

CONFERENCE COMMITTEE SUBSTITUTE

FOR

SENATE BILL NO. 884

AN ACT

To repeal sections 32.200, 143.011, 143.071, 143.431, 143.451, 143.461, 143.471, 144.087, and 620.1350, RSMo, and to enact in lieu thereof ten new section relating to taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI, AS FOLLOWS:

1 Section A. Sections 32.200, 143.011, 143.071, 143.431,
2 143.451, 143.461, 143.471, 144.087, and 620.1350, RSMo, are
3 repealed and ten new sections enacted in lieu thereof, to be
4 known as sections 32.200, 143.011, 143.071, 143.431, 143.451,
5 143.455, 143.461, 143.471, 144.087, and 620.1350, to read as
6 follows:

7 32.200. The "Multistate Tax Compact" is hereby enacted into
8 law and entered into with all jurisdictions legally joining
9 therein, in the form substantially as follows:

10 MULTISTATE TAX COMPACT

11 Article I

12 The purposes of this compact are to:

13 1. Facilitate proper determination of state and local tax
14 liability of multistate taxpayers, including the equitable
15 apportionment of tax bases and settlement of apportionment
16 disputes.

17 2. Promote uniformity or compatibility in significant
18 components of tax systems.

1 3. Facilitate taxpayer convenience and compliance in the
2 filing of tax returns and in other phases of tax administration.

3 4. Avoid duplicative taxation.

4 Article II

5 As used in this compact:

6 1. "State" means a state of the United States, the District
7 of Columbia, the Commonwealth of Puerto Rico, or any territory or
8 possession of the United States.

9 2. "Subdivision" means any governmental unit or special
10 district of a state.

11 3. "Taxpayer" means any corporation, partnership, firm,
12 association, governmental unit or agency or person acting as a
13 business entity in more than one state.

14 4. "Income tax" means a tax imposed on or measured by net
15 income including any tax imposed on or measured by an amount
16 arrived at by deducting expenses from gross income, one or more
17 forms of which expenses are not specifically and directly related
18 to particular transactions.

19 5. "Capital stock tax" means a tax measured in any way by
20 the capital of a corporation considered in its entirety.

21 6. "Gross receipts tax" means a tax, other than a sales
22 tax, which is imposed on or measured by the gross volume of
23 business, in terms of gross receipts or in other terms, and in
24 the determination of which no deduction is allowed which would
25 constitute the tax an income tax.

26 7. "Sales tax" means a tax imposed with respect to the
27 transfer for a consideration of ownership, possession or custody
28 of tangible personal property or the rendering of services

1 measured by the price of the tangible personal property
2 transferred or services rendered and which is required by state
3 or local law to be separately stated from the sales price by the
4 seller, or which is customarily separately stated from the sales
5 price, but does not include a tax imposed exclusively on the sale
6 of a specifically identified commodity or article or class of
7 commodities or articles.

8 8. "Use tax" means a nonrecurring tax, other than a sales
9 tax, which

10 (a) is imposed on or with respect to the exercise or
11 enjoyment of any right or power over tangible personal property
12 incident to the ownership, possession or custody of that property
13 or the leasing of that property from another including any
14 consumption, keeping, retention, or other use of tangible
15 personal property; and

16 (b) is complementary to a sales tax.

17 9. "Tax" means an income tax, capital stock tax, gross
18 receipts tax, sales tax, use tax, and any other tax which has a
19 multistate impact, except that the provisions of articles III, IV
20 and V of this compact shall apply only to the taxes specifically
21 designated therein and the provisions of article IX of this
22 compact shall apply only in respect to determinations pursuant to
23 article IV.

24 Article III

25 1. Any taxpayer subject to an income tax whose income is
26 subject to apportionment and allocation for tax purposes pursuant
27 to the laws of a party state or pursuant to the laws of
28 subdivisions in two or more party states may elect to apportion

1 and allocate his income in the manner provided by the laws of
2 such state or by the laws of such states and subdivisions without
3 reference to this compact, or may elect to apportion and allocate
4 in accordance with article IV; except that for tax years
5 beginning on or after January 1, 2020, any taxpayer subject to
6 the tax imposed by section 143.071 shall apportion and allocate
7 in accordance with the provisions of Chapter 143 and shall not
8 apportion or allocate in accordance with article IV. This
9 election for any tax year may be made in all party states or
10 subdivisions thereof or in any one or more of the party states or
11 subdivisions thereof without reference to the election made in
12 the others. For the purposes of this paragraph, taxes imposed by
13 subdivisions shall be considered separately from state taxes and
14 the apportionment and allocation also may be applied to the
15 entire tax base. In no instance wherein article IV is employed
16 for all subdivisions of a state may the sum of all apportionments
17 and allocations to subdivisions within a state be greater than
18 the apportionment and allocation that would be assignable to that
19 state if the apportionment or allocation were being made with
20 respect to a state income tax.

21 2. Each party state or any subdivision thereof which
22 imposes an income tax shall provide by law that any taxpayer
23 required to file a return, whose only activities within the
24 taxing jurisdiction consist of sales and do not include owning or
25 renting real estate or tangible personal property, and whose
26 dollar volume of gross sales made during the tax year within the
27 state or subdivision, as the case may be, is not in excess of
28 \$100,000 may elect to report and pay any tax due on the basis of

1 a percentage of such volume, and shall adopt rates which shall
2 produce a tax which reasonably approximates the tax otherwise
3 due. The multistate tax commission, not more than once in five
4 years, may adjust the \$100,000 figure in order to reflect such
5 changes as may occur in the real value of the dollar, and such
6 adjusted figure, upon adoption by the commission, shall replace
7 the \$100,000 figure specifically provided herein. Each party
8 state and subdivision thereof may make the same election
9 available to taxpayers additional to those specified in this
10 paragraph.

11 3. Nothing in this article relates to the reporting or
12 payment of any tax other than an income tax.

13 Article IV

14 1. As used in this article, unless the context otherwise
15 requires:

16 (1) "Business income" means income arising from
17 transactions and activity in the regular course of the taxpayer's
18 trade or business and includes income from tangible and
19 intangible property if the acquisition, management, and
20 disposition of the property constitute integral parts of the
21 taxpayer's regular trade or business operations.

22 (2) "Commercial domicile" means the principal place from
23 which the trade or business of the taxpayer is directed or
24 managed.

25 (3) "Compensation" means wages, salaries, commissions and
26 any other form of remuneration paid to employees for personal
27 services.

28 (4) "Financial organization" means any bank, trust company,

1 savings bank, industrial bank, land bank, safe deposit company,
2 private banker, savings and loan association, credit union,
3 cooperative bank, small loan company, sales finance company,
4 investment company, or any type of insurance company.

5 (5) "Nonbusiness income" means all income other than
6 business income.

7 (6) "Public utility" means any business entity

8 (a) which owns or operates any plant, equipment, property,
9 franchise, or license for the transmission of communications,
10 transportation of goods or persons, except by pipeline, or the
11 production, transmission, sale, delivery, or furnishing of
12 electricity, water or steam; and

13 (b) whose rates of charges for goods or services have been
14 established or approved by a federal, state or local government
15 or governmental agency.

16 (7) "Sales" means all gross receipts of the taxpayer not
17 allocated under paragraphs of this article.

18 (8) "State" means any state of the United States, the
19 District of Columbia, the Commonwealth of Puerto Rico, any
20 territory or possession of the United States, and any foreign
21 country or political subdivision thereof.

22 (9) "This state" means the state in which the relevant tax
23 return is filed or, in the case of application of this article,
24 to the apportionment and allocation of income for local tax
25 purposes, the subdivision or local taxing district in which the
26 relevant tax return is filed.

27 2. Any taxpayer having income from business activity which
28 is taxable both within and without this state, other than

1 activity as a financial organization or public utility or the
2 rendering of purely personal services by an individual, shall
3 allocate and apportion his net income as provided in this
4 article. If a taxpayer has income from business activity as a
5 public utility but derives the greater percentage of his income
6 from activities subject to this article, the taxpayer may elect
7 to allocate and apportion his entire net income as provided in
8 this article.

9 3. For purposes of allocation and apportionment of income
10 under this article, a taxpayer is taxable in another state if

11 (1) in that state he is subject to a net income tax, a
12 franchise tax measured by net income, a franchise tax for the
13 privilege of doing business, or a corporate stock tax; or

14 (2) that state has jurisdiction to subject the taxpayer to
15 a net income tax regardless of whether, in fact, the state does
16 or does not.

