COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4085-22
Bill No.: Perfected SS#2 for SCS for SB Nos. 617, 611 & 667
Subject: Taxation and Revenue - Income, Taxation and Revenue - General, Taxation and Revenue - Sales and Use, Tax Credits, Motor Fuel
Type: Original
Date: April 9, 2018

Bill Summary: This proposal modifies several provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
General Revenue	$0	($126,605,760)	($86,136,077)	($90,158,554)
Total Estimated Net Effect on General Revenue	**$0**	**($126,605,760)**	**($86,136,077)**	**($90,158,554)**

Note - §142.803 - The Motor Fuel tax is increased over a period of years becoming fully implemented by FY 2027.

Note - §143.011 - Four reductions to the individual income tax brackets based on net general revenue reduction could be completely phased in by FY 2023.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 49 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
Parks, Soil & Water	$0	$0	$0 or $300,000	$0 or $500,000
Conservation Commission	$0	$0	$0 or $300,000	$0 or $600,000
School District Trust	$0	$0	$0 or $2,500,000	$0 or $5,000,000
State Road Fund	$0	$29,300,000	$87,800,000	$176,000,000
MO Arts Council Trust Fund	$0	$0	$0	$23,940,000
Library Networking	$0	$0	$0	$3,990,000
MO Humanities Council Trust	$0	$0	$0	$3,990,000
MO Public Broadcasting Corp Special Fund	$0	$0	$0	$3,990,000
Historic Preservation Revolving Fund	$0	$0	$0	$3,990,000
Mo Senior Services Protection	$0	$39,900,000	$39,900,000	$39,900,000
Total Estimated Net Effect on Other State Funds	**$0**	**$69,200,000**	**$130,800,000**	**$261,900,000**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
General Revenue	0 FTE	1 FTE	1 or 4 FTE	1 or 4 FTE
Total Estimated Net Effect on FTE	**0 FTE**	**1 FTE**	**1 or 4 FTE**	**1 or 4 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
Local Government	**$0**	**$3,500,000**	**$41,200,000**	**$88,900,000**

FISCAL ANALYSIS

ASSUMPTION

§32.070, Chapters 66, 67 and 144 Streamlined Sales and Use Tax Agreement (SSUTA)
Officials at the **Office of Administration Division of Budget and Planning** (**B&P**) assume this section directs the director of the Department of Revenue to join the Streamlined Sales and Use Tax Agreement. Based on actual SSUTA collections in other states, B&P estimates this proposal could generate $21.2 million in Total State Revenues annually, between General Revenue, Conservation Commission Fund, Parks, Soil & Water Fund and the School District Trust Fund. However, the full amount may not be collected during the first year, due to the administrative processes of becoming a full-member state of the SSUTA. B&P notes that some of the increase to local tax collections will be offset by the removal of exemptions from sales tax holidays.

Fund Affected	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2027**
General Revenue	$0	$0	$7,500,000	$15,100,000
Conservation	$0	$0	$300,000	$600,000
Parks, Soil & Water	$0	$0	$300,000	$500,000
School District Trust	$0	$0	$2,500,000	$5,000,000
Total	$0	$0	$10,600,000	$21,200,000

Officials at the **Department of Revenue** (**DOR**) assume this section of law may allow the state to enter the Streamlined Sales and Use Tax Agreement, which may allow Missouri to collect use tax from out-of-state sellers. If compliant, this may increase State Revenue by an estimated $21.2 million, once fully implemented.

The Excise Tax Section will require two Revenue Processing Technicians ($26,340) for return processing and correspondence. The Sales Tax Section does not envision an FTE impact for the Sales Tax area, but rule writing will create a significant impact for which we will need additional managerial assistance. Sales Tax requires one Management Analyst Specialist I ($38,304).

The Integrated Tax System will incur additional costs of $662,114 to implement the provisions of this legislation.

Oversight will show the FTE and computer upgrade costs in the fiscal note.

ASSUMPTION (continued)

Officials at the **Department of Natural Resources** assume the SSUTA focuses on improving sales and use tax administration systems for all sellers and for all types of commerce. The SSUTA applies primarily to the retail transactions by sellers who do not have a physical location in the state.

According to a 2009 University of Tennessee study – State and Local Sales Tax Revenue Losses from Electronic Commerce, total state revenues that Missouri could gain from collecting sales tax on e-commerce in FY 2012 is estimated at $210 million.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected would increase revenue to the Parks and Soils Sales Tax Funds.

The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials at the **Missouri Senate** assume there is no fiscal impact from this proposal.

Officials at the **Missouri House of Representatives** assume any expenses incurred by the House member can be absorbed with exiting appropriations.

Oversight notes that B&P and DOR estimate the increased revenue to the state would be $10.6 million in FY 2021 and $21.2 million each fiscal year starting in FY 2022. Both estimate the local political subdivisions would receive $9.1 million in FY 2021 and $18.3 million each fiscal year starting in FY 2022. Oversight will show in the fiscal note the projections by B&P and DOR.

Oversight notes that Section C of this proposal sets the effective date of the SSUTA provisions as January 1, 2020 (FY 2020) if the Department of Revenue determines that Missouri is not able to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales tax. The U. S. Supreme Court is deciding whether to affirm the decision that prevents states from colleting sales and use tax on purchases from out-of-state retailers. The case is pending before the Supreme Court currently and the decision will be handed down during the summer of 2018. Oversight will show the impact as $0 (court rules states can collect the tax and this provision will not be effective) to the estimates provided by B&P and DOR if these provisions becomes effective.

ASSUMPTION (continued)

§32.200 and §143.451 to §143.471 Corporate Allocation of Income
Officials at the **B&P** and **DOR** assume §143.455 creates a single-sales factor corporate income allocation method. Sections 32.200, 143.451, 143.461, and 143.471 disallow other corporate income allocation methods beginning in tax year 2019. B&P notes that under Section B of this proposal, these sections would not be effective until July 1, 2019. This would give corporate taxpayers six months to adjust their declarations to reflect the new income allocation method. This would also shift the full impact from tax year 2019 changes into FY 2020.

Based on information provided by DOR, B&P estimates that requiring all corporations to use a single-sales factor income allocation method will increase Total State Revenue and General Revenue by $212.4 million in FY 2020 and $141.6 million beginning FY 2021 and annually thereafter.

Oversight notes this provision becomes effective on July 1, 2019 (FY 2020).

§142.803 Motor Fuel Tax Rate
Officials at the **B&P** assume this section would increase the motor fuel tax by $0.01 per gallon from 7/01/19 through 6/31/20, an additional $0.02 per gallon from 7/01/20 through 6/31/21, and an additional $0.03 per gallon beginning 7/01/21 and thereafter. This section would also increase the alternative fuel taxes from compressed natural gas (CNG), liquefied natural gas (LNG), and propane from $0.17 to $0.23 beginning 1/1/2026.

Based on FY 2017 motor fuel tax collections of $715.0 million, B&P estimates that 4,205.9 million gallons of motor fuel were taxed. Using this estimate, B&P calculates that a total increase of $0.06 on the motor fuel tax will generate $252.4 million in revenue, once fully implemented.

Based on FY 2017 collections of $183,000 for compressed natural gas/propane and $141,000 for liquefied natural gas, B&P estimates that a total increase of $0.06 on the alternative fuels could generate up to $0.4 million in revenue, once fully implemented. B&P notes that under this proposal, taxpayers could still purchase an alternative fuel decal rather than pay the fuel tax at the pump.

B&P notes that 142.803.1(b) would grant an additional gasoline and diesel tax increase of $0.04, beginning January first of the year in which an income tax reduction occurs under 143.011.3. B&P further notes that the income tax reduction in 143.011.3 contains a contingency clause requiring that changes at the federal level to sales tax law must occur before such reduction to the state income tax rate may occur. B&P notes that estimating a possible federal change in the

ASSUMPTION (continued)

future to existing law is outside the scope of this fiscal note. For the purpose of this fiscal note, B&P estimates that the fuel tax increase contained in 142.803.1(b) will not occur.

B&P notes that 142.803.1(c) would allow for an inflation adjustment, not to exceed 3.5% per year, may occur once the rate increases under Section 142.803.1(a) and 142.803.1(b) occur. B&P further notes that this proposal would end the inflation adjustment on June 30, 2025. As noted above, for the purpose of this fiscal note, B&P assumes that the rate increase contained in Section 142.803.1(b) will not occur. Therefore, for the purpose of this fiscal note, B&P assumes that this inflation adjustment will also not occur.

Based on these calculations, B&P estimates the increased taxes will generate $29.3 million in for the State Road Fund in FY 2020 and $176.0 million in FY 2027 and thereafter. The increased tax will also raise local funds of $12.8 million in FY 2020 and $76.8 million in FY 2027 and thereafter.

Section 143.802.2 requires that all motor fuels be taxed equally and at the same rate beginning January 1, 2026.

