively cancel the articles of incorporation of an LLC or the registration of a foreign LLC for failure to timely file an information statement. The bill provides procedures for allowing a foreign LLC to apply to the SOS to have its registration reinstated following such a cancellation. Procedures are also created allowing an LLC to apply for reinstatement following the erroneous or accidental filing of a notice of winding up or notice of termination (Sections 347.044, 347.179, and 347.183).

The bill reduces various filing fees imposed on LLC's and partnerships for filing certain documents with the SOS and provides for reduced fees for filing certain documents in an electronic format. Additionally, the bill requires a fee of \$95 for filing a withdrawal of an erroneously or accidentally filed notice of winding up or articles of termination (Sections 347.179, 347.183, 358.460, and 358.470).

These provisions are the same as SB 720 (2020), are similar to HCS HB 1590 (2020), SCS SB 285 and HB 555 (2019).

#### CAPITOL COMPLEX TAX CREDIT ACT

This act creates the "Capitol Complex Tax Credit Act".

The Capitol Complex Fund is authorized to receive any eligible monetary donation, as defined in the act, and shall be segregated into two accounts: a rehabilitation and renovation account, and a maintenance account. Of the revenues deposited into the fund, 90% shall be placed in the rehabilitation and renovation account and 7.5% of revenues deposited in the fund shall be placed in the maintenance account. The remaining 2.5% of the funds may be used for the purposes of fundraising, advertising, and administrative costs.

The choice of projects for which money is to be used, as well as the determination of the methods of carrying out the project and the procurement of goods and services, shall be made by the Commissioner of Administration. No moneys shall be released from the fund for any expense without the approval of the Commissioner of Administration.

For all taxable years beginning on or after January 1, 2020, any qualified donor, as defined in the act, shall be allowed a credit

against any state income tax (except employer withheld taxes) or state taxes imposed on financial institutions for an amount equal to 50% of the monetary donation amount. Any amount of tax credit that exceeds the qualified donor's state income tax liability may be refunded or carried forward for the following four years.

For all taxable years beginning on or after January 1, 2020, a qualified donor shall be allowed a credit against any state income tax (except employer withheld taxes) or state taxes imposed on financial institutions for an amount equal to 30% of the value of the eligible artifact donation, as defined in the act. Any amount of tax credit that exceeds the donor's tax liability shall not be refunded for artifacts, but the credit may be carried forward for four subsequent years.

The Department of Economic Development shall not issue tax credits for donations to the Capitol Complex Fund in excess of \$10 million per year in the aggregate. Donations received in excess of the cap shall be placed in line for tax credits the following year. Alternatively, a donor may donate without receiving the credit or may request that their donation is returned.

Tax credits issued for donations under this act are not subject to any fee. Tax credits issued under this act may be assigned, transferred, sold, or otherwise conveyed.

These provisions shall sunset six years after August 28, 2020, unless reauthorized by the General Assembly (Section 620.3210).

These provisions are the same as SCS SB 586 (2020) and are substantially similar to SB 255 (2019) and to a provision contained in SB 545 (2018), HB 2691 (2018) and SCS SB 6 (2017).

**PROPOSERS:** Supporters say that some of these provisions are needed to bring us in line with the federal requirements so there are no anomalies in an IRS audit.

Testifying for the bill were Senator Hoskins; Missouri Society of Certified Public Accountants; and Missouri Economic Development Financing Association.

**OPPONENTS:** There was no one testifying in opposition.