17 4. Rents and royalties from real or tangible personal
18 property, capital gains, interest, dividends or patent or
19 copyright royalties, to the extent that they constitute
20 nonbusiness income, shall be allocated as provided in paragraphs
21 5 through 8 of this article.

22 5. (1) Net rents and royalties from real property located
23 in this state are allocable to this state.

24 (2) Net rents and royalties from tangible personal property
25 are allocable to this state:

26 (a) if and to the extent that the property is utilized in
27 this state; or

28 (b) in their entirety if the taxpayer's commercial domicile

1 is in this state and the taxpayer is not organized under the laws
2 of or taxable in the state in which the property is utilized.

3 (3) The extent of utilization of tangible personal property
4 in a state is determined by multiplying the rents and royalties
5 by a fraction, the numerator of which is the number of days of
6 physical location of the property in the state during the rental
7 or royalty period in the taxable year and the denominator of
8 which is the number of days of physical location of the property
9 everywhere during all rental or royalty periods in the taxable
10 year. If the physical location of the property during the rental
11 or royalty period is unknown or unascertainable by the taxpayer,
12 tangible personal property is utilized in the state in which the
13 property was located at the time the rental or royalty payer
14 obtained possession.

15 6. (1) Capital gains and losses from sales of real
16 property located in this state are allocable to this state.

17 (2) Capital gains and losses from sales of tangible
18 personal property are allocable to this state if

19 (a) the property had a situs in this state at the time of
20 the sale; or

21 (b) the taxpayer's commercial domicile is in this state and
22 the taxpayer is not taxable in the state in which the property
23 had a situs.

24 (3) Capital gains and losses from sales of intangible
25 personal property are allocable to this state if the taxpayer's
26 commercial domicile is in this state.

27 7. Interest and dividends are allocable to this state if
28 the taxpayer's commercial domicile is in this state.

1 8. (1) Patent and copyright royalties are allocable to
2 this state:

3 (a) if and to the extent that the patent or copyright is
4 utilized by the payer in this state; or

5 (b) if and to the extent that the patent copyright is
6 utilized by the payer in a state in which the taxpayer is not
7 taxable and the taxpayer's commercial domicile is in this state.

8 (2) A patent is utilized in a state to the extent that it
9 is employed in production, fabrication, manufacturing, or other
10 processing in the state or to the extent that a patented product
11 is produced in the state. If the basis of receipts from patent
12 royalties does not permit allocation to states or if the
13 accounting procedures do not reflect states of utilization, the
14 patent is utilized in the state in which the taxpayer's
15 commercial domicile is located.

16 (3) A copyright is utilized in a state to the extent that
17 printing or other publication originates in the state. If the
18 basis of receipts from copyright royalties does not permit
19 allocation to states or if the accounting procedures do not
20 reflect states of utilization, the copyright is utilized in the
21 state in which the taxpayer's commercial domicile is located.

22 9. All business income shall be apportioned to this state
23 by multiplying the income by a fraction, the numerator of which
24 is the property factor plus the payroll factor plus the sales
25 factor, and the denominator of which is three.

26 10. The property factor is a fraction, the numerator of
27 which is the average value of the taxpayer's real and tangible
28 personal property owned or rented and used in this state during

1 the tax period and the denominator of which is the average value
2 of all the taxpayer's real and tangible personal property owned
3 or rented and used during the tax period.

4 11. Property owned by the taxpayer is valued at its
5 original cost. Property rented by the taxpayer is valued at
6 eight times the net annual rental rate. Net annual rental rate
7 is the annual rental rate paid by the taxpayer less any annual
8 rental rate received by the taxpayer from subrentals.

9 12. The average value of property shall be determined by
10 averaging the values at the beginning and ending of the tax
11 period but the tax administrator may require the averaging of
12 monthly values during the tax period if reasonably required to
13 reflect properly the average value of the taxpayer's property.

14 13. The payroll factor is a fraction, the numerator of
15 which is the total amount paid in this state during the tax
16 period by the taxpayer for compensation and the denominator of
17 which is the total compensation paid everywhere during the tax
18 period.

19 14. Compensation is paid in this state if:

20 (1) the individual's service is performed entirely within
21 the state;

22 (2) the individual's service is performed both within and
23 without the state, but the service performed without the state is
24 incidental to the individual's service within the state; or

25 (3) some of the service is performed in the state; and

26 (a) the base of operations or, if there is no base of
27 operations, the place from which the service is directed or
28 controlled is in the state; or

1 (b) the base of operations or the place from which the
2 service is directed or controlled is not in any state in which
3 some part of the service is performed, but the individual's
4 residence is in this state.

5 15. The sales factor is a fraction, the numerator of which
6 is the total sales of the taxpayer in this state during the tax
7 period, and the denominator of which is the total sales of the
8 taxpayer everywhere during the tax period.

9 16. Sales of tangible personal property are in this state
10 if:

11 (1) the property is delivered or shipped to a purchaser,
12 other than the United States government, within this state
13 regardless of the f.o.b. point or other conditions of the sale;
14 or

15 (2) the property is shipped from an office, store,
16 warehouse, factory, or other place of storage in this state; and

17 (a) the purchaser is the United States government; or

18 (b) the taxpayer is not taxable in the state of the
19 purchaser.

20 17. Sales, other than sales of tangible personal property,
21 are in this state if:

22 (1) the income-producing activity is performed in this
23 state; or

24 (2) the income-producing activity is performed both in and
25 outside this state and a greater proportion of the income-
26 producing activity is performed in this state than in any other
27 state, based on costs of performance.

28 18. If the allocation and apportionment provisions of this

1 article do not fairly represent the extent of the taxpayer's
2 business activity in this state, the taxpayer may petition for or
3 the tax administrator may require, in respect to all or any part
4 of the taxpayer's business activity, if reasonable:

5 (1) separate accounting;

6 (2) the exclusion of any one or more of the factors;

7 (3) the inclusion of one or more additional factors which
8 will fairly represent the taxpayer's business activity in this
9 state; or

10 (4) the employment of any other method to effectuate an
11 equitable allocation and apportionment of the taxpayer's income.

12 Article V

13 1. Each purchaser liable for a use tax on tangible personal
14 property shall be entitled to full credit for the combined amount
15 or amounts of legally imposed sales or use taxes paid by him with
16 respect to the same property to another state and any subdivision
17 thereof. The credit shall be applied first against the amount of
18 any use tax due the state, and any unused portion of the credit
19 shall then be applied against the amount of any use tax due a
20 subdivision.

21 2. Whenever a vendor receives and accepts in good faith
22 from a purchaser a resale or other exemption certificate or other
23 written evidence of exemption authorized by the appropriate state
24 or subdivision taxing authority, the vendor shall be relieved of
25 liability for a sales or use tax with respect to the transaction.

26 Article VI

27 1. (a) The multistate tax commission is hereby
28 established. It shall be composed of one "member" from each

1 party state who shall be the head of the state agency charged
2 with the administration of the types of taxes to which this
3 compact applies. If there is more than one such agency the state
4 shall provide by law for the selection of the commission member
5 from the heads of the relevant agencies. State law may provide
6 that a member of the commission be represented by an alternate
7 but only if there is on file with the commission written
8 notification of the designation and identity of the alternate.
9 The attorney general of each party state or his designee, or
10 other counsel if the laws of the party state specifically
11 provide, shall be entitled to attend the meetings of the
12 commission, but shall not vote. Such attorneys general,
13 designees, or other counsel shall receive all notices of meetings
14 required under paragraph 1 (e) of this article.

15 (b) Each party state shall provide by law for the selection
16 of representatives from its subdivisions affected by this compact
17 to consult with the commission member from that state.

18 (c) Each member shall be entitled to one vote. The
19 commission shall not act unless a majority of the members are
20 present, and no action shall be binding unless approved by a
21 majority of the total number of members.

22 (d) The commission shall adopt an official seal to be used
23 as it may provide.

24 (e) The commission shall hold an annual meeting and such
25 other regular meetings as its bylaws may provide and such special
26 meetings as its executive committee may determine. The
27 commission bylaws shall specify the dates of the annual and any
28 other regular meetings, and shall provide for the giving of

1 notice of annual, regular and special meetings. Notices of
2 special meetings shall include the reasons therefor and an agenda
3 of the items to be considered.