Officials at the **DOR** assume this proposed section increases motor fuel tax to eighteen cents beginning on or after July 1, 2019, and ending on or before June 30, 2020. In FY 2017 the Department had an estimated 4.1 billion gallons of motor fuel that was taxed. Therefore, this proposed section may increase Total State Revenues by an estimated $28.7 million in FY 2020.

Then for fiscal year beginning on or after July 1, 2020, and ending on or before June 30, 2021, the motor fuel tax shall be twenty cents per gallon. In FY 2017 the Department had an estimated 4.1 billion gallons of motor fuel that was taxed. Therefore, this proposed section may increase state revenues by an estimated $86.2 million in FY 2021.

For all fiscal years beginning on or after July 1, 2021, the motor fuel tax shall be twenty-three cents per gallon. In FY 2017 the Department had an estimated 4.1 billion gallons of motor fuel that was taxed. Therefore, this proposed section may increase state revenues by an estimated $172.5 million in FY 2022.

This proposal also increases the tax on alternative fuels from the currently scheduled rate of $0.17 to $0.23, beginning with calendar year 2026. The Department estimates that this section may increase state revenues by $300,000.

ASSUMPTION (continued)

This proposed section also provides that the motor fuel tax rate shall be an additional four cents if an income tax rate cut is triggered by the state being authorized to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes, provided that the rate of tax shall not exceed $0.25 per/gallon. The Department notes that estimating a possible federal change in the future to existing law is outside the scope of this fiscal note. For the purpose of this fiscal note, the Department has no way to estimate when or if this additional tax rate increase will occur.

This proposed section also provides that the motor fuel tax rate shall be adjusted annually for inflation once all adjustments to the motor fuel tax rate are made under the act, provided that no inflation adjustment shall exceed 3.5% in a given fiscal year. This provision in this proposed section is set to sunset in 2025. The Department notes that the inflation adjustment is contingent on the tax rates in both 142.803.1(a) and 142.803.1(b) occurring. However, as noted above, the Department has no way to know when or if the rate increase in Section 142.803.1(b) will occur. Therefore, for the purpose of this fiscal note the Department cannot assume when or if the inflation adjustment would occur.

DOR's Excise Tax Section notes that consumers applying for non-highway use refunds of the motor fuel tax create instances of claims being made at different tax rates. This increases processing time of motor fuel refunds as each fuel ticket will not only need to be examined to see if it meets the one year time limit and to identify the date of the ticket to determine the tax rate. Rate changes effective on the first of the year minimize the programming changes needed in regards to reporting and collecting of the tax. The Excise Tax Section will require one Revenue Processing Technician I ($24,360) to ensure the Department processes refunds timely and avoiding paying interest on refunds. Rate change information would need to be sent to approximately 642 licensees at a cost of $356 (642 x .555 cents).

ITSD-DOR estimates programming changes at a cost of $75,168 ($75 hourly rate x 1,002.24 hours).

Oversight will show the FTE and programming costs in the fiscal note.

Officials at the **Missouri Department of Transportation** defer to Department of Revenue for fiscal impact.

Oversight notes §142.803.1(1)(a) this portion of the proposal would increase the motor fuel tax from $.17 per gallon to $.18 per gallon starting July 1, 2019 (FY 2020) and ending June 30, 2020. It would then increase the motor fuel tax again to $.20 per gallon on July 1, 2020 (FY

ASSUMPTION (continued)

2021) and ending June 30, 2021. On July 1, 2021 it would make a final increase to the motor fuel tax to $.23 per gallon. This chart shows the amount of tax collected and number of gallons sold on motor fuel each of the last five fiscal years.

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Motor Fuel Tax Collected	$726,918,660	$704,792,974	$704,921,584	$708,241,405	$708,063,819
Gallons	4,270,109,765	4,145,841,024	4,146,597,553	4,166,125,912	4,165,081,288

Source: Department of Revenue

Oversight notes this proposal in §142.803.1(1)(b) would allow a four cent increase in the motor fuel tax listed in §142.803.1(1)(a) if the revenue trigger outlined in §143.011.3 is met. The trigger is based on whether out-of-state sellers with no physical presence in the state are required to collect and remit sales and use tax. This four cent increase is allowed up to a total of $0.25 per gallon. The U. S. Supreme Court is deciding whether to affirm the decision that prevents states from colleting sales and use tax on purchases from out-of-state retailers. The case is pending before the Supreme Court currently and the decision will be handed down during the summer of 2018. Oversight is unable to predict how the U.S. Supreme Court will rule and therefore, Oversight will not assume the trigger under §143.011.3 is met.

Oversight notes that section §142.803.1(1)(c) states that after all these changes are implemented this proposal allows for the motor fuel tax to be increased by the CPI annually. This CPI rate adjustment can not exceed 3.5% annually. The CPI adjustment would stop on June 30, 2025.

Oversight notes that this fiscal note does not include in the calculations the provisions of §142.803.1(1)(b) and §142.803.1(1)(c).

Oversight notes the five year average number of gallons of motor fuel sold is 4,178,751,108. Oversight notes the money in the Motor Fuel Tax Fund (0673) is distributed 15% to cities, 12% to counties, and the remaining 73% to the State Road Fund. Oversight will show the estimates provided by B&P.

ASSUMPTION (continued)

§143.177 Missouri Working Family Tax Credit
Officials at the **B&P** assume this creates the Missouri Working Family Tax Credit Act. Beginning with tax year 2019, resident taxpayers shall be granted a non-refundable tax credit equal to 10% of their federal EITC. Beginning with tax year 2020, resident taxpayers shall receive a non-refundable tax credit equal to 20% of their federal EITC.

Using tax year 2015 data, the most recent year available and accounting for the federal tax reform that took effect January 1, 2018, B&P estimates that this provision will reduce Total State Revenue and General Revenue by $21.3 million in FY 2020 and $34.1 million in FY 2021 and annually thereafter.

Officials at the **DOR** assume this proposed section establishes the Missouri Working Family Tax Credit. This credit would be equal to 10 percent of the taxpayer's federal Earned Income Tax Credit, not to exceed the taxpayer's tax liability for TY 2019, increasing it to 20 percent in TY 2020. The Department estimates that this Working Family Tax Credit could potentially decrease state revenues by an estimated $61.8 million each year when fully implemented.

In response to similar legislation filed this year, SB 939, officials at the **University of Missouri's Economic and Policy Analysis Research Center** (**EPARC**) were able to run a simulation, authorizing an individual income tax credit equal to 20% of any earned income tax credit claimed by the taxpayer on the federal income tax return. This credit will not be refundable.

The individual income tax for Missouri (2016) is the baseline for the analysis. This baseline takes into account the Federal Tax Cuts and Jobs Act. Net Tax Due equals $5,454.004 million. If the aforementioned tax credit is implemented, Net Tax Due reduces to $5,411.647 million. This translates into a decrease in Net General Revenue of $42.357 million.

Note: The increase seen in the General Tax Credits figure is the complete measure of 20% of Missouri filers' Federal Earned Income Credit. Many filers are able to reduce their tax burden to zero before using their entire credit. Because this tax credit does not allow the remainder to be refunded to the filer, our impact estimation is only concerned with the reduction in Net Tax Due. To reiterate, our estimate is this bill will reduce Net General Revenue by $42.357 million.

Oversight notes this proposal allows for a 10% credit of the federal earned income tax credit in FY 2019 and 20% of the credit starting in FY 2020. Oversight will show the impact in the year the tax returns would be filed.

ASSUMPTION (continued)

B&P Calculation of Individual Income Tax Changes

§143.011 Individual Income Tax Rate, §143.171 Individual Federal Tax Deduction

Officials at the **B&P** assume §143.011 makes changes to the individual income tax brackets and tax rates. Section 143.171 phases out the individual income tax deduction for federal taxes based on a taxpayer's Missouri adjusted gross income beginning with tax year 2019.

Beginning with tax year 2019, Section 143.011 requires that the top rate of tax be reduced to 5.25% for incomes over $8,000 adjusted for inflation. Beginning with tax year 2020, the top tax rate may be reduced by 0.1%, up to four times for a total reduction of 0.4%. The tax rate shall only be reduced if net general revenue collected in the previous fiscal year is at least $150 million greater than the largest amount of net general revenue collected in the previous three fiscal years. For the purposes of this fiscal note, B&P assumes that each tax rate reduction occurs in consecutive years. B&P acknowledges that it is probable there will be years when the net General Revenue requirement is not met and thus the rate reductions do not occur; therefore, the earliest this provision could be fully implemented is in FY 2023.

Section 143.011.3(1) would grant an additional top rate reduction of 0.3% on or after tax year 2019. Section 144.011.3(2) contains a contingency clause stating that the top rate reduction in subsection 3 shall not occur unless the Supreme Court of the United States renders a decision, a law is passed by the federal government, or the constitution of the United States is amended which enables the state of Missouri to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes. B&P notes that estimating a possible federal change in the future to existing law is outside the scope of this fiscal note. For the purpose of this fiscal note, B&P estimates that the top rate reduction contained in subsection 3 will not occur.

