

Study Commission on State Tax Policy

Study Commission Meeting

Wednesday, August 17, 2016

1:00 p.m.

Springfield Chamber of Commerce

Each of the Work Groups met at 10:00 a.m. and at 1:00 p.m. the Commission met as a whole

- The Commission called roll and approved the minutes from the June 8, 2016 meeting

Sales and Use Tax Work Group

- Cindy Stein, chairperson of the Sales and Use Tax Work Group, gave a report
 - Several areas of concentration:
 - Compare rates in various jurisdictions
 - State and local use taxes
 - Consolidation and simplification of exemptions
 - Use tax enforcement and compliance
 - Vendor discounts for timely payment
 - Review of sales tax holidays
 - Tax base uniformity
 - Streamlined sales tax

Income Tax Work Group

- Dan White, chairperson of the Income Tax Work Group, gave a report
- The group raised the following policy issues:
 - Potential Federal income tax deduction
 - Modernizing the income tax table
 - Apportionment elections
 - Clarifying MO “nexus” requirements
 - Combine Individual returns
 - Income tax elimination and expanding sales tax
- The group raised the following technical issues:
 - Obtaining a better understanding of the Missouri Department of Revenue’s interpretation of federal law
 - Removing or revising statutes and regulations that have been invalidated through subsequent decisions
 - Filing requirements

Tax Administration Work Group

- Sen. Dan Hegeman, chairperson of the Tax Administration Work Group, gave a report
- Specifically, the Work Group discussed:
 - Modernization and technical improvements at the Department of Revenue

- Taxpayer engagement
 - Potentially through taxpayer assistance offices or through an online portal or similar resource
- Formal processes for notification of tax changes
- Improved guidance from the Department of Revenue
 - Letter rulings are becoming more common
 - Rulemaking is often the better option
 - Allows taxpayer and legislature input
 - Information is more easily accessible for taxpayers
 - Some regulations are out-of-date, but provide no way for taxpayers to know they have been superseded
- Better data availability
 - Missouri's many taxing jurisdictions make it difficult to ascertain the amount that needs to be collected. Information might be formatted in a way that makes it easier for taxpayers to figure out how much to collect based on geography

The Commission discussed several other matters

- Department of Revenue Director Nia Ray has departed and John Mollenkamp is currently acting Director
- Several resources have been added to the shared Google Drive
- Dan Haug, Acting Budget Director, discussed changes to state revenue
- Chairman Hilger related statistics on Missouri's tax burden to surrounding states and the US in general
- The Commission discussed criteria for evaluating state tax policy:
 - Reliability
 - Equity (progressive or regressive)
 - Compliance and administration
 - Responsiveness to competition
 - Economic neutrality
 - Accountability
 - Transparency
 - Level of services desired

The Commission held a Public Hearing pursuant to § 137.450.3

- Ray McCarty appeared on behalf of Associated Industries of Missouri
 - Discussed *Alberici Constructors, Inc. v. Dir. Of Revenue* (Mo. 2015) and the response by the Missouri Department of Revenue
 - Suggested that the Department of Revenue should use the formal rule promulgation procedures more frequently
 - Discussed timely filing allowances
 - Stated that these allowances compensate costs of complying with tax laws

- David Overfelt appeared on behalf of the Missouri Retailers Association, NFIB, the Missouri Grocers' Association, Ozark Empire Grocers, Midamerican Grocers, Retail Grocers-K.C., the Missouri Tire Industry Association, Wester Retail Implements and Hardware Association, and the Missouri Hotel and Motel Association
 - Stated that timely filing allowances compensate large businesses that have high costs of compliance
 - Stated that brick and mortar retailers/consumers love the sales tax holiday and it helps retailers compete with online sellers
 - Supports Streamlined Sales Tax Agreement
 - Discussed increased phone calls after taxpayer assistance offices were closed
- Mike Sutherland appeared on behalf of the Missouri Budget Project
 - Stated that the complexity of the current system is a problem
 - Discussed implementing Streamlined Sales Tax
 - Discussed a potential Earned Income Tax Credit as a way to modernize tax brackets
- Todd Iveson appeared on behalf of the Missouri Department of Revenue
 - Discussed *Alberici Constructors, Inc. v. Dir. Of Revenue* (Mo. 2015)
 - Department of Revenue regulation was an attempt to simplify, but the Missouri Supreme Court disagreed and created a test, so the Department sent out the letter in response
- Chuck Pierce appeared on behalf of the Missouri Society of CPAs
 - Emphasized that private letter rulings are helpful for tax planning situations, but more often, clients come for advice after a transaction has already taken place
 - Increased rulemaking would be beneficial, but letter rulings are still important as well

The next commission meeting is scheduled for Wednesday, October 19 at the Wainwright State Office Building in St. Louis. Work Groups will meet in the morning, the commission will meet as a whole in the afternoon, and a public hearing will follow.