

SENATE SUBSTITUTE  
FOR  
HOUSE BILL NO. 1912  
AN ACT

To repeal sections 143.081 and 143.436, RSMo, and to enact in lieu thereof two new sections relating to the taxation of pass-through entities.

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

Section A. Sections 143.081 and 143.436, RSMo, are  
2 repealed and two new sections enacted in lieu thereof, to be  
3 known as sections 143.081 and 143.436, to read as follows:

143.081. 1. A resident individual, resident estate,  
2 and resident trust shall be allowed a credit against the tax  
3 otherwise due pursuant to sections 143.005 to 143.998 for  
4 the amount of any income tax imposed for the taxable year by  
5 another state of the United States (or a political  
6 subdivision thereof) or the District of Columbia on income  
7 derived from sources therein and which is also subject to  
8 tax pursuant to sections 143.005 to 143.998. For purposes  
9 of this subsection, the phrase "income tax imposed" shall be  
10 that amount of tax before any income tax credit allowed by  
11 such other state or the District of Columbia if the other  
12 state or the District of Columbia authorizes a reciprocal  
13 benefit for residents of this state.

14 2. The credit provided pursuant to this section shall  
15 not exceed an amount which bears the same ratio to the tax  
16 otherwise due pursuant to sections 143.005 to 143.998 as the  
17 amount of the taxpayer's Missouri adjusted gross income  
18 derived from sources in the other [taxing] jurisdiction  
19 bears to the taxpayer's Missouri adjusted gross income  
20 derived from all sources. In applying the limitation of the  
21 previous sentence to an estate or trust, Missouri taxable

22 income shall be substituted for Missouri adjusted gross  
23 income. If the tax of more than one other [taxing]  
24 jurisdiction is imposed on the same item of income, the  
25 credit shall not exceed the limitation that would result if  
26 the taxes of all the other jurisdictions applicable to the  
27 item were deemed to be of a single jurisdiction. The  
28 provisions of this subsection shall apply to any credit  
29 allowed under this section.

30 3. (1) For the purposes of this section, in the case  
31 of an S corporation, each resident S shareholder shall be  
32 considered to have paid a tax imposed on the shareholder in  
33 an amount equal to the shareholder's pro rata share of any  
34 net income tax paid by the S corporation to a state which  
35 does not measure the income of shareholders on an S  
36 corporation by reference to the income of the S corporation  
37 or where a composite return and composite payments are made  
38 in such state on behalf of the S shareholders by the S  
39 corporation.

40 (2) A resident S shareholder shall be eligible for a  
41 credit issued pursuant to this section in an amount equal to  
42 the [shareholder's pro rata share of any] individual income  
43 tax imposed pursuant to this chapter on such shareholder's  
44 share of the S corporation's income derived from sources in  
45 another state of the United States[, or a political  
46 subdivision thereof,] or the District of Columbia, and which  
47 is subject to income tax pursuant to this chapter but is not  
48 subject to income tax in such other jurisdiction or a  
49 political subdivision thereof.

50 4. For purposes of subsection 3 of this section, in  
51 the case of an S corporation that is a bank chartered by a  
52 state, the Office of Thrift Supervision, or the comptroller  
53 of currency, each Missouri resident S shareholder of such  
54 out-of-state bank shall qualify for the shareholder's pro

55 rata share of any net tax paid, including a bank franchise  
56 tax based on the income of the bank, by such S corporation  
57 where bank payment of taxes are made in such state on behalf  
58 of the S shareholders by the S bank to the extent of the tax  
59 paid.

143.436. 1. This section shall be known and may be  
2 cited as the "SALT Parity Act".

3 2. For the purposes of this section, the following  
4 terms shall mean:

5 (1) "Affected business entity", any partnership or S  
6 corporation that elects to be subject to tax pursuant to  
7 subsection [10] 11 of this section;

8 (2) "Direct member", a member that holds an interest  
9 directly in an affected business entity;

10 (3) "Indirect member", a member that itself holds an  
11 interest, through a direct or indirect member that is a  
12 partnership or an S corporation, in an affected business  
13 entity;

14 (4) "Member":

15 (a) A shareholder of an S corporation;

16 (b) A partner in a general partnership, a limited  
17 partnership, or a limited liability partnership; or

18 (c) A member of a limited liability company that is  
19 treated as a partnership or S corporation for federal income  
20 tax purposes;

21 (5) "Partnership", the same meaning as provided in 26  
22 U.S.C. Section 7701(a)(2), but not including a publicly  
23 traded partnership. The term partnership shall include a  
24 limited liability company that is treated as a partnership  
25 for federal income tax purposes;

26 (6) "S corporation", a corporation or limited  
27 liability company that is treated as an S corporation for  
28 federal income tax purposes;

29           (7) "Tax year", the tax year of a partnership or S  
30 corporation for federal income tax purposes.

