IMPORTANT TAXATION CHANGES FROM 2021 LEGISLATIVE SESSION

MISSOURI DEPARTMENT OF REVENUE

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The following legislative changes affect the Missouri Department of Revenue's taxation processes and are effective August 28, 2021, unless otherwise noted.

Foster Parent Income Tax Deduction (HB 429)

This proposal creates a new subtraction from a taxpayer's Missouri adjusted gross income in an amount not to exceed $5,000 ($2,500 for filing status of married filing separate) for foster parents. This provision is effective January 1, 2023.

Provisions Relating to Tax Credits (HB 430)

Special Needs Adoption Tax Credit Program: Modifies the existing special needs adoption tax credit program; changes the name on the credit from the Special Needs Adoption tax credit to the Adoption tax credit program; and removes the requirement that the child must be a resident of this state or a ward of the state and the requirement that the child must be a special needs child. This provision also raises the tax credit cap from $2 million to $6 million, starting July 1, 2022.

Domestic Violence Shelter Tax Credit Program: Modifies the existing domestic violence shelter tax credit program. Currently, this program allows a tax credit for contributions to qualified shelters for victims of domestic violence. This tax credit is expanded to include contributions made to rape crisis centers and nonprofit organizations that support a domestic violence shelter funded by the state or a political subdivision, and the credit cap has been removed.

Military Retirement Benefits Income Tax Deduction (SB 120)

This proposal removes from Section 143.124.14 the subtraction from an individual's Missouri adjusted gross income for 100% of the retirement benefits received by any taxpayer as a result of the taxpayer's service in the Armed Forces of the United States and creates instead Section 143.121.3(12), a new section which provides a subtraction from federal adjusted gross income (to the extent included in federal adjusted gross income) for: "One hundred percent of any retirement benefits received by any taxpayer as a result of the taxpayer's service in the Armed Forces of the United States, including reserve components and the National Guard of this state, as defined in 32 U.S.C. Sections 101(3) and 109, and any other military force organized under the laws of this state." This is a technical fix that ensures that all the military retirement benefits would be included in the subtraction. This provision is effective January 1, 2022.

Gas Tax Increase (SB 262)

This provision, starting October 1, 2021, increases the motor fuel tax rate by $0.125 per gallon at the end of 5 years ($0.025 increase yearly for 5 years). Taxpayers who do not wish to pay this gas tax increase can apply for a refund each tax year on the gas tax increase paid.

Missouri Working Family Tax Credit Act (SB 153)

This provision, beginning with the 2023 calendar year, will allow a taxpayer who receives the federal earned income tax credit per 26 U.S.C. Section 32 as of January 1, 2021, to receive a Missouri earned income tax credit equal to a certain percentage of the federal earned income tax credit. The Missouri credit starts as a 10% credit and can eventually increase to a 20% credit. The proposal contains a net general revenue trigger: If net general revenue collected in the previous year exceeds the highest of the three fiscal years by $150 million. This is the same trigger as SB 509 (2014). The 10% credit begins to take effect in the later of: the 2023 calendar year or the first calendar year, after enactment, that the net general revenue trigger is met. The percentage will increase when the net general revenue trigger is met again, up to a maximum of 20% of the earned income tax credit.

Local Use Tax Provisions (SB 153)

This provision in Section 144.757 modifies the wording used by local political subdivisions when putting use taxes on the ballot. This additionally makes identical the ballot language used by St. Louis City, St. Louis County and the rest of the municipalities in the state. This provision also prohibits political subdivisions from describing economic nexus provisions as a new tax; clarifies how tax funds will be distributed throughout St. Louis County; and requires any local political subdivision that has a use tax to provide notice in a newspaper alerting their citizens of the requirement of the economic nexus provisions.

Federal COVID-19 Stimulus Tax Exemption (SB 153)

This provision excludes the tax credits associated with stimulus payments made under the Federal Cares Act from the Missouri Federal Income Tax calculation.

Sales Tax Remittance Filing Periods (SB 153)

Currently, taxpayers with sales over $500 are required to file monthly, while those with $100 to $500 in sales file quarterly and those with under $100 in sales filing annually. The monthly filers owe their return by the 20th of the month while the quarterly filers file at the end of the following month and annual filers file on January 31st of the following year.