4 (f) The commission shall elect annually, from among its
5 members, a chairman, a vice chairman and a treasurer. The
6 commission shall appoint an executive director who shall serve at
7 its pleasure, and it shall fix his duties and compensation. The
8 executive director shall be secretary of the commission. The
9 commission shall make provision for the bonding of such of its
10 officers and employees as it may deem appropriate.

11 (g) Irrespective of the civil service, personnel or other
12 merit system laws of any party state, the executive director
13 shall appoint or discharge such personnel as may be necessary for
14 the performance of the functions of the commission and shall fix
15 their duties and compensation. The commission bylaws shall
16 provide for personnel policies and programs.

17 (h) The commission may borrow, accept or contract for the
18 services of personnel from any state, the United States, or any
19 other governmental entity.

20 (i) The commission may accept for any of its purposes and
21 functions any and all donations and grants of money, equipment,
22 supplies, materials and services, conditional or otherwise, from
23 any governmental entity, and may utilize and dispose of the same.

24 (j) The commission may establish one or more offices for
25 the transacting of its business.

26 (k) The commission shall adopt bylaws for the conduct of
27 its business. The commission shall publish its bylaws in
28 convenient form, and shall file a copy of the bylaws and any

1 amendments thereto with the appropriate agency or officer in each
2 of the party states.

3 (1) The commission annually shall make to the governor and
4 legislature of each party state a report covering its activities
5 for the preceding year. Any donation or grant accepted by the
6 commission or services borrowed shall be reported in the annual
7 report of the commission, and shall include the nature, amount
8 and conditions, if any, of the donation, gift, grant or services
9 borrowed and the identity of the donor or lender. The commission
10 may make additional reports as it may deem desirable.

11 2. (a) To assist in the conduct of its business when the
12 full commission is not meeting, the commission shall have an
13 executive committee of seven members, including the chairman,
14 vice chairman, treasurer and four other members elected annually
15 by the commission. The executive committee, subject to the
16 provisions of this compact and consistent with the policies of
17 the commission, shall function as provided in the bylaws of the
18 commission.

19 (b) The commission may establish advisory and technical
20 committees, membership on which may include private persons and
21 public officials, in furthering any of its activities. Such
22 committees may consider any matter of concern to the commission,
23 including problems of special interest to any party state and
24 problems dealing with particular types of taxes.

25 (c) The commission may establish such additional committees
26 as its bylaws may provide.

27 3. In addition to powers conferred elsewhere in this
28 compact, the commission shall have power to:

1 (a) Study state and local tax systems and particular types
2 of state and local taxes.

3 (b) Develop and recommend proposals for an increase in
4 uniformity or compatibility of state and local tax laws with a
5 view toward encouraging the simplification and improvement of
6 state and local tax law and administration.

7 (c) Compile and publish information as in its judgment
8 would assist the party states in implementation of the compact
9 and taxpayers in complying with state and local tax laws.

10 (d) Do all things necessary and incidental to the
11 administration of its functions pursuant to this compact.

12 4. (a) The commission shall submit to the governor or
13 designated officer or officers of each party state a budget of
14 its estimated expenditures for such period as may be required by
15 the laws of that state for presentation to the legislature
16 thereof.

17 (b) Each of the commission's budgets of estimated
18 expenditures shall contain specific recommendations of the
19 amounts to be appropriated by each of the party states. The
20 total amount of appropriations requested under any such budget
21 shall be apportioned among the party states as follows: one-
22 tenth in equal shares; and the remainder in proportion to the
23 amount of revenue collected by each party state and its
24 subdivisions from income taxes, capital stock taxes, gross
25 receipts taxes, sales and use taxes. In determining such
26 amounts, the commission shall employ such available public
27 sources of information as, in its judgment, present the most
28 equitable and accurate comparisons among the party states. Each

1 of the commission's budgets of estimated expenditures and
2 requests for appropriations shall indicate the sources used in
3 obtaining information employed in applying the formula contained
4 in this paragraph.

5 (c) The commission shall not pledge the credit of any party
6 state. The commission may meet any of its obligations in whole
7 or in part with funds available to it under paragraph 1 (i) of
8 this article; provided that the commission takes specific action
9 setting aside such funds prior to incurring any obligation to be
10 met in whole or in part in such manner. Except where the
11 commission makes use of funds available to it under paragraph 1
12 (i), the commission shall not incur any obligation prior to the
13 allotment of funds by the party states adequate to meet the same.

14 (d) The commission shall keep accurate accounts of all
15 receipts and disbursements. The receipts and disbursements of
16 the commission shall be subject to the audit and accounting
17 procedures established under its bylaws. All receipts and
18 disbursements of funds handled by the commission shall be audited
19 yearly by a certified or licensed public accountant and the
20 report of the audit shall be included in and become part of the
21 annual report of the commission.

22 (e) The accounts of the commission shall be open at any
23 reasonable time for inspection by duly constituted officers of
24 the party states and by any persons authorized by the commission.

25 (f) Nothing contained in this article shall be construed to
26 prevent commission compliance with laws relating to audit or
27 inspection of accounts by or on behalf of any government
28 contributing to the support of the commission.

1 Article VII

2 1. Whenever any two or more party states, or subdivisions
3 of party states, have uniform or similar provisions of law
4 relating to an income tax, capital stock tax, gross receipts tax,
5 sales or use tax, the commission may adopt uniform regulations
6 for any phase of the administration of such law, including
7 assertion of jurisdiction to tax, or prescribing uniform tax
8 forms. The commission may also act with respect to the
9 provisions of article IV of this compact.

10 2. Prior to the adoption of any regulation, the commission
11 shall:

12 (a) As provided in its bylaws, hold at least one public
13 hearing on due notice to all affected party states and
14 subdivisions thereof and to all taxpayers and other persons who
15 have made timely request of the commission for advance notice of
16 its regulation-making proceedings.

17 (b) Afford all affected party states and subdivisions and
18 interested persons an opportunity to submit relevant written data
19 and views, which shall be considered fully by the commission.

20 3. The commission shall submit any regulations adopted by
21 it to the appropriate officials of all party states and
22 subdivisions to which they might apply. Each such state and
23 subdivision shall consider any such regulation for adoption in
24 accordance with its own laws and procedures.

25 Article VIII

26 1. This article shall be in force only in those party
27 states that specifically provide therefor by statute.

28 2. Any party state or subdivision thereof desiring to make

1 or participate in an audit of any accounts, books, papers,
2 records or other documents may request the commission to perform
3 the audit on its behalf. In responding to the request, the
4 commission shall have access to and may examine, at any
5 reasonable time, such accounts, books, papers, records, and other
6 documents and any relevant property or stock of merchandise. The
7 commission may enter into agreements with party states or their
8 subdivisions for assistance in performance of the audit. The
9 commission shall make charges, to be paid by the state or local
10 government or governments for which it performs the service, for
11 any audits performed by it in order to reimburse itself for the
12 actual costs incurred in making the audit.

13 3. The commission may require the attendance of any person
14 within the state where it is conducting an audit or part thereof
15 at a time and place fixed by it within such state for the purpose
16 of giving testimony with respect to any account, book, paper,
17 document, other record, property or stock of merchandise being
18 examined in connection with the audit. If the person is not
19 within the jurisdiction, he may be required to attend for such
20 purpose at any time and place fixed by the commission within the
21 state of which he is a resident; provided that such state has
22 adopted this article.

23 4. The commission may apply to any court having power to
24 issue compulsory process for orders in aid of its powers and
25 responsibilities pursuant to this article and any and all such
26 courts shall have jurisdiction to issue such orders. Failure of
27 any person to obey any such order shall be punishable as contempt
28 of the issuing court. If the party or subject matter on account

1 of which the commission seeks an order is within the jurisdiction
2 of the court to which application is made, such application may
3 be to a court in the state or subdivision on behalf of which the
4 audit is being made or a court in the state in which the object
5 of the order being sought is situated. The provisions of this
6 paragraph apply only to courts in a state that has adopted this
7 article.

8 5. The commission may decline to perform any audit
9 requested if it finds that its available personnel or other
10 resources are insufficient for the purpose or that, in the terms
11 requested, the audit is impracticable of satisfactory
12 performance. If the commission, on the basis of its experience,
13 has reason to believe that an audit of a particular taxpayer,
14 either at a particular time or on a particular schedule, would be
15 of interest to a number of party states or their subdivisions, it
16 may offer to make the audit or audits, the offer to be contingent
17 on sufficient participation therein as determined by the
18 commission.