31           3. (1) Notwithstanding any provision of law to the  
32 contrary, a tax is hereby imposed on each affected business  
33 entity that is a partnership and that is doing business in  
34 this state. Such affected business entity shall, at the  
35 time that the affected business entity's return is due, pay  
36 a tax [in an amount equal to] as determined in this  
37 subsection. The sum of the separately and nonseparately  
38 computed income and deduction items, as described in 26  
39 U.S.C. Section 702(a), of the affected business entity, to  
40 the extent derived from or connected with sources within  
41 this state, as determined pursuant to section 143.455, shall  
42 be decreased by the [deduction allowed under 26 U.S.C.  
43 Section 199A computed as if such deduction was allowed to be  
44 taken by the affected business entity for federal tax  
45 purposes] percentage deduction that would be allowable to  
46 the owners under section 143.022, and increased or decreased  
47 by any modification made pursuant to [section 143.471]  
48 sections 143.121 and 143.141 that relates to an item of the  
49 affected business entity's income, gain, loss, or deduction,  
50 to the extent derived from or connected with sources within  
51 this state, as determined pursuant to section 143.455 [, with  
52 such sum]. The resulting amount shall be the partnership's  
53 Missouri net income or loss, which, if greater than zero,  
54 shall be multiplied by the highest rate of tax used to  
55 determine a Missouri income tax liability for an individual  
56 pursuant to section 143.011 to arrive at the tax due. An  
57 affected business entity paying the tax pursuant to this  
58 subsection shall include with the payment of such taxes each  
59 report provided to a member pursuant to subsection 7 of this  
60 section.

61 (2) If [the amount] a Missouri net loss is calculated  
62 pursuant to subdivision (1) of this [section results in a  
63 net loss] subsection, such net loss may be carried forward  
64 to succeeding tax years for which the affected business  
65 entity elects to be subject to tax pursuant to subsection 11  
66 of this section until fully used.

67 4. (1) Notwithstanding any provision of law to the  
68 contrary, a tax is hereby imposed on each affected business  
69 entity that is an S corporation and that is doing business  
70 in this state. Such affected business entity shall, at the  
71 time that the affected business entity's tax return is due,  
72 pay a tax [in an amount equal to] as determined in this  
73 subsection. The sum of the separately and nonseparately  
74 computed income and deduction items, as described in 26  
75 U.S.C. Section 1366, of the affected business entity, to the  
76 extent derived from or connected with sources within this  
77 state, as determined pursuant to section 143.455, shall be  
78 decreased by the [deduction allowed under 26 U.S.C. Section  
79 199A computed as if such deduction was allowed to be taken  
80 by the affected business entity for federal tax purposes]  
81 percentage deduction that would be allowable to the owners  
82 under section 143.022, and increased or decreased by any  
83 modification made pursuant to [section 143.471] sections  
84 143.121 and 143.141 that relates to an item of the affected  
85 business entity's income, gain, loss, or deduction, to the  
86 extent derived from or connected with sources within this  
87 state, as determined pursuant to section 143.455 [, with such  
88 sum]. The resulting amount shall be the S corporation's  
89 Missouri net income or loss, which if greater than zero,  
90 shall be multiplied by the highest rate of tax used to  
91 determine a Missouri income tax liability for an individual  
92 pursuant to section 143.011 to arrive at the tax due. An  
93 affected business entity paying the tax pursuant to this

94 subsection shall include with the payment of such taxes each  
95 report provided to a member pursuant to subsection 7 of this  
96 section.

97 (2) If [the amount] a Missouri net loss is calculated  
98 pursuant to subdivision (1) of this [section results in a  
99 net loss] section, such net loss may be carried forward to  
100 succeeding tax years for which the affected business entity  
101 elects to be subject to tax pursuant to subsection 11 of  
102 this section until fully used.