Section 143.171 phases out the federal income tax deduction based on a taxpayer's Missouri adjusted gross income.

Min MAGI	Max MAGI	FIT Deduction Allowed
$0	$25,000	100%
$25,001	$50,000	75%
$50,001	$100,000	30%
$100,001	$150,000	10%
$150,001		0%

ASSUMPTION (continued)

Using 2015 tax year data, the most recent year available, and combining the individual income tax changes in Sections 143.011 and 143.171, B&P estimates that this provision will reduce Total State Revenue and General Revenue by ($353.1 million) in FY 2019 and ($262.3 million) once fully implemented (FY 2023).

The following table shows the estimated impact, by tax year, for Sections 143.011, 143.171, and 143.177:

Figures in Millions

Tax Year	Individual Income Tax Rate Impact	Working Family Tax Credit	Total Changes to Individual Income Tax
TY 2019	($248.4)	($21.3)	($269.7)
TY 2020	($249.2)	($34.1)	($283.3)
TY 2021	($254.6)	($34.1)	($288.7)
TY 2022	($262.3)	($34.1)	($296.4)

B&P notes that under Section B of this proposal, these sections would not be effective until July 1, 2019. This would give individual taxpayers six months to adjust their declarations and withholding to reflect the lower individual income taxes. This would also shift the full impact from tax year 2019 changes into FY 2020.

The following table shows the estimated impact, by fiscal year, for Sections 143.011, 143.171, and 143.177:

Figures in Millions

Fiscal Year	Individual Income Tax Rate Change Impact	Working Family Tax Credit	Total Changes to Individual Income Tax
FY 2019	$0.0	$0.0	$0.0
FY 2020	($353.1)	($21.3)	($374.4)
FY 2021	($251.5)	($34.1)	($285.6)
FY 2022	($257.9)	($34.1)	($292.0)
FY 2023	($262.3)	($34.1)	($296.4)

ASSUMPTION (continued)

Oversight notes that B&P apportions out the impact from tax year into the two fiscal years that would be impacted. They put 42% of the loss/gain in the first fiscal year (so FY19 in the case of changes to TY19) and 58% of the loss/gain into the second fiscal year (so FY20 for changes to TY19). Which means that FY20 will get 58% of the impact from the TY19 change and 42% of the impact from the TY20 change. This split was determined by looking at historical data from FY 2000 through FY 2017 to see when individual income tax arrives to determine that 42/58 split.

Oversight presents B&P calculations against DOR and EPARC in chart on page 19.

DOR Calculation of Individual Income Tax Changes

Officials at the **DOR** assume that beginning in the 2019 calendar year, this act provides that the top rate of tax shall be eliminated, with a top remaining tax rate reduced to 5.25% for all taxable income over $8,000 (Any rate reductions from 509 would continue to be enacted.)

This proposed legislation also provides for an additional 0.3% reduction in the top rate of tax if the U.S. Supreme Court renders a decision, the U.S. Congress passes a law, or the U.S. Constitution is amended, which allows the state to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes. The Department notes that estimating a possible federal change in the future to existing law is outside the scope of this fiscal note. For the purpose of this fiscal note, the Department has no way to estimate when or if this additional tax rate increase will occur.

For all tax years beginning on or after January 1, 2019, an individual taxpayer shall be allowed a deduction equal to a percentage of his or hers federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed, not to exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction percentage is determined according to the following table:

ASSUMPTION (continued)

If the Missouri Adjusted Gross Income is:	**The deduction percentage is:**
$25,000 or less	100%
$25,001 - $50,000	75%
$50,001 - $100,000	30%
$100,001 - $150,000	10%
$150,001 and more	0%

DOR assumes these provisions would result in a reduction to General Revenue of ($353.1) in FY 2020, ($251.5) in FY 2021 and ($262.3) in FY 2027.

Oversight presents DOR calculations against B&P and EPARC in chart on page 19.

EPARC Calculation of Individual Income Tax Changes
Officials at the **University of Missouri's Economic and Policy Analysis Research Center** (**EPARC**) assume that although there are many changes to Missouri tax law within this bill, we will restrict our analysis to those changes pertaining to the individual income tax.

If enacted, this bill would change the taxable income classes as they apply to the Missouri personal income tax table. It would eliminate the top rate, reducing the remaining top rate to 5.25 % in 2019. Then it would reduce the top rate by 0.1% every time the general revenue collected in the current fiscal year exceeds the previous year. In addition to the rate reduction, it would also reduce the top rate of tax by 0.3% if conditions described in subsection 3 of section 143.011 are met. An income bracket would be eliminated once the top rate of tax is reduced below the rate that is applicable to such income bracket.

This bill would also authorize an earned income tax credit. The credit would equal to 10% of filers' federal earned income credit in 2019 and 20% of filers' federal earned income credit in 2020 and beyond. This credit will not be refundable. As well, this bill would further limit the federal income tax deduction. Specifically, filers earning over $150,000 in Missouri adjusted gross income would no longer be able to deduct their federal income tax amount, filers earning between $100,000 and $150,000 would be able to deduct 10% of their federal income tax amount, filers earning between $50,000 and $100,000 would be able to deduct 30% of their federal income tax amount, filers earning between $25,000 and $50,000 would be able to deduct 75% of their federal income tax amount, and filers earning $25,000 or less will continue to be able to deduct 100% of the federal income tax amount. These limitations remain in conjunction with the current caps of $5,000 and $10,000 for single and joint filers respectively.

ASSUMPTION (continued)

In this response we will assume that the revenue trigger above will be met every year providing a maximum impact estimate for 2019, 2020 and 2021.

The Baseline below shows the personal income tax brackets as they will appear in 2018 under current law. Immediately following the baseline we show the 2019, 2020 and 2021 brackets and rates proposed by this bill.

Baseline

If the Missouri taxable income is:	The tax is:
Not over $1,028 …	1 ½ % of the Missouri taxable income
Over $1,028 but not over $2,056 …	$15 plus 2 % of excess over $1,028
Over $2,056 but not over $3,084 …	$36 plus 2 ½ % of excess over $2,056
Over $3,084 but not over $4,112 …	$62 plus 3 % of excess over $3,084
Over $4,112 but not over $5,140 …	$93 plus 3 ½ % of excess over $4,112
Over $5,140 but not over $6,168 …	$129 plus 4 % of excess over $5,140
Over $6,168 but not over $7,196 …	$170 plus 4 ½ % of excess over $6,168
Over $7,196 but not over $8,224 …	$216 plus 5 % of excess over $7,196
Over $8,224 but not over $9,253 …	$267 plus 5 ½ % of excess over $8,224
Over $9,253 …	$324 plus 5.9 % of excess over $9,253

(1) If reduction in the top rate under subsection 3 of section 143.011 does not occur

2019

If the Missouri taxable income is:	The tax is:
Not over $1,000 …	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000 …	$15 plus 2 % of excess over $1,000
Over $2,000 but not over $3,000 …	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000 …	$60 plus 3 % of excess over $3,000
Over $4,000 but not over $5,000 …	$90 plus 3 ½ % of excess over $4,000
Over $5,000 but not over $6,000 …	$125 plus 4 % of excess over $5,000
Over $6,000 but not over $7,000 …	$165 plus 4 ½ % of excess over $6,000
Over $7,000 but not over $8,000 …	$210 plus 5 % of excess over $7,000
Over $8,000 …	$260 plus 5.25 % of excess over $8,000

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2019 shows Net Tax Due equals $5,138.922 million. Therefore, this corresponds to a decrease in Net General Revenue in 2020 of $315.082 million.