19 6. Information obtained by any audit pursuant to this
20 article shall be confidential and available only for tax purposes
21 to party states, their subdivisions or the United States.
22 Availability of information shall be in accordance with the laws
23 of the states or subdivisions on whose account the commission
24 performs the audit, and only through the appropriate agencies or
25 officers of such states or subdivisions. Nothing in this article
26 shall be construed to require any taxpayer to keep records for
27 any period not otherwise required by law.

28 7. Other arrangements made or authorized pursuant to law

1 for cooperative audit by or on behalf of the party states or any
2 of their subdivisions are not superseded or invalidated by this
3 article.

4 8. In no event shall the commission make any charge against
5 a taxpayer for an audit.

6 9. As used in this article, "tax" in addition to the
7 meaning ascribed to it in article II, means any tax or license
8 fee imposed in whole or in part for revenue purposes.

9 Article IX

10 1. Whenever the commission finds a need for settling
11 disputes concerning apportionments and allocations by
12 arbitration, it may adopt a regulation placing this article in
13 effect, notwithstanding the provisions of article VII.

14 2. The commission shall select and maintain an arbitration
15 panel composed of officers and employees of state and local
16 governments and private persons who shall be knowledgeable and
17 experienced in matters of tax law and administration.

18 3. Whenever a taxpayer who has elected to employ article
19 IV, or whenever the laws of the party state or subdivision
20 thereof are substantially identical with the relevant provisions
21 of article IV, the taxpayer, by written notice to the commission
22 and to each party state or subdivision thereof that would be
23 affected, may secure arbitration of an apportionment or
24 allocation, if he is dissatisfied with the final administrative
25 determination of the tax agency of the state or subdivision with
26 respect thereto on the ground that it would subject him to double
27 or multiple taxation by two or more party states or subdivisions
28 thereof. Each party state and subdivision thereof hereby

1 consents to the arbitration as provided herein, and agrees to be
2 bound thereby.

3 4. The arbitration board shall be composed of one person
4 selected by the taxpayer, one by the agency or agencies involved,
5 and one member of the commission's arbitration panel. If the
6 agencies involved are unable to agree on the person to be
7 selected by them, such person shall be selected by lot from the
8 total membership of the arbitration panel. The two persons
9 selected for the board in the manner provided by the foregoing
10 provisions of this paragraph shall jointly select the third
11 member of the board. If they are unable to agree on the
12 selection, the third member shall be selected by lot from among
13 the total membership of the arbitration panel. No member of a
14 board selected by lot shall be qualified to serve if he is an
15 officer or employee or is otherwise affiliated with any party to
16 the arbitration proceeding. Residence within the jurisdiction of
17 a party to the arbitration proceeding shall not constitute
18 affiliation within the meaning of this paragraph.

19 5. The board may sit in any state or subdivision party to
20 the proceeding, in the state of the taxpayer's incorporation,
21 residence or domicile, in any state where the taxpayer does
22 business, or in any place that it finds most appropriate for
23 gaining access to evidence relevant to the matter before it.

24 6. The board shall give due notice of the times and places
25 of its hearings. The parties shall be entitled to be heard, to
26 present evidence, and to examine and cross-examine witnesses.
27 The board shall act by majority vote.

28 7. The board shall have power to administer oaths, take

1 testimony, subpoena and require the attendance of witnesses and
2 the production of accounts, books, papers, records, and other
3 documents, and issue commissions to take testimony. Subpoenas
4 may be signed by any member of the board. In case of failure to
5 obey a subpoena, and upon application by the board, any judge of
6 a court of competent jurisdiction of the state in which the board
7 is sitting or in which the person to whom the subpoena is
8 directed may be found may make an order requiring compliance with
9 the subpoena, and the court may punish failure to obey the order
10 as a contempt. The provisions of this paragraph apply only in
11 states that have adopted this article.

12 8. Unless the parties otherwise agree the expenses and
13 other costs of the arbitration shall be assessed and allocated
14 among the parties by the board in such manner as it may
15 determine. The commission shall fix a schedule of compensation
16 for members of arbitration boards and of other allowable expenses
17 and costs. No officer or employee of a state or local government
18 who serves as a member of a board shall be entitled to
19 compensation therefor unless he is required on account of his
20 service to forego the regular compensation attaching to his
21 public employment, but any such board member shall be entitled to
22 expenses.

23 9. The board shall determine the disputed apportionment or
24 allocation and any matters necessary thereto. The determinations
25 of the board shall be final for purposes of making the
26 apportionment or allocation, but for no other purpose.

27 10. The board shall file with the commission and with each
28 tax agency represented in the proceeding: the determination of

1 the board; the board's written statement of its reasons therefor;
2 the record of the board's proceedings; and any other documents
3 required by the arbitration rules of the commission to be filed.

4 11. The commission shall publish the determinations of
5 boards together with the statements of the reasons therefor.

6 12. The commission shall adopt and publish rules of
7 procedure and practice and shall file a copy of such rules and of
8 any amendment thereto with the appropriate agency or officer in
9 each of the party states.

10 13. Nothing contained herein shall prevent at any time a
11 written compromise of any matter or matters in dispute, if
12 otherwise lawful, by the parties to the arbitration proceeding.

13 Article X

14 1. This compact shall enter into force when enacted into
15 law by any seven states. Thereafter, this compact shall become
16 effective as to any other state upon its enactment thereof. The
17 commission shall arrange for notification of all party states
18 whenever there is a new enactment of the compact.

19 2. Any party state may withdraw from this compact by
20 enacting a statute repealing the same. No withdrawal shall
21 affect any liability already incurred by or chargeable to a party
22 state prior to the time of such withdrawal.

23 3. No proceeding commenced before an arbitration board
24 prior to the withdrawal of a state and to which the withdrawing
25 state or any subdivision thereof is a party shall be discontinued
26 or terminated by the withdrawal, nor shall the board thereby lose
27 jurisdiction over any of the parties to the proceeding necessary
28 to make a binding determination therein.

1 Article XI

2 Nothing in this compact shall be construed to:

3 (a) Affect the power of any state or subdivision thereof to
4 fix rates of taxation, except that a party state shall be
5 obligated to implement article III 2 of this compact.

6 (b) Apply to any tax or fixed fee imposed for the
7 registration of a motor vehicle or any tax on motor fuel, other
8 than a sales tax; provided that the definition of "tax" in
9 article VIII 9 may apply for the purposes of that article and the
10 commission's powers of study and recommendation pursuant to
11 article VI 3 may apply.

12 (c) Withdraw or limit the jurisdiction of any state or
13 local court or administrative officer or body with respect to any
14 person, corporation or other entity or subject matter, except to
15 the extent that such jurisdiction is expressly conferred by or
16 pursuant to this compact upon another agency or body.

17 (d) Supersede or limit the jurisdiction of any court of the
18 United States.

19 Article XII

20 This compact shall be liberally construed so as to
21 effectuate the purposes thereof. The provisions of this compact
22 shall be severable and if any phrase, clause, sentence or
23 provision of this compact is declared to be contrary to the
24 constitution of any state or of the United States or the
25 applicability thereof to any government, agency, person or
26 circumstance is held invalid, the validity of the remainder of
27 this compact and the applicability thereof to any government,
28 agency, person or circumstance shall not be affected thereby. If

1 this compact shall be held contrary to the constitution of any
2 state participating therein, the compact shall remain in full
3 force and effect as to the remaining party states and in full
4 force and effect as to the state affected as to all severable
5 matters.