103 5. (1) If an affected business entity is a direct or  
104 indirect member of another affected business entity, the  
105 member affected business entity shall, when calculating its  
106 Missouri net income or loss pursuant to subsection 3 or 4 of  
107 this section, subtract its distributive share of Missouri  
108 net income or add its distributive share of Missouri net  
109 loss from the affected business entity in which it is a  
110 direct or indirect member [to the extent that the income or  
111 loss was derived from or connected with sources within this  
112 state, as determined pursuant to section 143.455].

113 (2) Any member of an affected business entity may  
114 elect not to have tax imposed under this section with  
115 respect to the affected business entity's separately and  
116 nonseparately computed items described in subsection 3 or 4  
117 of this section, as the case may be, and otherwise subject  
118 to tax under this section, to the extent such items are  
119 allocable to that member; however, any such opt-out election  
120 made by a nonresident member shall also comply with  
121 subdivision (3) of this subsection. If and to the extent  
122 one or more members of the affected business entity make an  
123 opt-out election, the affected business entity shall, in  
124 computing the tax under this section, subtract the opt-out  
125 members' allocable items described in the preceding  
126 sentence. The affected business entity shall, in applying

127 the provisions of this section, take into account the effect  
128 of any opt-out election on each opt-out member's share of  
129 deductions, credits, and any other relevant items.

130 (3) Any opt-out election by a nonresident member shall  
131 be effective only if that member has agreed to:

132 (a) File a return in accordance with the provisions of  
133 section 143.181 and to make timely payment of all taxes  
134 imposed on the member by this state with respect to income  
135 of the affected business entity; and

136 (b) Be subject to personal jurisdiction in this state  
137 for purposes of the collection of income taxes, together  
138 with related interest and penalties, imposed on the member  
139 by this state with respect to the income of the affected  
140 business entity.

141 (4) An opt-out election shall be considered timely  
142 filed for a tax year, and for all subsequent tax years, if  
143 it is filed before or in conjunction with the annual return  
144 for such tax year under section 143.511. If a member of an  
145 affected business entity does not timely file an opt-out  
146 election for a tax year, that member shall not be precluded  
147 from timely filing an opt-out election for subsequent tax  
148 years.

149 6. A nonresident individual who is a member shall not  
150 be required to file an income tax return pursuant to this  
151 chapter for a tax year if, for such tax year, the only  
152 source of income derived from or connected with sources  
153 within the state for such member, or the member and the  
154 member's spouse if a joint federal income tax return is or  
155 shall be filed, is from one or more affected business  
156 entities and such affected business entity or entities file  
157 and pay the tax due under this section.

158 7. Each partnership and S corporation shall report to  
159 each of its members, for each tax year, such member's direct

160 pro rata share of the tax imposed pursuant to this section  
161 [on] by such partnership or S corporation if it is an  
162 affected business entity and its indirect pro rata share of  
163 the tax imposed on any affected business entity in which  
164 such affected business entity is a direct or indirect  
165 member. For each tax year in which it is subject to a tax  
166 under this section, the affected business entity shall file  
167 an affected business entity tax return on a date prescribed  
168 by the director of revenue. The payment of any interest,  
169 additions to tax, or penalties shall not be considered part  
170 of the tax imposed under this section.

171 8. (1) Each member that is subject to the tax imposed  
172 pursuant to section 143.011 or 143.041 shall be entitled to  
173 a credit against the tax imposed pursuant to section 143.011  
174 or 143.041. Such credit shall be in an amount equal to such  
175 member's direct and indirect pro rata share of the tax paid  
176 pursuant to this section by any affected business entity of  
177 which such member is directly or indirectly a member.

178 (2) If the amount of the credit authorized by this  
179 subsection exceeds such member's tax liability for the tax  
180 imposed pursuant to section 143.011 or 143.041, the excess  
181 amount shall not be refunded but may be carried forward to  
182 each succeeding tax year until such credit is fully taken.