<u>ASSUMPTION</u> (continued)

<u>2020</u>

If the Missouri taxable income is:	The tax is:
Not over $1,000 …	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000 …	$15 plus 2 % of excess over $1,000
Over $2,000 but not over $3,000 …	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000 …	$60 plus 3 % of excess over $3,000
Over $4,000 but not over $5,000 …	$90 plus 3 ½ %% of excess over $4,000
Over $5,000 but not over $6,000 …	$125 plus 4 % of excess over $5,000
Over $6,000 but not over $7,000 …	$165 plus 4 ½ % of excess over $6,000
Over $7,000 but not over $8,000 …	$210 plus 5 % of excess over $7,000
Over $8,000 …	$260 plus 5.15 % of excess over $8,000

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2020 shows Net Tax Due equals $5,032.860 million. <u>Therefore, this corresponds to a decrease in Net General Revenue in 2021 of $421.144 million.</u>

<u>2021</u>

If the Missouri taxable income is:	The tax is:
Not over $1,000 …	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000 …	$15 plus 2 % of excess over $1,000
Over $2,000 but not over $3,000 …	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000 …	$60 plus 3 % of excess over $3,000
Over $4,000 but not over $5,000 …	$90 plus 3 ½ %% of excess over $4,000
Over $5,000 but not over $6,000 …	$125 plus 4 % of excess over $5,000
Over $6,000 but not over $7,000 …	$165 plus 4 ½ % of excess over $6,000
Over $7,000 but not over $8,000 …	$210 plus 5 % of excess over $7,000
Over $8,000 …	$260 plus 5.05 % of excess over $8,000

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2021 shows Net Tax Due equals $4,940.375 million. <u>Therefore, this corresponds to a decrease in Net General Revenue in 2022 of $513.629 million</u>

ASSUMPTION (continued)

(2) If reduction in the top rate under subsection 3 of section 143.011 occurs

2019

If the Missouri taxable income is:	The tax is:
Not over $1,000 …	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000 …	$15 plus 2 % of excess over $1,000
Over $2,000 but not over $3,000 …	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000 …	$60 plus 3 % of excess over $3,000
Over $4,000 but not over $5,000 …	$90 plus 3 ½ % of excess over $4,000
Over $5,000 but not over $6,000 …	$125 plus 4 % of excess over $5,000
Over $6,000 but not over $7,000 …	$165 plus 4 ½ % of excess over $6,000
Over $7,000	$210 plus 4.95 % of excess over $7,000

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2019 shows Net Tax Due equals $4,860.165 million. Therefore, this corresponds to a decrease in Net General Revenue in 2020 of $593.839 million

2020

If the Missouri taxable income is:	The tax is:
Not over $1,000 …	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000 …	$15 plus 2 % of excess over $1,000
Over $2,000 but not over $3,000 …	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000 …	$60 plus 3 % of excess over $3,000
Over $4,000 but not over $5,000 …	$90 plus 3 ½ %% of excess over $4,000
Over $5,000 but not over $6,000 …	$125 plus 4 % of excess over $5,000
Over $6,000 but not over $7,000 …	$165 plus 4 ½ % of excess over $6,000
Over $7,000	$210 plus 4.85 % of excess over $7,000

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2020 shows Net Tax Due equals $4,752.906 million. Therefore, this corresponds to a decrease in Net General Revenue in 2021 of $701.098 million.

ASSUMPTION (continued)

2021

If the Missouri taxable income is:	The tax is:
Not over $1,000 …	1 ½ % of the Missouri taxable income
Over $1,000 but not over $2,000 …	$15 plus 2 % of excess over $1,000
Over $2,000 but not over $3,000 …	$35 plus 2 ½ % of excess over $2,000
Over $3,000 but not over $4,000 …	$60 plus 3 % of excess over $3,000
Over $4,000 but not over $5,000 …	$90 plus 3 ½ %% of excess over $4,000
Over $5,000 but not over $6,000 …	$125 plus 4 % of excess over $5,000
Over $6,000 but not over $7,000 …	$165 plus 4 ½ % of excess over $6,000
Over $7,000	$210 plus 4.75 % of excess over $7,000

The baseline for our analysis where Net Tax Due is $5,454.004 million. The simulation results of the parameter changes in this bill for 2021 shows Net Tax Due equals $4,659.050 million. Therefore, this corresponds to a decrease in Net General Revenue in 2022 of $794.954 million.

Conclusion: As stated above, there are many changes to Missouri tax law within this bill, however we restricted our analysis to those changes pertaining to the individual income tax. If reduction in the top rate under subsection 3 of section 143.011 did not occur, we would expect Net General Revenue to decrease by $315.082 million in 2020, decrease by $421.144 million in 2021 and then decrease by $513.629 million in 2022. On the other hand, if reduction in the top rate under subsection 3 of section 143.011 occurred, we would expect Net General Revenue to decrease by $593.839 million in 2020, decrease by $701.098 million in 2021 and then decrease by $794.954 million in 2022.

ASSUMPTION (continued)

Individual Income Tax Changes Comparison
Comparison of B&P, DOR and EPARC Individual Income Tax Change Estimates by Fiscal Year- figures in Millions

Individual Income Tax Changes with Earned Income Tax	TY 2019	TY 2020	TY 2021	TY 2022
EPARC	$0	($315.082)	($421.144)	($513.629)
B&P	$0	($353.1) ($21.3) ($374.4)	($251.5) ($34.1) ($285.6)	($257.9) ($34.1) ($292.0)
DOR	$0	($353.1) ($30.9) ($384.0)	($251.5) ($61.8) ($313.3)	($257.9) ($61.8) ($319.7)

Oversight has no way to test the estimates provided by B&P, DOR and EPARC. B&P and DOR confirmed to Oversight, they were able to run their calculation against the current SB 509 requirements of reducing the individual rate and comparing the current rate to the new proposed rate. EPARC however, held their baseline comparison to the 5.9% tax rate and compared that rate to the proposed rate. Since B&P and DOR were able to use the SB 509 future tax rate for comparison in FY 2020 and beyond, Oversight will use their projections for the fiscal note.

§143.071 Corporate Tax Rate
Officials at the **B&P** assume §143.071 would reduce the corporate tax rate from the current 6.25% to 5.25% beginning with tax year 2019. B&P notes that under Section B of this proposal, these sections would not be effective until July 1, 2019. This would give corporate taxpayers six months to adjust their declarations to reflect the lower corporate income taxes. This would also shift the full impact from tax year 2019 changes into FY 2020.

Based on FY 2017 net corporate collections of $276.2 million, B&P estimates that this provision will reduce Total State Revenue and General Revenue by $66.3 million in FY 2020. Once fully implemented, this provision will reduce Total State Revenue and General Revenue by $44.2 million annually.

Officials at the **DOR** assume §143.071 changes the tax imposed upon the Missouri taxable income of corporations in an amount equal to 5.25% of Missouri taxable income. The

ASSUMPTION (continued)

Department estimates that this could potentially decrease state revenue by an estimated $71.9 million in FY 2020 and $47.9 million each year.

Oversight will use the estimate provided by DOR.

§143.151 and §143.161 Personal Exemption and Dependency Exemption
Officials at the **B&P** assume these sections state that individuals may only claim the personal exemption, low-income deduction, and dependent deduction as long as the exemption as defined by federal law is not equal to zero. B&P notes that part of the federal tax reform that began January 1, 2018 placed the personal and dependent exemptions equal to zero until tax year 2025. B&P further notes that the Missouri deductions were eliminated once the federal tax reform was enacted on January 1, 2018. Therefore, B&P estimates that these provisions will not impact Total State Revenue or General Revenue.

Officials at the **DOR** assume this proposed section provides that Missouri personal and dependency exemptions shall not be allowed if the federal exemption amount is zero. Due to the passage of federal tax reform the Department assumes there is no impact.

§143.171 Corporate Federal Income Tax Deduction
Officials at the **B&P** assume this would end the corporate income deduction for federal taxes paid beginning with tax year 2019. Based on information from DOR, in FY 2017 there were $109 million in corporate federal tax deductions. Therefore, B&P estimates that this provision could increase Total State Revenue and General Revenue by $109 million annually beginning FY 2020. B&P states this would not impact FY 2019 as this would only impact a corporation's final return which would not be filed until FY 2020.

Officials at the **DOR** assume beginning January 1, 2019, there will no longer be allowed a deduction for federal taxes paid by a corporation. The Department estimates that this will increase State Revenues by an estimated $109 million.

§143.183 Nonresident Athlete and Entertainers' Tax
Officials at the **B&P** assume this section extends the Athletes and Entertainers (A&E) tax from the current sunset date of 12/31/2020 to 12/31/2030. B&P estimates that this provision will not impact Total State Revenue or General Revenue.

Officials at the **DOR** assume this proposed section would extend the nonresident athletes and entertainers tax distributions. Currently, the revenue generated from an income tax on certain nonresident athletes and entertainers is distributed among several funds. Such distributions will currently end on December 31, 2020. This act extends the distributions until 2030.

ASSUMPTION (continued)

In response to similar legislation filed this year, officials at the **Office of the Secretary of State** assumed B&P annually provides the estimated revenue figures for the Out of State Athlete and Entertainer Income Tax. The top income tax rate is currently 6%, and it is assumed that most individuals subject to this tax are assessed at that rate.

In FY 2018, it is estimated $40,800,000 will be collected with $800,000 used to support collection development at local public libraries. If the expiration on this tax is extended, it is estimated $20,400,000 will be collected in FY 2021 ($400,000 for public libraries) and $40,800,000 ($800,000 for public libraries) collected annually through December 31, 2030.