6 143.011. 1. A tax is hereby imposed for every taxable year
7 on the Missouri taxable income of every resident. The tax shall
8 be determined by applying the tax table or the rate provided in
9 section 143.021, which is based upon the following rates:

10 If the Missouri taxable income is:	The tax is:
11 Not over \$1,000.00	1 ½% of the Missouri 12 taxable income
13 Over \$1,000 but not over \$2,000	\$15 plus 2% of excess 14 over \$1,000
15 Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess 16 over \$2,000
17 Over \$3,000 but not over \$4,000	\$60 plus 3% of excess 18 over \$3,000
19 Over \$4,000 but not over \$5,000	\$90 plus 3 1/2% of excess 20 over \$4,000
21 Over \$5,000 but not over \$6,000	\$125 plus 4% of excess 22 over \$5,000
23 Over \$6,000 but not over \$7,000	\$165 plus 4 1/2% of 24 excess over \$6,000
25 Over \$7,000 but not over \$8,000	\$210 plus 5% of excess 26 over \$7,000
27 Over \$8,000 but not over \$9,000	\$260 plus 5 ½% of excess 28 over \$8,000

Over \$9,000	\$315 plus 6% of excess over \$9,000
--------------	-----------------------------------------

2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of this section may be reduced over a period of years. Each reduction in the top rate of tax shall be by one-tenth of a percent and no more than one reduction shall occur in a calendar year. The top rate of tax shall not be reduced below five and one-half percent. Reductions in the rate of tax shall take effect on January first of a calendar year and such reduced rates shall continue in effect until the next reduction occurs.

(2) A reduction in the rate of tax shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least one hundred fifty million dollars.

(3) Any modification of tax rates under this subsection shall only apply to tax years that begin on or after a modification takes effect.

(4) The director of the department of revenue shall, by rule, adjust the tax tables under subsection 1 of this section to effectuate the provisions of this subsection. The bracket for income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced to five and one-half [of a] percent, and the top remaining rate of tax shall apply to all income in excess of the income in the second highest remaining income bracket.

3. Beginning with the 2017 calendar year, the brackets of

1 Missouri taxable income identified in subsection 1 of this
2 section shall be adjusted annually by the percent increase in
3 inflation. The director shall publish such brackets annually
4 beginning on or after October 1, 2016. Modifications to the
5 brackets shall take effect on January first of each calendar year
6 and shall apply to tax years beginning on or after the effective
7 date of the new brackets.

8 4. As used in this section, the following terms mean:

9 (1) "CPI", the Consumer Price Index for All Urban Consumers
10 for the United States as reported by the Bureau of Labor
11 Statistics, or its successor index;

12 (2) "CPI for the preceding calendar year", the average of
13 the CPI as of the close of the twelve month period ending on
14 August thirty-first of such calendar year;

15 (3) "Net general revenue collected", all revenue deposited
16 into the general revenue fund, less refunds and revenues
17 originally deposited into the general revenue fund but designated
18 by law for a specific distribution or transfer to another state
19 fund;

20 (4) "Percent increase in inflation", the percentage, if
21 any, by which the CPI for the preceding calendar year exceeds the
22 CPI for the year beginning September 1, 2014, and ending August
23 31, 2015.

24 143.071. 1. For all tax years beginning before September
25 1, 1993, a tax is hereby imposed upon the Missouri taxable income
26 of corporations in an amount equal to five percent of Missouri
27 taxable income.

28 2. For all tax years beginning on or after September 1,

1 1993, and ending on or before December 31, 2019, a tax is hereby
2 imposed upon the Missouri taxable income of corporations in an
3 amount equal to six and one-fourth percent of Missouri taxable
4 income.

5 3. For all tax years beginning on or after January 1, 2020,
6 a tax is hereby imposed upon the Missouri taxable income of
7 corporations in an amount equal to four percent of Missouri
8 taxable income.

9 4. The provisions of this section shall not apply to out-
10 of-state businesses operating under sections 190.270 to 190.285.

11 143.431. 1. The Missouri taxable income of a corporation
12 taxable under sections 143.011 to 143.996 shall be so much of its
13 federal taxable income for the taxable year, with the
14 modifications specified in subsections 2 to 4 of this section, as
15 is derived from sources within Missouri as provided in section
16 143.451. The tax of a corporation shall be computed on its
17 Missouri taxable income at the rates provided in section 143.071.

18 2. There shall be added to or subtracted from federal
19 taxable income the modifications to adjusted gross income
20 provided in section 143.121, with the exception of subdivision
21 (5) of subsection 2 of section 143.121, and the applicable
22 modifications to itemized deductions provided in section 143.141.
23 There shall be subtracted the federal income tax deduction
24 provided in section 143.171. There shall be subtracted, to the
25 extent included in federal taxable income, corporate dividends
26 from sources within Missouri.

27 3. (1) If an affiliated group of corporations files a
28 consolidated income tax return for the taxable year for federal

1 income tax purposes [and fifty percent or more of its income is
2 derived from sources within this state as determined in
3 accordance with section 143.451], then it may elect to file a
4 Missouri consolidated income tax return. The federal
5 consolidated taxable income of the electing affiliated group for
6 the taxable year shall be its federal taxable income. All
7 transactions between affiliated members of the affiliated group
8 shall be eliminated on the Missouri consolidated income tax
9 return.

10 (2) So long as a federal consolidated income tax return is
11 filed, an election made by an affiliated group of corporations to
12 file a Missouri consolidated income tax return may be withdrawn
13 or revoked only upon substantial change in the law or regulations
14 adversely changing tax liability under this chapter, or with
15 permission of the director of revenue upon the showing of good
16 cause for such action. After such a withdrawal or revocation
17 with respect to an affiliated group, it may not file a Missouri
18 consolidated income tax return for five years thereafter, except
19 with the approval of the director of revenue, and subject to such
20 terms and conditions as he may prescribe.

21 (3) No corporation which is part of an affiliated group of
22 corporations filing a Missouri consolidated income tax return
23 shall be required to file a separate Missouri corporate income
24 tax return for the taxable year.

25 (4) For each taxable year an affiliated group of
26 corporations filing a federal consolidated income tax return does
27 not file a Missouri consolidated income tax return, for purposes
28 of computing the Missouri income tax, the federal taxable income

1 of each member of the affiliated group shall be determined as if
2 a separate federal income tax return had been filed by each such
3 member.

4 (5) The director of revenue may prescribe such regulations
5 not inconsistent with the provisions of this chapter as he may
6 deem necessary in order that the tax liability of any affiliated
7 group of corporations making a Missouri consolidated income tax
8 return, and of each corporation in the group, before, during, and
9 after the period of affiliation, may be returned, determined,
10 computed, assessed, collected, and adjusted, in such manner as
11 clearly to reflect the Missouri taxable income derived from
12 sources within this state and in order to prevent avoidance of
13 such tax liability.

14 4. If a net operating loss deduction is allowed for the
15 taxable year, there shall be added to federal taxable income the
16 amount of the net operating loss modification for each loss year
17 as to which a portion of the net operating loss deduction is
18 attributable. As used in this subsection, the following terms
19 mean:

20 (1) "Loss year", the taxable year in which there occurs a
21 federal net operating loss that is carried back or carried
22 forward in whole or in part to another taxable year;

23 (2) "Net addition modification", for any taxable year, the
24 amount by which the sum of all required additions to federal
25 taxable income provided in this chapter, except for the net
26 operating loss modification, exceeds the combined sum of the
27 amount of all required subtractions from federal taxable income
28 provided in this chapter;

1 (3) "Net operating loss deduction", a net operating loss
2 deduction allowed for federal income tax purposes under Section
3 172 of the Internal Revenue Code of 1986, as amended, or a net
4 operating loss deduction allowed for Missouri income tax purposes
5 under paragraph (d) of subsection 2 of section 143.121, but not
6 including any net operating loss deduction that is allowed for
7 federal income tax purposes but disallowed for Missouri income
8 tax purposes under paragraph (d) of subsection 2 of section
9 143.121;

10 (4) "Net operating loss modification", an amount equal to
11 the lesser of the amount of the net operating loss deduction
12 attributable to that loss year or the amount by which the total
13 net operating loss in the loss year is less than the sum of:

14 (a) The net addition modification for that loss year; and

15 (b) The cumulative net operating loss deductions
16 attributable to that loss year allowed for the taxable year and
17 all prior taxable years.

18 5. For all tax years ending on or after July 1, 2002,
19 federal taxable income may be a positive or negative amount.
20 Subsection 4 of this section shall be effective for all tax years
21 with a net operating loss deduction attributable to a loss year
22 ending on or after July 1, 2002, and the net operating loss
23 modification shall only apply to loss years ending on or after
24 July 1, 2002.

25 143.451. 1. Missouri taxable income of a corporation shall
26 include all income derived from sources within this state.