This proposal in Section 144.080.2 updates the statute from its current $250 to qualify as a monthly filer to the current $500 per Department rule. This proposal also changed how the Department calculates the monthly filing frequency. Currently, the Department looks at the previous calendar quarter and if you exceed the $500 then you begin filing monthly. This proposal requires the Department to look at the previous calendar year before triggering the monthly filing requirement. At this time, the DOR is not sure how many taxpayers may be impacted by this change.

This proposal also updated the statutory language to require those with less than $200 in sales (previously $45 per statute) to file annually. Our current rule require those with less than $100 in sales to file annually. This will increase the number of taxpayers that will be eligible to file annually. The Department will need to notify those currently between $100 and $200 in sales that they would be allowed to file annually instead of quarterly. It should be noted that taxpayers are allowed to file more frequently than statutorily required, so the Department does not know if any that file quarterly would choose to file annually instead.

Due to the change in the amount that triggers quarterly filing ($200), this proposal updated the language for quarterly filers to reflect the $200 to $500 range.

Remote Seller Use Tax (SB 153)

This provision expands the definition of economic nexus with the State to include those businesses that do not have a physical presence in the state but do over $100,000 in taxable sales within the state. This change in definition would require those businesses to collect and remit use tax on those taxable sales starting January 1, 2023. This also establishes processes for businesses that use marketplace facilitators or certified services providers for selling their products to more easily comply with these reporting, collecting and remitting requirements.

Individual Income Tax Rate Reduction (SB 153)

This proposal creates additional phased-in individual income tax rate reductions based on the revenue generated by the remote seller use tax provisions. This proposal expands the current SB 509 (2014) rate reductions that are already scheduled to occur.

Long-Term Care Insurance Tax Credit (HB 604)

This provision allows a resident individual to deduct from their Missouri taxable income an amount equal to 100% of all nonreimbursed amounts paid by such individuals for long-term care insurance. The definition of qualified long-term care insurance is expanded to include insurance policies that are considered an asset or resource for purposes of eligibility for long-term care benefits under MO HealthNet.

Medal of Honor Recipients Fund (SB 258)

This proposal, starting with each taxable year beginning on or after January 1, 2022, establishes a tax checkoff program for the Missouri Medal of Honor Recipients Fund. This tax checkoff program allows taxpayers (individuals and corporations) who are eligible for a tax refund to donate part or all of their tax refund to the Missouri Medal of Honor Fund. Additionally, any taxpayer can choose to write a check for any amount and donate it to the Fund by including it with their tax return.

Empowerment Tax Credit Program (HB 349/SB 86)

This proposal creates a new state tax credit called the Empowerment Scholarship Tax Credit program, which allows taxpayers to receive a tax credit equal to 100% of the contribution made to an educational assistance organization. The taxpayer makes the contribution and receives a receipt verifying the contribution. The receipt and a claim form are submitted with the taxpayer's tax return. Upon receipt of the tax materials, the taxpayer is eligible for the tax credit.

The tax credit starts at a cap of $25 million in the first year. The tax credit cap is allowed to be adjusted for inflation based on the rate of the consumer price index. The State Treasurer calculates the new cap annually. The cap can continue to increase until it reaches $50 million.

This Empowerment Scholarship Tax Credit Program is administered by the Office of the State Treasurer. It will be the Treasurer's responsibility to not approve tax credits higher than each year's annual cap. Additionally, the Treasurer will need to notify the Department of the annual cap amount to ensure the total credit amounts redeemed do not exceed the total allowed. This provision is effective January 1, 2022.

Capital Complex Tax Credit (SB 36)

This provision, for all taxable years beginning on or after January 1, 2021, authorizes any taxpayer who makes a donation to the Capitol Complex Fund to claim a credit against any state income tax (except employer withheld taxes) or state taxes imposed on financial institutions for an amount equal to 50% of the monetary donation amount. Any amount of tax credit that exceeds the qualified donor's state income tax liability may be refunded or carried forward for the following four years.

For all taxable years beginning on or after January 1, 2021, a qualified donor shall be allowed a credit against any state income tax (except employer withheld taxes) or state taxes imposed on financial institutions for an amount equal to 30% of the value of the eligible artifact donation, as defined in the act. Any amount of tax credit that exceeds the donor's tax liability shall not be refunded for artifacts, but the credit may be carried forward for four subsequent years.