Oversight notes that §143.183, allows for the revenues from the nonresident tax on athletes and entertainers to be distributed to cultural entities in Missouri - 60% of the funds to the Missouri Arts Council Trust Fund (0262); and 10% each to the Library Networking Fund (0822) for public libraries to purchase library materials; 10% to the Missouri Humanities Council Trust Fund (0177); 10% to the MO Public Broadcasting Corporation Special Fund (0887) for public television and public radio stations; and 10% to the Missouri Department of Natural Resources for the Missouri Historic Preservation Revolving Fund (0430). Extending the expiration on this tax from December 31, 2020 (FY 2021) to December 31, 2030 (FY 2031) would continue this revenue source to these funds.

The nonresident tax on athletes and entertainers has brought in the following amounts:

FY 2018 (as of date)	$22,036,517
FY 2017	$36,881,364
FY 2016	$41,798,273
FY 2015	$41,079,962
FY 2014	$35,585,312

Using the projected estimated of FY 2018 of $39,900,000 the funds would receive the following amounts:

Missouri Arts Council Trust Fund	$23,940,000
Library Networking Fund	$ 3,990,000
Missouri Humanities Council Trust Fund	$ 3,990,000
MO Public Broadcasting Corporation Special Fund	$ 3,990,000
Missouri Historic Preservation Revolving Fund	$ 3,990,000

Per fiscal note policy, **Oversight** will show the impact of the extension of these fund distributions beginning in FY 2022.

ASSUMPTION (continued)

Officials at the **B&P** assume §143.183.10 would create an additional 2% A&E withholding which is to be deposited into the Senior Service Protection Fund. That 2% is currently deposited into General Revenue. B&P notes that the average collections for the current 2% A&E withholding taxes were $39.9 million from FY 2015-2017.

B&P notes that currently athletes and entertainers only remit the 2% tax, and are not subject to the full 5.9% individual income tax. B&P further notes that all refund claims are paid from General Revenue rather than the funds receiving money from the A&E collections. B&P notes that in FY 2017 there were $1.5 million in refund claims against the A&E taxes collected. B&P is unable to determine the amount of refund claims that could occur with an additional 2% A&E withholding tax. Therefore, B&P estimates that this provision will increase Total State Revenue by less than $39.9 million annually beginning with FY 2020.

Officials at the **DOR** assume for all fiscal years beginning on or after July 1, 2019, this act also provides for an additional 2% withholding on such nonresident individuals, with the revenue generated by such additional withholding deposited in the Senior Services Protection Fund. Since this is a pre-payment of tax, this would not affect Total State Revenue, but it would increase the Missouri Senior Services Protection Fund collections by an estimated $39.9 million. DOR notes that currently $1.5 million of the amount collected is refunded back to the athletes and entertainers out of General Revenue. This proposal would decrease General Revenue by at least $1.5 million.

Oversight notes this proposal in §143.183.10 requires the vendors to retain an additional 2% of the nonresident entertainers tax and to forward the 2% to the Missouri Senior Services Protection Fund. Oversight notes this would result in $39.9 million being sent to the Missouri Senior Services Protection Fund instead of to General Revenue as is current practice.

Oversight notes that currently the nonresident athletes and entertainers can claim a refund of part of the 2% tax they pay. DOR states that only about $1.5 million of the $39.9 million collected is refunded. Per this proposal, the State would collect another 2% prepaid tax, so the fiscal note will show a loss to General Revenue of Could Exceed $1.5 million in additional refunds being claimed.

§143.431 Consolidated Tax Returns

Officials at the **B&P** assume this section states that all transactions between affiliated members shall be eliminated on the Missouri consolidated income tax return. B&P notes that under this provision some corporations filing a consolidated return may have a positive impact on their tax liability, while others may have a negative impact to their tax liability. B&P is unable to determine which impacts, in the aggregate, would be greater. Therefore, due to these data

ASSUMPTION (continued)

limitations, BAP cannot estimate an exact impact from this section. However, this provision may have an unknown impact on Total State Revenue and General Revenue.

§144.011 Nonprofit Organization
Officials at the **DOR** assume this proposed section exempts nonprofit organizations exempt from taxation under Section 501(c)(7) of the Internal Revenue Code of 1986 from sales and use taxes on charges for initiation fees or dues. This section may have a negative minimal impact to Total State Revenues.

Officials at the **B&P** assume this section states that charges for initiation fees or dues for 501(c)(7) organizations shall not be subject to sales tax. Based on information from DOR, this provision may have a minimal negative impact on Total State Revenue and General Revenue.

Oversight notes this proposal would exempt from sales tax non-profit organizations exempt from taxation under Section 501(c)(7) of the IRS Code of 1986. The IRS defines 501(c)(7) as social clubs and can include the following:

- College social/academic fraternities and sororities
- Country clubs
- Amateur hunting, fishing, tennis, swimming and other sport clubs
- Dinner clubs that provide a meeting place library, and dining room for members
- Variety clubs
- Hobby clubs
- Homeowners or community associations whose primary function is to own and maintain recreational areas and facilities.

Oversight assumes that since DOR is the administrator of the sales tax and was able to pull data on existing 501(c)(7) organizations, that their information may be more accurate. Oversight notes that the sales tax does impact General Revenue, the School District Trust Fund, the Conservation Commission Fund, the Parks, Soil & Water Fund as well as Local Political Subdivisions. Based on DOR's response, Oversight will not show an impact from this proposal.

In response to similar legislation filed this year, HB 2501, officials at the **Department of Natural Resources** assumed the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemptions could be a loss to the Parks and Soils Sales Tax Funds.

ASSUMPTION (continued)

Providing state sales and use tax exemptions as stated in this proposal could decrease the amount of funding available in the Parks and Soils Sales Tax Funds. These funds have been used for the development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

The Department assumes the Department of Revenue would be better able to estimate a more detailed account of the fiscal impact.

§144.030.2(19) Kidney Dialysis Exemption
Officials at the **B&P** assume this section includes a new exemption for kidney dialysis equipment and enteral feeding systems. B&P notes that this will have a minimal negative impact on Total State Revenue.

This section also includes a sales tax exemption for usual and customary delivery charges. B&P notes that SB 16 (2016) already exempted delivery charges from sales tax. Therefore, B&P estimates that this provision will not impact Total State Revenue or General Revenue.

§144.049 School Supply Sales Tax Holiday
Officials at the **B&P** assume this removes the current $50 per purchase limit on qualifying school supply purchases during the school tax holiday, removes graphing calculators of $150 or less from the list of qualified purchases, and creates a $1,500 per item, rather than the current per purchase, limit on computers and computer supplies. B&P notes that this will have a minimal negative impact on Total State Revenue.

§148.622 Financial Institutions Tax
Officials at the **B&P** assume this section would reduce the financial taxes paid by banks, credit unions, and savings and loan institutions in the event that the corporate tax rate under §143.071 was reduced. The financial tax rates are to be reduced by an amount proportional to any tax rate reductions in §143.071. B&P notes that the current tax rate for financial institutions is 7%. B&P further notes that 2% of collections are deposited into General Revenue while the remaining collections are distributed to locals.

B&P notes that under Section B of this proposal, this section would not be effective until July 1, 2019. This would give financial taxpayers six months to adjust their declarations to reflect the lower corporate income taxes. This would also shift the full impact from tax year 2019 changes into FY 2020.

ASSUMPTION (continued)

Based on FY net collections of $39.5 million, B&P estimates that this section will reduce Total State Revenue and General Revenue by $0.2 million in FY 2020. Once fully implemented, this section will reduce Total State Revenue and General Revenue by $0.1 million annually. B&P also estimates that this will reduce local revenues by $6.2 million once fully implemented.

Officials at the **DOR** assume this proposed section provides that, if the corporate income tax rate is reduced, the financial institutions tax rate shall be reduced proportionally. Currently, the financial institutions tax rate is at 7%. Currently, the tax is distributed 98% to locals and 2% to General Revenue. Proposed Section 143.071 calls for a one point reduction in the corporate income tax rate. A proportional reduction for the financial institutions tax rate would reduce it to 5.88%. This reduction may decrease state revenues by an estimated $158,000.

Bill as a Whole
Officials at the **Department of Conservation** assume an unknown fiscal impact but greater than $100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials at **St. Louis County** assume an unknown impact.

In response to the previous version, officials at **Callaway County** assumed there is no fiscal impact from this proposal.

In response to a previous version of this proposal, officials at the **Clinton County Commission** assumed an unknown negative fiscal impact.

In response to the previous version, officials at the **Wellsville-Middletown R-I School District** assumed this has the potential to have a severe negative fiscal impact to the district.

In response to a previous version of this proposal, officials at the **Northeast Nodaway R-V School District** assumed any time you reduce taxes, it results in a negative fiscal impact to the district.

In response to a previous version, officials at the **Summersville R-II School District** assumed a negative fiscal impact.