27 2. For all tax years ending on or before December 31, 2019,
28 a corporation described in subdivision (1) of subsection 1 of

1 section 143.441 shall include in its Missouri taxable income all
2 income from sources within this state, including that from the
3 transaction of business in this state and that from the
4 transaction of business partly done in this state and partly done
5 in another state or states. However:

6 (1) Where income results from a transaction partially in
7 this state and partially in another state or states, and income
8 and deductions of the portion in the state cannot be segregated,
9 then such portions of income and deductions shall be allocated in
10 this state and the other state or states as will distribute to
11 this state a portion based upon the portion of the transaction in
12 this state and the portion in such other state or states.

13 (2) The taxpayer may elect to compute the portion of income
14 from all sources in this state in the following manner, or the
15 manner set forth in subdivision (3) of this subsection:

16 (a) The income from all sources shall be determined as
17 provided, excluding therefrom the figures for the operation of
18 any bridge connecting this state with another state.

19 (b) The amount of sales which are transactions wholly in
20 this state shall be added to one-half of the amount of sales
21 which are transactions partly within this state and partly
22 without this state, and the amount thus obtained shall be divided
23 by the total sales or in cases where sales do not express the
24 volume of business, the amount of business transacted wholly in
25 this state shall be added to one-half of the amount of business
26 transacted partly in this state and partly outside this state and
27 the amount thus obtained shall be divided by the total amount of
28 business transacted, and the net income shall be multiplied by

1 the fraction thus obtained, to determine the proportion of income
2 to be used to arrive at the amount of Missouri taxable income.
3 The investment or reinvestment of its own funds, or sale of any
4 such investment or reinvestment, shall not be considered as sales
5 or other business transacted for the determination of said
6 fraction.

7 (c) For the purposes of this subdivision, a transaction
8 involving the sale of tangible property is:

9 a. "Wholly in this state" if both the seller's shipping
10 point and the purchaser's destination point are in this state;

11 b. "Partly within this state and partly without this state"
12 if the seller's shipping point is in this state and the
13 purchaser's destination point is outside this state, or the
14 seller's shipping point is outside this state and the purchaser's
15 destination point is in this state;

16 c. Not "wholly in this state" or not "partly within this
17 state and partly without this state" only if both the seller's
18 shipping point and the purchaser's destination point are outside
19 this state.

20 (d) For purposes of this subdivision:

21 a. The purchaser's destination point shall be determined
22 without regard to the FOB point or other conditions of the sale;
23 and

24 b. The seller's shipping point is determined without regard
25 to the location of the seller's principle office or place of
26 business.

27 (3) The taxpayer may elect to compute the portion of income
28 from all sources in this state in the following manner:

1 (a) The income from all sources shall be determined as
2 provided, excluding therefrom the figures for the operation of
3 any bridge connecting this state with another state;

4 (b) The amount of sales which are transactions in this
5 state shall be divided by the total sales, and the net income
6 shall be multiplied by the fraction thus obtained, to determine
7 the proportion of income to be used to arrive at the amount of
8 Missouri taxable income. The investment or reinvestment of its
9 own funds, or sale of any such investment or reinvestment, shall
10 not be considered as sales or other business transacted for the
11 determination of said fraction;

12 (c) For the purposes of this subdivision, a transaction
13 involving the sale of tangible property is:

14 a. "In this state" if the purchaser's destination point is
15 in this state;

16 b. Not "in this state" if the purchaser's destination point
17 is outside this state;

18 (d) For purposes of this subdivision, the purchaser's
19 destination point shall be determined without regard to the FOB
20 point or other conditions of the sale and shall not be in this
21 state if the purchaser received the tangible personal property
22 from the seller in this state for delivery to the purchaser's
23 location outside this state;

24 (e) For the purposes of this subdivision, a transaction
25 involving the sale other than the sale of tangible property is
26 "in this state" if the taxpayer's market for the sales is in this
27 state. The taxpayer's market for sales is in this state:

28 a. In the case of sale, rental, lease, or license of real

1 property, if and to the extent the property is located in this
2 state;

3 b. In the case of rental, lease, or license of tangible
4 personal property, if and to the extent the property is located
5 in this state;

6 c. In the case of sale of a service, if and to the extent
7 the ultimate beneficiary of the service is located in this state
8 and shall not be in this state if the ultimate beneficiary of the
9 service rendered by the taxpayer or the taxpayer's designee is
10 located outside this state; and

11 d. In the case of intangible property:

12 (i) That is rented, leased, or licensed, if and to the
13 extent the property is used in this state by the rentee, lessee,
14 or licensee, provided that intangible property utilized in
15 marketing a good or service to a consumer is "used in this state"
16 if that good or service is purchased by a consumer who is in this
17 state. Franchise fees or royalties received for the rent, lease,
18 license, or use of a trade name, trademark, service mark, or
19 franchise system or provides a right to conduct business activity
20 in a specific geographic area are "used in this state" to the
21 extent the franchise location is in this state; and

22 (ii) That is sold, if and to the extent the property is
23 used in this state, provided that:

24 i. A contract right, government license, or similar
25 intangible property that authorizes the holder to conduct a
26 business activity in a specific geographic area is "used in this
27 state" if the geographic area includes all or part of this state;

28 ii. Receipts from intangible property sales that are

1 contingent on the productivity, use, or disposition of the
2 intangible property shall be treated as receipts from the rental,
3 lease, or licensing of such intangible property under item (i) of
4 this subparagraph; and

5 iii. All other receipts from a sales of intangible
6 property shall be excluded from the numerator and denominator of
7 the sales factor;

8 (f) If the state or states of assignment under paragraph
9 (e) of this subdivision cannot be determined, the state or states
10 of assignment shall be reasonably approximated;

11 (g) If the state of assignment cannot be determined under
12 paragraph (e) of this subdivision or reasonably approximated
13 under paragraph (f) of this subdivision, such sales shall be
14 excluded from the denominator of the sales factor;

15 (h) The director may prescribe such rules and regulations
16 as necessary or appropriate to carry out the purposes of this
17 section.

18 (4) For purposes of this subsection, the following words
19 shall, unless the context otherwise requires, have the following
20 meaning:

21 (a) "Administration services" include, but are not limited
22 to, clerical, fund or shareholder accounting, participant record
23 keeping, transfer agency, bookkeeping, data processing,
24 custodial, internal auditing, legal and tax services performed
25 for an investment company;

26 (b) "Affiliate", the meaning as set forth in 15 U.S.C.
27 Section 80a-2(a) (3) (C), as may be amended from time to time;

28 (c) "Distribution services" include, but are not limited

1 to, the services of advertising, servicing, marketing,
2 underwriting or selling shares of an investment company, but, in
3 the case of advertising, servicing or marketing shares, only
4 where such service is performed by a person who is, or in the
5 case of a closed end company, was, either engaged in the services
6 of underwriting or selling investment company shares or
7 affiliated with a person that is engaged in the service of
8 underwriting or selling investment company shares. In the case
9 of an open end company, such service of underwriting or selling
10 shares must be performed pursuant to a contract entered into
11 pursuant to 15 U.S.C. Section 80a-15(b), as from time to time
12 amended;

13 (d) "Investment company", any person registered under the
14 federal Investment Company Act of 1940, as amended from time to
15 time, (the act) or a company which would be required to register
16 as an investment company under the act except that such person is
17 exempt to such registration pursuant to Section 80a-3(c)(1) of
18 the act;

19 (e) "Investment funds service corporation" includes any
20 corporation or S corporation doing business in the state which
21 derives more than fifty percent of its gross income in the
22 ordinary course of business from the provision directly or
23 indirectly of management, distribution or administration services
24 to or on behalf of an investment company or from trustees,
25 sponsors and participants of employee benefit plans which have
26 accounts in an investment company. An investment funds service
27 corporation shall include any corporation or S corporation
28 providing management services as an investment advisory firm

1 registered under Section 203 of the Investment Advisors Act of
2 1940, as amended from time to time, regardless of the percentage
3 of gross revenues consisting of fees from management services
4 provided to or on behalf of an investment company;

5 (f) "Management services" include but are not limited to,
6 the rendering of investment advice directly or indirectly to an
7 investment company making determinations as to when sales and
8 purchases of securities are to be made on behalf of the
9 investment company, or the selling or purchasing of securities
10 constituting assets of an investment company, and related
11 activities, but only where such activity or activities are
12 performed:

13 a. Pursuant to a contract with the investment company
14 entered into pursuant to 15 U.S.C. Section 80a-15(a), as from
15 time to time amended;

16 b. For a person that has entered into such contract with
17 the investment company; or

18 c. For a person that is affiliated with a person that has
19 entered into such contract with an investment company;

20 (g) "Qualifying sales", gross income derived from the
21 provision directly or indirectly of management, distribution or
22 administration services to or on behalf of an investment company
23 or from trustees, sponsors and participants of employee benefit
24 plans which have accounts in an investment company. For purposes
25 of this section, "gross income" is defined as that amount of
26 income earned from qualifying sources without deduction of
27 expenses related to the generation of such income;

28 (h) "Residence", presumptively the fund shareholder's

1 mailing address on the records of the investment company. If,
2 however, the investment company or the investment funds service
3 corporation has actual knowledge that the fund shareholder's
4 primary residence or principal place of business is different
5 than the fund shareholder's mailing address such presumption
6 shall not control. To the extent an investment funds service
7 corporation does not have access to the records of the investment
8 company, the investment funds service corporation may employ
9 reasonable methods to determine the investment company fund
10 shareholder's residence.