183 9. (1) Each member that is subject to the tax imposed  
184 pursuant to section 143.011 as a resident or part-year  
185 resident of this state shall be entitled to a credit against  
186 the tax imposed pursuant to section 143.011 for such  
187 member's direct and indirect pro rata share of taxes paid to  
188 another state of the United States or to the District of  
189 Columbia, on income of any partnership or S corporation of  
190 which such person is a member that is derived therefrom,  
191 provided the taxes paid to another state of the United  
192 States or to the District of Columbia results from a tax



193 that the director of revenue determines is substantially  
194 similar to the tax imposed pursuant to this section. Any  
195 such credit shall be calculated in a manner to be prescribed  
196 by the director of revenue, provided such calculation is  
197 consistent with the provisions of this section, and further  
198 provided that the limitations provided in subsection 2 of  
199 section 143.081 shall apply to the credit authorized by this  
200 subsection.

201 (2) If the amount of the credit authorized by this  
202 subsection exceeds such member's tax liability for the tax  
203 imposed pursuant to section 143.011, the excess amount shall  
204 not be refunded and shall not be carried forward.

205 10. (1) Each corporation or fiduciary that is subject  
206 to the tax imposed pursuant to section 143.061 or 143.071  
207 and that is a member, or, in the case of a fiduciary subject  
208 to tax under section 143.061, is the fiduciary of an estate  
209 or trust that is a member, shall be entitled to a credit  
210 against the tax imposed pursuant to section 143.071. Such  
211 credit shall be in an amount equal to such corporation's,   
212 estate's, or trust's direct and indirect pro rata share of  
213 the tax paid pursuant to this section by any affected  
214 business entity of which such corporation, estate, or trust  
215 is directly or indirectly a member. Such credit shall be  
216 applied after all other credits.

217 (2) If the amount of the credit authorized by this  
218 subsection exceeds such corporation's or fiduciary's tax  
219 liability for the tax imposed pursuant to section 143.061 or  
220 143.071, the excess amount shall not be refunded but may be  
221 carried forward to each succeeding tax year until such  
222 credit is fully taken.

223 11. A partnership or an S corporation may elect to  
224 become an affected business entity that is required to pay  
225 the tax pursuant to this section [**in any tax year**]. A

226 separate election shall be made for each [taxable] tax  
227 year. Such election shall be made on such form and in such  
228 manner as the director of revenue may prescribe by rule. An  
229 election made pursuant to this subsection shall be signed by:

230 (1) Each member of the electing entity who is a member  
231 at the time the election is filed; [or]

232 (2) Any officer, manager, or member of the electing  
233 entity who is authorized to make the election and who  
234 attests to having such authorization under penalty of  
235 perjury; or

236 (3) The designated affected business entity  
237 representative of the electing entity.

238 12. The provisions of sections 143.425 and 143.601  
239 shall apply to any modifications made to an affected  
240 business entity's federal return, and such affected business  
241 entity shall pay any resulting underpayment of tax to the  
242 extent not already paid pursuant to section 143.425.

243 13. (1) With respect to an action required or  
244 permitted to be taken by an affected business entity  
245 pursuant to this section, a proceeding under section 143.631  
246 for reconsideration by the director of revenue, an appeal to  
247 the administrative hearing commission, or a review by the  
248 judiciary with respect to such action, [the affected  
249 business entity] a partnership or S corporation shall  
250 designate an affected business entity representative for the  
251 tax year, and such affected business entity representative  
252 shall have the sole authority to act on behalf of the  
253 affected business entity, and the affected business entity's  
254 members shall be bound by those actions.

255 (2) The department of revenue may establish reasonable  
256 qualifications and procedures for designating a person to be  
257 the affected business entity representative.

258           (3) The affected business entity representative shall  
259 be considered an authorized representative of the affected  
260 business entity and its members under section 32.057 for the  
261 purposes of compliance with this section, or participating  
262 in a proceeding described in subdivision (1) of this  
263 subsection.

264           14. The provisions of this section shall only apply to  
265 tax years ending on or after December 31, 2022.

266           15. The department of revenue may promulgate rules to  
267 implement the provisions of this section. Any rule or  
268 portion of a rule, as that term is defined in section  
269 536.010, that is created under the authority delegated in  
270 this section shall become effective only if it complies with  
271 and is subject to all of the provisions of chapter 536 and,  
272 if applicable, section 536.028. This section and chapter  
273 536 are nonseverable and if any of the powers vested with  
274 the general assembly pursuant to chapter 536 to review, to  
275 delay the effective date, or to disapprove and annul a rule  
276 are subsequently held unconstitutional, then the grant of  
277 rulemaking authority and any rule proposed or adopted after  
278 August 28, 2022, shall be invalid and void.