ASSUMPTION (continued)

Officials at the **Department of Economic Development**, the **Department of Insurance, Financial Institutions and Professional Registration**, and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

DOR Bill Summary
Certain sections impacting individual income taxes, corporate income taxes, and financial institution income taxes shall become effective on July 1, 2019. However, many of these sections have an implementation date of January 1, 2019. Due to this, the Department added the impacts from these sections for FY 2019 to FY 2020. The Department notes that implementing changes in the middle of a tax year will only give taxpayers six months to adjust withholdings and declarations. Therefore, the full impact of tax year 2019 changes will not occur until FY 2020 through reduced withholdings, declarations, and the potential of significantly increased refunds.

Sections relating to the Streamlined Sales and Use Tax Agreement shall become effective on January 1, 2020, if on such date the Director of the Department of Revenue determines that the state of Missouri is not able to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes.

Officials at the **DOR** assume this proposal may decrease overall tax collections and Total State Revenue by an estimated $176.8 million in FY 2020 and may have an increase to Total State Revenues by an estimated $72.4 million once fully implemented in FY 2027.

ASSUMPTION (continued)

The table below shows the estimated impacts from each provision on Total State Revenue, for the first three years and once fully implemented.

Table 1: **DOR** Calculated - State Impacts - figures in Millions

	FY 2019	FY 2020	FY 2021	Fully Implemented
Streamlined Sales & Use Tax §32.070	$0.0	$0.0	$10.6	$21.2
Single-Sales Factor Allocation §32.200	$0	$212.4	$141.6	$141.6
Fuel Tax- State Road Fund §142.803	$0.0	$28.7	$86.2	$172.8
Individual Income Tax §143.011	$0.0	($353.1)	($251.5)	($262.3)
Corporate Tax Rate §143.071	$0.0	($71.9)	($47.9)	($47.9)
Corporate Federal Tax Deduction Eliminated §143.171	$0.0	$109.0	$109.0	$109.0
Working Family tax credit §143.177	$0.0	($30.9)	($61.8)	($61.8)
Financial Institution Tax Rate Reduction §148.622	$0.0	($0.2)	($0.1)	($0.1)
Entertainers Tax refunds §143.183	$0.0	($1.5)	($1.5)	($1.5)
Total Estimated Impact to State Revenue	**$0.0**	**($107.5)**	**($15.4)**	**$71.0**

ASSUMPTION (continued)

Table 2: **DOR** Calculated - Local Impacts - figures in Millions

	FY 2019	FY 2020	FY 2021	Fully Implemented
Streamlined Sales & Use §32.070	$0.0	$0.0	$9.1	$18.3
Financial Institution Tax Rate Reduction §148.622	$0.0	($9.2)	($6.1)	($6.1)
Fuel Tax §142.803	$0.0	$12.3	$36.9	$73.9
Total Estimated Impact to Local Government Revenue	**$0.0**	**$0.8**	**$38.3**	**$84.5**

Table 3: **DOR**- State Funds Impacted- figures in Millions

	FY 2019	FY 2020	FY 2021	Fully Implemented
General Revenue	$0.0	($245.4)	($143.1)	($146.3)
Conservation Commission	$0.0	$0.0	$0.3	$0.6
Parks, Soil & Water	$0.0	$0.0	$0.3	$0.5
School District Trust	$0.0	$0.0	$2.5	$5.0
MO Senior Service Protection Fund	$0.0	$39.9	$39.9	$39.9
State Road Fund	$0.0	$28.7	$86.2	$172.8

B&P Bill Summary

In total, **B&P** estimates this proposal will decrease Total State Revenue by a minimal negative amount in FY 2019. Once fully implemented (FY 2027) this proposal will increase Total State Revenue by $147.1 million annually.

The following tables show the revenue impacts per proposal provision and the impacts to each state fund.

ASSUMPTION (continued)

Table 1: **B&P** Calculated - Revenue Impact by Provision - figures in Millions

	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
Streamlined Sales & Use Tax §32.070	$0.0	$0.0	$10.6	$21.2
Single-Sales Factor Allocation §32.200	$0.0	$212.4	$141.6	$141.6
Nonprofit Initiation/Dues Sales Tax Exemption §144.011	(Min)	(Min)	(Min)	(Min)
Kidney Dialysis/Enteral Feeding System §144.030	$0.0	(Min)	(Min)	(Min)
Delivery Fees §144.030	$0.0	$0.0	$0.0	$0.0
Fuel Tax- State Road Fund §142.803	$0.0	$29.3	$87.8	$176.0
Individual Income Tax §143.011	$0.0	($353.1)	($251.5)	($262.3)
Corporate Tax Rate §143.071	$0.0	($66.3)	($44.2)	($44.2)
Corporate Federal Tax Deduction Eliminated §143.171	$0.0	$109.0	$109.0	$109.0
Working Family tax credit §143.177	$0.0	($21.3)	($34.1)	($34.1)
Bank Tax Rate Reduction §148.622	$0.0	($0.2)	($0.1)	($0.1)
A&E additional 2% withholding	$0.0	$39.9	$39.9	$39.9
Total Estimated Impact to State Revenue	**(Min)**	**($50.3)**	**$59.0**	**$147.1**

ASSUMPTION (continued)

Table 2: **B&P** Local Impacts - figures in Millions

	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
Streamlined Sales & Use §32.070	$0.0	$0.0	$9.1	$18.3
Bank Tax Rate Reduction §148.622	$0.0	($9.3)	($6.2)	($6.2)
Nonprofit Initiation/Dues Sales Tax Exemption §144.011	(Min)	(Min)	(Min)	(Min)
Kidney Dialysis/Enteral Feeding System §144.030	$0.0	(Min)	(Min)	(Min)
Delivery Fees §144.030	$0.0	$0.0	$0.0	$0.0
Fuel Tax	$0.0	$12.8	$38.3	$76.8
Total Estimated Impact to Local Government Revenue	**(Min)**	**$3.5**	**$41.2**	**$88.9**

Table 3: **B&P** Calculated - Revenue Impact by State Fund - figures in Millions

	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
General Revenue	$0.0	($119.5)	($71.8)	($75.0)
Park, Soil & Water Fund	$0.0	$0.0	$0.3	$0.5
Conservation Commission Fund	$0.0	$0.0	$0.3	$0.6
School District Trust Fund	$0.0	$0.0	$2.5	$5.0
MO Senior Services Protection Fund	$0.0	$39.9	$39.9	$39.9
State Road Fund	$0.0	$29.3	$87.8	$176.0

ASSUMPTION (continued)

Oversight assumes the many programs and changes to existing programs in this proposal may have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposals and will not reflect them in the fiscal note.

FISCAL IMPACT - State Government	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
GENERAL REVENUE				
Additional Revenue Streamlined Sales & Use Agreement §32.070 p. 4-5	$0	$0	$0 or $7,500,000	$0 or $15,100,000
Additional Revenue - Single-Sales Factor Allocation §32.200 p. 6	$0	$212,400,000	$141,600,000	$141,600,000
Additional Revenue elimination of the corporate federal income tax liability deduction §143.171 p. 20	$0	$109,000,000	$109,000,000	$109,000,000
Cost - DOR Streamlined Sales and Use Tax Agreement Integrated Tax System Changes §32.070 p. 4-5	$0	$0	$0 or ($662,114)	$0

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
GENERAL REVENUE (continued)				
Cost - DOR §32.070				
Personal Service	$0	$0	$0 or ($88,773)	$0 or ($93,303)
Fringe Benefits	$0	$0	$0 or ($58,730)	$0 or ($60,075)
Equip. & Expenses	$0	$0	$0 or ($25,666)	$0 or ($2,635)
Total Costs p. 4-5	$0	$0	$0 or ($173,169)	$0 or ($156,013)
FTE Change - DOR	0 FTE	0 FTE	0 or 3 FTE	0 or 3 FTE
Cost - DOR §142.803				
Personal Service	$0	($24,604)	($24,850)	($26,119)
Fringe Benefits	$0	($18,095)	($18,168)	($18,545)
Equip. & Expenses	$0	($8,893)	($776)	($877)
Computer Upgrades	$0	($75,168)	$0	$0
Total Costs p. 6-9	$0	($126,760)	($43,794)	($45,541)
FTE Change - DOR	0 FTE	1 FTE	1 FTE	1 FTE
Revenue Reduction Changes Individual Income Tax §143.011 p. 10-19	$0	($353,100,000)	($251,500,000)	($262,300,000)
Revenue Reduction Working Family tax Credit §143.177 p. 10	$0	($21,179,000)	($42,357,000)	($42,357,000)

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
GENERAL REVENUE (continued)				
Revenue Reduction Corporate Tax Rate Reduction from 6.25% to 5.25% §143.071 p. 19	$0	($71,900,000)	($47,900,000)	($47,900,000)
Revenue Reduction refunds of the nonresident athlete & entertainers §143.183 p. 20-22	$0	(Could Exceed $1,500,000)	(Could Exceed $1,500,000)	(Could Exceed $3,000,000)
Revenue Reduction - financial bank tax reduction §148.622 p. 24-25	$0	($200,000)	($100,000)	($100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**($126,605,760)**	**($86,136,077)**	**($90,158,554)**
Estimated Net FTE Change on General Revenue	0 FTE	1 FTE	1 or 4 FTE	1 or 4 FTE