11 (5) Notwithstanding other provisions of law to the
12 contrary, qualifying sales of an investment funds service
13 corporation, or S corporation, shall be considered wholly in this
14 state only to the extent that the fund shareholders of the
15 investment companies, to which the investment funds service
16 corporation, or S corporation, provide services, are resided
17 in this state. Wholly in this state qualifying sales of an
18 investment funds service corporation, or S corporation, shall be
19 determined as follows:

20 (a) By multiplying the investment funds service
21 corporation's total dollar amount of qualifying sales from
22 services provided to each investment company by a fraction, the
23 numerator of which shall be the average of the number of shares
24 owned by the investment company's fund shareholders resided in
25 this state at the beginning of and at the end of the investment
26 company's taxable year that ends with or within the investment
27 funds service corporation's taxable year, and the denominator of
28 which shall be the average of the number of shares owned by the

1 investment company's fund shareholders everywhere at the
2 beginning of and at the end of the investment company's taxable
3 year that ends with or within the investment funds service
4 corporation's taxable year;

5 (b) A separate computation shall be made to determine the
6 wholly in this state qualifying sales from each investment
7 company. The qualifying sales for each investment company shall
8 be multiplied by the respective percentage of each fund, as
9 calculated pursuant to paragraph (a) of this subdivision. The
10 product of this equation shall result in the wholly in this state
11 qualifying sales. The qualifying sales for each investment
12 company which are not wholly in this state will be considered
13 wholly without this state;

14 (c) To the extent an investment funds service corporation
15 has sales which are not qualifying sales, those nonqualified
16 sales shall be apportioned to this state based on the methodology
17 utilized by the investment funds service corporation without
18 regard to this subdivision.

19 3. Any corporation described in subdivision (1) of
20 subsection 1 of section 143.441 organized in this state or
21 granted a permit to operate in this state for the transportation
22 or care of passengers shall report its gross earnings within the
23 state on intrastate business and shall also report its gross
24 earnings on all interstate business done in this state which
25 report shall be subject to inquiry for the purpose of determining
26 the amount of income to be included in Missouri taxable income.
27 The previous sentence shall not apply to a railroad.

28 4. A corporation described in subdivision (2) of subsection

1 1 of section 143.441 shall include in its Missouri taxable income
2 all income arising from all sources in this state and all income
3 from each transportation service wholly within this state, from
4 each service where the only lines of such corporation used are
5 those in this state, and such proportion of revenue from each
6 service where the facilities of such corporation in this state
7 and in another state or states are used, as the mileage used over
8 the lines of such corporation in the state shall bear to the
9 total mileage used over the lines of such corporation. The
10 taxpayer may elect to compute the portion of income from all
11 sources within this state in the following manner:

12 (1) The income from all sources shall be determined as
13 provided;

14 (2) The amount of investment of such corporation on
15 December thirty-first of each year in this state in fixed
16 transportation facilities, real estate and improvements, plus the
17 value on December thirty-first of each year of any fixed
18 transportation facilities, real estate and improvements in this
19 state leased from any other railroad shall be divided by the sum
20 of the total amount of investment of such corporation on December
21 thirty-first of each year in fixed transportation facilities,
22 real estate and improvements, plus the value on December thirty-
23 first of each year, of any fixed transportation facilities, real
24 estate and improvements leased from any other railroad. Where
25 any fixed transportation facilities, real estate or improvements
26 are leased by more than one railroad, such portion of the value
27 shall be used by each railroad as the rental paid by each shall
28 bear to the rental paid by all lessees. The income shall be

1 multiplied by the fraction thus obtained to determine the
2 proportion to be used to arrive at the amount of Missouri taxable
3 income.

4 5. A corporation described in subdivision (3) of subsection
5 1 of section 143.441 shall include in its Missouri taxable income
6 one-half of the net income from the operation of a bridge between
7 this and another state. If any such bridge is owned or operated
8 by a railroad corporation or corporations, or by a corporation
9 owning a railroad corporation using such bridge, then the figures
10 for operation of such bridge may be included in the return of
11 such railroad or railroads; or if such bridge is owned or
12 operated by any other corporation which may now or hereafter be
13 required to file an income tax return, one-half of the income or
14 loss to such corporation from such bridge may be included in such
15 return by adding or subtracting same to or from another net
16 income or loss shown by the return.

17 6. A corporation described in subdivision (4) of subsection
18 1 of section 143.441 shall include in its Missouri taxable income
19 all income arising from all sources within this state. Income
20 shall include revenue from each telephonic or telegraphic service
21 rendered wholly within this state; from each service rendered for
22 which the only facilities of such corporation used are those in
23 this state; and from each service rendered over the facilities of
24 such corporation in this state and in other state or states, such
25 proportion of such revenue as the mileage involved in this state
26 shall bear to the total mileage involved over the lines of said
27 company in all states. The taxpayer may elect to compute the
28 portion of income from all sources within this state in the

1 following manner:

2 (1) The income from all sources shall be determined as
3 provided;

4 (2) The amount of investment of such corporation on
5 December thirty-first of each year in this state in telephonic or
6 telegraphic facilities, real estate and improvements thereon,
7 shall be divided by the amount of the total investment of such
8 corporation on December thirty-first of each year in telephonic
9 or telegraphic facilities, real estate and improvements. The
10 income of the taxpayer shall be multiplied by fraction thus
11 obtained to determine the proportion to be used to arrive at the
12 amount of Missouri taxable income.

13 7. From the income determined in subsections 2, 3, 4, 5 and
14 6 of this section to be from all sources within this state shall
15 be deducted such of the deductions for expenses in determining
16 Missouri taxable income as were incurred in this state to produce
17 such income and all losses actually sustained in this state in
18 the business of the corporation.

19 8. If a corporation derives only part of its income from
20 sources within Missouri, its Missouri taxable income shall only
21 reflect the effect of the following listed deductions to the
22 extent applicable to Missouri. The deductions are: (a) its
23 deduction for federal income taxes pursuant to section 143.171,
24 and (b) the effect on Missouri taxable income of the deduction
25 for net operating loss allowed by Section 172 of the Internal
26 Revenue Code. The extent applicable to Missouri shall be
27 determined by multiplying the amount that would otherwise affect
28 Missouri taxable income by the ratio for the year of the Missouri

1 taxable income of the corporation for the year divided by the
2 Missouri taxable income for the year as though the corporation
3 had derived all of its income from sources within Missouri. For
4 the purpose of the preceding sentence, Missouri taxable income
5 shall not reflect the listed deductions.

6 9. Any investment funds service corporation organized as a
7 corporation or S corporation which has any shareholders
8 resided in this state shall be subject to Missouri income tax
9 as provided in this chapter.

10 10. The provisions of this section do not impact any other
11 apportionment election available to a taxpayer under Missouri
12 statutes.

13 143.455. 1. Missouri taxable income of a corporation shall
14 include all income derived from sources within this state.

15 2. For all tax years beginning on or after January 1, 2020,
16 a corporation described in subdivision (1) of subsection 1 of
17 section 143.441 shall determine its income derived from sources
18 within this state by allocating and apportioning its net income
19 as provided in this section.