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
PARKS, SOIL & WATER FUND				
Additional Revenue - Streamline Sales & Use Tax Agreement §32.070 p. 4-5	$0	$0	$0 or $300,000	$0 or $500,000
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUND	**$0**	**$0**	**$0 or $300,000**	**$0 or $500,000**
CONSERVATION COMMISSION FUND				
Additional Revenue - Streamline Sales & Use Tax Agreement §32.070 p. 4-5	$0	$0	$0 or $300,000	$0 or $600,000
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**$0**	**$0 or $300,000**	**$0 or $600,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
SCHOOL DISTRICT TRUST FUND				
Additional Revenue - Streamline Sales & Use Tax Agreement §32.070 p. 4-5	$0	$0	$0 or $2,500,000	$0 or $5,000,000
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**$0**	**$0 or $2,500,000**	**$0 or $5,000,000**
STATE ROAD FUND				
Additional Revenue - increasing motor fuel tax from 17 to 25 cents per gallon §142.803 p. 6-9	$0	$29,300,000	$87,800,000	$176,000,000
ESTIMATE NET EFFECT ON THE STATE ROAD FUND	**$0**	**$29,300,000**	**$87,800,000**	**$176,000,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
MO ARTS COUNCIL TRUST FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183 p. 20-22	$0	$0	$0	$23,940,000
ESTIMATED NET EFFECT ON MO ARTS COUNCIL TRUST FUND	**$0**	**$0**	**$0**	**$23,940,000**
LIBRARY NETWORKING FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183 p. 20-22	$0	$0	$0	$3,990,000
ESTIMATED NET EFFECT ON LIBRARY NETWORKING TRUST FUND	**$0**	**$0**	**$0**	**$3,990,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
MO HUMANITIES COUNCIL TRUST FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183 p. 20-22	$0	$0	$0	$3,990,000
ESTIMATED NET EFFECT ON MO HUMANITIES COUNCIL TRUST FUND	**$0**	**$0**	**$0**	**$3,990,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
MO PUBLIC BROADCASTING CORP SPECIAL FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183 p. 20-22	$0	$0	$0	$3,990,000
ESTIMATED NET EFFECT ON MO PUBLIC BROADCASTING CORP SPECIAL FUND	**$0**	**$0**	**$0**	**$3,990,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
HISTORIC PRESERVATION REVOLVING TRUST FUND				
Additional Revenue - extension of the nonresident entertainer and professional athlete income tax §143.183 p. 20-22	$0	$0	$0	$3,990,000
ESTIMATED NET EFFECT ON HISTORIC PRESERVATION TRUST FUND	**$0**	**$0**	**$0**	**$3,990,000**

FISCAL IMPACT - State Government (continued)	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
MISSOURI SENIOR SERVICES PROTECTION FUND				
Additional Revenue - new 2% nonresident athlete & entertainers tax going to the MSSP Fund §143.183 p. 20-22	$0	$39,900,000	$39,900,000	$39,900,000
ESTIMATED NET EFFECT ON THE MO SENIOR SERVICES PROTECTION FUND	**$0**	**$39,900,000**	**$39,900,000**	**$39,900,000**

FISCAL IMPACT - Local Government	FY 2019	FY 2020	FY 2021	Fully Implemented FY 2027
LOCAL POLITICAL SUBDIVISIONS				
Additional Revenue Streamline Sales & Use Agreement §32.070 p. 4-5	$0	$0	$0 or $9,100,000	$0 or $18,300,000
Additional Revenue to Cities (15%) & Counties (12%) from increase in fuel tax from 17 to 25 cents per gallon §142.803 p. 6-9	$0	$12,800,000	$38,300,000	$76,800,000
Revenue Reduction - financial bank tax reduction §148.622 p. 24-25	$0	($9,300,000)	($6,200,000)	($6,200,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$3,500,000**	**$41,200,000**	**$88,900,000**

FISCAL IMPACT - Small Business

This proposal would allow Missouri to enter into the Streamlined Sales and Use Tax Agreement, which may allow Missouri to collect use tax from out-of-state sellers that compete with Missouri small businesses. (§32.070)

Small businesses may be impacted by the increase over three years of the motor fuel tax up to 25 cents. (§142.803)

FISCAL DESCRIPTION

This act modifies several provisions relating to taxation.

INDIVIDUAL INCOME TAX - Current law provides for a reduction in the top rate of income tax over a period of years from 6% to 5.5%, with each cut becoming effective if net general revenue collections meet a certain trigger. Beginning in the 2019 calendar year, this act provides that the top rate of tax shall be eliminated, with a top remaining tax rate reduced to 5.25% for all taxable income over $8,000. In each subsequent calendar year, the top rate of tax shall be reduced by 0.1% if net general revenue collections in the fiscal year exceed the net general revenue collections from any of the three previous fiscal years by $150 million. No more than four such reductions shall be made, and the rate shall not be reduced more than once per calendar year. The Director of Revenue shall adjust the tax tables as provided in the act.

This act also provides for an additional 0.3% reduction in the top rate of tax if the U.S. Supreme Court renders a decision, the U.S. Congress passes a law, or the U.S. Constitution is amended, which allows the state to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes. (§143.011)

This act provides that Missouri personal and dependency exemptions shall not be allowed if the federal exemption amount is zero. (§143.151 and §143.161)

This act modifies the income tax deduction for federal tax liability paid by indexing the amount that may be deducted to the taxpayer's Missouri adjusted gross income, as described in the act. The deduction is allowed at 100% for adjusted gross income of $25,000 or less, and is phased out to 0% for adjusted gross income of $150,001 or more. (§143.171)

Currently, the revenue generated from an income tax on certain nonresident athletes and entertainers is distributed among several funds. Such distributions will currently end on December 31, 2020. This act extends the distributions until December 31, 2030. For all fiscal years beginning on or after July 1, 2019, this act also provides for an additional 2% withholding on such nonresident individuals, with the revenue generated by such additional withholding deposited in the Senior Services Protection Fund. (§143.183)

MISSOURI WORKING FAMILY TAX CREDIT - This act establishes the Missouri Working Family Tax Credit Act.

For all tax years beginning on or after January 1, 2019, this act creates a tax credit to be applied to a taxpayer's Missouri income tax liability after all reductions for other credits for which the taxpayer is eligible have been applied. The tax credit shall not exceed the amount of the

FISCAL DESCRIPTION (continued)

taxpayer's tax liability, and shall not be refundable. For the tax year beginning on or after January 1, 2019, the amount of such tax credit shall be ten percent of the amount of a taxpayer's federal earned income tax credit. For all tax years beginning or after January 1, 2020, the amount of such tax credit shall be twenty percent of the amount of a taxpayer's federal earned income tax credit.

The Department of Revenue shall determine whether a taxpayer who did not apply for the tax credit established by this act is eligible and shall notify such taxpayer of his or her potential eligibility.

The Department shall prepare an annual report regarding the tax credit established by this act containing certain information as described in the act. (§143.177)

This provision shall sunset after six years unless re-authorized by the General Assembly.

CORPORATE INCOME TAX - For all tax years beginning on or after January 1, 2019, this act reduces the corporate income tax rate from 6.25% to 5.25%. (§143.071)

For all tax years beginning on or after January 1, 2019, no corporation shall be allowed a deduction for federal tax liability paid. (§143.171)

This act removes the requirement that an affiliated group of corporations have fifty percent or more of its income derived from sources within this state in order to file a consolidated return, and eliminates transactions between affiliated members of the group from such consolidated return. (§143.431)

For all tax years beginning on or after January 1, 2019, this act modifies the Multistate Tax Compact by requiring corporations subject to income tax in this state to apportion and allocate income according to the income tax provisions provided in Chapter 143, and disallows the three-factor apportionment option available in the Multistate Tax Compact. (§32.200)

For all tax years beginning on or after January 1, 2019, this act modifies the law relating to the allocation and apportionment of corporate income by requiring corporations to determine their income derived from sources within this state according to the provisions of this act.

ALLOCABLE INCOME - Net rents and royalties from real property located in the state, and capital gains from the sale of such property, is allocable to the state. Net rents and royalties from tangible personal property are allocable to the state to the extent that the property is used in this

FISCAL DESCRIPTION (continued)

state, or in their entirety if the corporation's commercial domicile is in this state and is not organized or taxable by the state in which the property is utilized, as described in the act. Capital gains from the sale of tangible personal property is allocable to this state if the property had a situs in the state at the time of sale, or if the corporation's commercial domicile is in this state and is not organized or taxable by the state in which the property had a situs, as described in the act. Interest and dividends are allocable to this state if the corporation's commercial domicile is in this state. Patent and copyright royalties are allocable to this state to the extent that the patent or copyright is utilized in this state, or to the extent that the patent or copyright is utilized in a state in which the corporation is not taxable and the corporation's commercial domicile is in this state.

APPORTIONABLE INCOME - All apportionable income shall be apportioned to this state by dividing the total receipts of the corporation in this state during the tax period by the total receipts of the corporation everywhere during the tax period, and multiplying such result by the net income.

Receipts from the sale of tangible personal property shall be considered in this state if the property is received in this state by the purchaser, as described in the act. Receipts from all other sales shall be considered in this state if the corporation's market for such sales is in this state, as described in the act.

In the case of certain industries where unusual factual situations produce inequitable results under the apportionment and allocation provisions of this act, the Director of Revenue shall promulgate rules for determining the apportionment and allocation factors for each such industry. In such a case, a corporation may petition the Director of Revenue, as described in the act. (§143.451, §143.455, §143.471, §620.1350)

This act provides that the method of allocation and apportionment elected by a corporation shall expire after five years, or whenever the director of revenue finds and notifies such corporation that such method does not show the income applicable to this state, whichever occurs first. After such expiration or revocation, the corporation may elect to use the same or a different method. Failure to make such an election shall constitute an election to comply with the allocation and apportionment provisions provided by the act. (§143.461)

FINANCIAL INSTITUTIONS TAX - Current law allows certain financial institutions to receive a credit against the financial institutions tax for any corporate income tax paid. This act provides that, if the corporate income tax rate is reduced, the financial institutions tax rate shall be reduced proportionally. (§148.622)

FISCAL DESCRIPTION (continued)

MOTOR FUEL TAX - Beginning July 1, 2019, this act increases the rate of motor fuel tax from $0.17/gallon to $0.18/gallon. Beginning, July 1, 2020, the rate of tax shall be $0.20/gallon. Beginning, July 1, 2021, the rate of tax shall be $0.23/gallon.

This act also provides that the motor fuel tax rate shall be an additional four cents if an income tax rate cut is triggered by the state being authorized to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes, provided that the rate of tax shall not exceed $0.25/gallon. This act also provides that, until June 30, 2025, the motor fuel tax rate shall be adjusted annually for inflation once all adjustments to the motor fuel tax rate are made under the act, provided that no inflation adjustment shall exceed 3.5% in a given fiscal year. (§142.803)

This act also increases the rate of tax on compressed natural gas, liquified natural gas, and propane gas fuels to $0.23/gallon equivalent, and beginning on January 1, 2026, requires that all such alternative fuels be taxed at the same rate as motor fuel. (§142.803)

SALES AND USE TAX EXEMPTIONS - This act exempts nonprofit organizations exempt from taxation under Section 501(c)(7) of the Internal Revenue Code of 1986 from sales and use taxes on charges for initiation fees or dues. (§144.011)

This act also exempts usual and customary delivery charges from sales and use taxes. (§144.030)

STREAMLINED SALES AND USE TAX AGREEMENT - Under this act, the Department of Revenue shall enter into the Streamlined Sales and Use Tax Agreement (SSUTA). The state shall be represented by four delegates in meetings with other states regarding the Agreement. One delegate shall be appointed by the Governor, one shall be a member of the General Assembly appointed by the President Pro Tem of the Senate, one shall be a member of the General Assembly appointed by the Speaker of the House of Representatives, and one shall be the Director of the Department of Revenue or his or her designee. These delegates shall report annually to the General Assembly regarding the agreement. (§32.070)

Any local sales tax changes due to a boundary change shall take effect on the first day of the calendar quarter 120 days after the sellers receive notice of the change.

The effective date for the imposition, repeal, or rate change of each local sales and use tax shall be the first day of the calendar quarter at least 120 days after the sellers receive notice of the change. (§32.087)

FISCAL DESCRIPTION (continued)

This act makes changes to several sections of law relating to local sales taxes in order to make language consistent across sections and to make such sections compliant with the SSUTA. (§66.601 to §94.705, §184.845, §221.407, §238.235, §238.410, §644.032)

The act adds several definitions relating to the application of the sales tax law in order to make interpretation of said sales tax law compliant with the SSUTA. (§144.010)

Certain exemptions from state sales tax are modified to be in compliance with the SSUTA. (§144.030)

The school and Show Me Green sales tax holidays are modified by removing the fifty-dollar per purchase limit on school supplies, and by defining how the sales tax exemption applies to the purchase or return of certain items. (§144.049 and §144.526)

This act relieves a purchaser from any penalties for failure to pay the proper amount of sales tax if the error was a result of erroneous information provided by the Director of Revenue. (§144.060)

The Director of Revenue shall promulgate a rule allowing for the issuance of a direct pay permit to purchasers, which would allow the purchaser to purchase goods and services without remitting payment of the tax to the seller at the time of purchase. Such purchaser shall determine the amount owed and remit such amount directly to the taxing jurisdiction. (§144.079)

The Director of Revenue shall participate in an on-line registration system that will allow sellers to register in this state and other member states. Registering in the system obligates the seller to collect and remit sales and use taxes for all taxable sales into this state as well as the other member states. Registration in the system shall not be used as a factor for determining nexus with this state. (§144.082)

The Director shall promulgate rules for the remittance of returns, which shall include an allowance for electronic payments and simplified electronic returns, as described in the act. (§144.084)

A certified service provider, as defined in the act, shall not be certified unless it meets certain requirements relating to the security and privacy of purchasers' information, as described in the act. (§144.109)

FISCAL DESCRIPTION (continued)

This act provides uniform sourcing rules for all purchases made in this state. For purchases for which the location where the order is received by the seller and the purchaser receives the product are both in Missouri, the sale shall be sourced to the location where the order is received by the seller, as described in the act. For purchases for which the location where the order is received by the seller and the purchaser receives the product are in different states, the sale shall be sourced to the location where receipt by the purchaser occurs, as described in the act. All sales of motor vehicles, trailers, semi-trailers, watercraft, outboard motors, and aircraft shall be sourced to the address of the owner. For the lease or rental of tangible personal property that requires recurring periodic payments, the first periodic payment shall be sourced to where the order is received by the seller. All subsequent payments shall be sourced to the primary property location for the property, as described in the act. For the lease or rental of tangible personal property that does not require recurring periodic payments, the payment shall be sourced to the location where receipt by the purchaser occurs. (§144.111)

The sale of certain telecommunications service, including internet, mobile telecommunications service, and ancillary service, shall be sourced to the customer's place of primary use. (§144.114)

The Director shall provide and maintain downloadable electronic databases at no cost to the user of the databases for taxing jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services. Sellers will be relieved from liability if they fail to properly collect tax based upon certain information provided by the department. (§144.123 and §144.124)

Amnesty for uncollected or unpaid sales or use tax shall be granted for sellers under certain circumstances following registration with the state, as described in the act. (§144.125)

This act provides that a cause of action against a seller by a purchaser for a tax erroneously or illegally collected shall not accrue until the purchaser has provided written notice to a seller and the seller has had sixty days to respond. A seller shall be presumed to have a reasonable business practice if in the collection of such tax the seller uses a provider or a system certified by the Director of Revenue and has remitted all tax collected. (§144.190)

Monetary allowances from taxes collected shall be provided to certain sellers and certified service providers for collecting and remitting state and local taxes, as described in the act. (§144.140)

FISCAL DESCRIPTION (continued)

When an exemption is claimed by a purchaser, a seller shall be required to collect certain information, as described in the act. A seller shall be relieved from collecting and remitting tax if it is determined that the purchaser improperly claimed an exemption. Relief from liability shall not apply to a seller who fraudulently fails to collect tax, or sellers who otherwise improperly accept an exemption certificate, as described in the act. (§144.212)

This act repeals a provision which requires the Director to establish brackets showing the amounts of tax to be collected on sales of specified amounts. Instead, the tax computation shall be carried to the third decimal place, and the tax shall be rounded to a whole cent using a method that rounds up to the next cent whenever the third decimal place is greater than four. (§144.285).

This act provides that all provisions of law with respect to sales into the state by out-of-state sellers apply to the Compensating Use Tax Law. (§144.600)

Certain sections of this act shall become effective on July 1, 2019. Sections relating to the Streamlined Sales and Use Tax Agreement shall become effective on January 1, 2020, if on such date the Director of the Department of Revenue determines that the state of Missouri is not able to require out-of-state sellers with no physical presence in the state to collect and remit state and local sales taxes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Callaway County
City of Kansas City
Clinton County Commission
Department of Conservation
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Missouri Department of Transportation
Missouri House of Representatives
Missouri Senate
Northeast Nodaway R-V School District

SOURCES OF INFORMATION (continued)

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Office of the Secretary of State
Summersville R-II School District
St. Louis County
Wellsville-Middletown R-I School District
University of Missouri's Economic and Policy Analysis Research Center

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Acting Director
April 9, 2018