20 3. As used in this section, unless the context otherwise
21 requires, the following terms mean:

22 (1) "Apportionable income":

23 (a) All income that is apportionable under the Constitution
24 of the United States and is not allocated under the laws of this
25 state, including:

26 a. Income arising from transactions and activity in the
27 regular course of the corporation's trade or business; and

28 b. Income arising from tangible and intangible property if

1 the acquisition, management, employment, development, or
2 disposition of the property is or was related to the operation of
3 the corporation's trade or business; and

4 (b) Any income that would be allocable to this state under
5 the Constitution of the United States, but that is apportioned
6 rather than allocated pursuant to the laws of this state;

7 (2) "Commercial domicile", the principal place from which
8 the trade or business of the corporation is directed or managed;

9 (3) "Financial organization", any bank, trust company,
10 savings bank, industrial bank, land bank, safe deposit company,
11 private banker, savings and loan association, credit union,
12 cooperative bank, small loan company, sales finance company,
13 investment company, or any type of insurance company;

14 (4) "Non-apportionable income", all income other than
15 apportionable income;

16 (5) "Public utility", any business entity:

17 (a) Which owns or operates any plant, equipment, property,
18 franchise, or license for the transmission of communications,
19 transportation of goods or persons, except by pipeline, or the
20 production, transmission, sale, delivery, or furnishing of
21 electricity, water or steam; and

22 (b) Whose rates of charges for goods or services have been
23 established or approved by a federal, state, or local government
24 or governmental agency;

25 (6) "Receipts", all gross receipts of the corporation that
26 are not allocated under the provisions of this section, and that
27 are received from transactions and activity in the regular course
28 of the corporation's trade or business; except that receipts of a

1 corporation from hedging transactions and from the maturity,
2 redemption, sale, exchange, loan or other disposition of cash or
3 securities, shall be excluded.

4 4. For purposes of allocation and apportionment of income
5 under this section, a corporation is taxable in another state if:

6 (1) In that state it is subject to a net income tax, a
7 franchise tax measured by net income, a franchise tax for the
8 privilege of doing business, or a corporate stock tax; or

9 (2) That state has jurisdiction to subject the corporation
10 to a net income tax regardless of whether, in fact, the state
11 does or does not do so.

12 5. Rents and royalties from real or tangible personal
13 property, capital gains, interest, dividends or patent or
14 copyright royalties, to the extent that they constitute
15 nonapportionable income, shall be allocated as provided in
16 subsections 6 to 9 of this section.

17 6. (1) Net rents and royalties from real property located
18 in this state are allocable to this state.

19 (2) Net rents and royalties from tangible personal property
20 are allocable to this state:

21 (a) If and to the extent the property is utilized in this
22 state; or

23 (b) In their entirety if the corporation's commercial
24 domicile is in this state and the corporation is not organized
25 under the laws of or taxable in the state in which the property
26 is utilized.

27 (3) The extent of utilization of tangible personal property
28 in a state is determined by multiplying the rents and royalties

1 by a fraction, the numerator of which is the number of days of
2 physical location of the property in the state during the rental
3 or royalty period in the taxable year and the denominator of
4 which is the number of days of physical location of the property
5 everywhere during all rental or royalty periods in the taxable
6 year. If the physical location of the property during the rental
7 or royalty period is unknown or unascertainable by the
8 corporation, tangible personal property is utilized in the state
9 in which the property was located at the time the rental or
10 royalty payer obtained possession.

11 7. (1) Capital gains and losses from sales of real
12 property located in this state are allocable to this state.

13 (2) Capital gains and losses from sales of tangible
14 personal property are allocable to this state if:

15 (a) The property had a situs in this state at the time of
16 the sale; or

17 (b) The corporation's commercial domicile is in this state
18 and the corporation is not taxable in the state in which the
19 property had a situs.

20 (3) Capital gains and losses from sales of intangible
21 personal property are allocable to this state if the
22 corporation's commercial domicile is in this state.

23 8. Interest and dividends are allocable to this state if
24 the corporation's commercial domicile is in this state.

25 9. (1) Patent and copyright royalties are allocable to
26 this state:

27 (a) If and to the extent that the patent or copyright is
28 utilized by the payer in this state; or

1 (b) If and to the extent that the patent or copyright is
2 utilized by the payer in a state in which the corporation is not
3 taxable and the corporation's commercial domicile is in this
4 state.

5 (2) A patent is utilized in a state to the extent that it
6 is employed in production, fabrication, manufacturing, or other
7 processing in the state or to the extent that a patented product
8 is produced in the state. If the basis of receipts from patent
9 royalties does not permit allocation to states or if the
10 accounting procedures do not reflect states of utilization, the
11 patent is utilized in the state in which the corporation's
12 commercial domicile is located.

13 (3) A copyright is utilized in a state to the extent that
14 printing or other publication originates in the state. If the
15 basis of receipts from copyright royalties does not permit
16 allocation to states or if the accounting procedures do not
17 reflect states of utilization, the copyright is utilized in the
18 state in which the corporation's commercial domicile is located.

19 10. All apportionable income shall be apportioned to this
20 state by multiplying the net income by a fraction, the numerator
21 of which is the total receipts of the corporation in this state
22 during the tax period and the denominator of which is the total
23 receipts of the corporation everywhere during the tax period.

24 11. Receipts from the sale of tangible personal property
25 are in this state if the property is received in this state by
26 the purchaser. In the case of the delivery of goods by common
27 carrier or by other means of transportation, including
28 transportation by the purchaser, the place at which the goods are

1 ultimately received after all transportation has been completed
2 shall be considered as the place at which the goods are received
3 by the purchaser. Direct delivery into this state by the
4 taxpayer to a person or firm designated by a purchaser from
5 within or without the state shall constitute delivery to the
6 purchaser in this state.

7 12. (1) Receipts, other than receipts described in
8 subsection 11 of this section, are in this state if the
9 corporation's market for the sales is in this state. The
10 corporation's market for sales is in this state:

11 (a) In the case of sale, rental, lease, or license of real
12 property, if and to the extent the property is located in this
13 state;

14 (b) In the case of rental, lease, or license of tangible
15 personal property, if and to the extent the property is located
16 in this state;

17 (c) In the case of sale of a service, if and to the extent
18 the ultimate beneficiary of the service is located in this state
19 and shall not be in this state if the ultimate beneficiary of
20 the service rendered by the corporation or the corporation's
21 designee is located outside this state; and

22 (d) In the case of intangible property:

23 a. That is rented, leased, or licensed, if and to the
24 extent the property is used in this state, provided that
25 intangible property utilized in marketing a good or service to a
26 consumer is "used in this state" if that good or service is
27 purchased by a consumer who is in this state. Franchise fees or
28 royalties received for the rent, lease, license, or use of a

1 trade name, trademark, service mark, or franchise system or
2 provides a right to conduct business activity in a specific
3 geographic area "are used in this state" to the extent the
4 franchise is located in this state; and

5 b. That is sold, if and to the extent the property is used
6 in this state, provided that:

7 (i) A contract right, government license, or similar
8 intangible property that authorizes the holder to conduct a
9 business activity in a specific geographic area is "used in this
10 state" if the geographic area includes all or part of this state;

11 (ii) Receipts from intangible property sales that are
12 contingent on the productivity, use, or disposition of the
13 intangible property shall be treated as receipts from the rental,
14 lease, or licensing of such intangible property under
15 subparagraph a. of this paragraph; and

16 (iii) All other receipts from a sale of intangible property
17 shall be excluded from the numerator and denominator of the
18 receipts factor.

19 (2) If the state or states of assignment under subdivision
20 (1) of this subsection cannot be determined, the state or states
21 of assignment shall be reasonably approximated.

22 (3) The director may prescribe regulations as necessary or
23 appropriate to carry out the purposes of this section.

24 13. (1) In the case of certain industries where unusual
25 factual situations produce inequitable results under the
26 apportionment and allocation provisions of this section, the
27 director shall promulgate rules for determining the apportionment
28 and allocation factors for each such industry, but such rules

1 shall be applied uniformly.

2 (2) If the allocation and apportionment provisions of this
3 section do not fairly represent the extent of the corporation's
4 income applicable to this state, the corporation may petition for
5 or the director may require:

6 (a) Separate accounting;

7 (b) The inclusion of one or more additional factors which
8 will fairly represent the corporation's income applicable to this
9 state; or

10 (c) The employment of any other method to effectuate an
11 equitable allocation and apportionment of the corporation's
12 income.

13 (3) The party petitioning for, or the director requiring,
14 the use of any method to effectuate an equitable allocation and
15 apportionment of the corporation's income pursuant to subdivision
16 (2) of this subsection shall prove by a preponderance of
17 evidence:

18 (a) That the allocation and apportionment provisions of
19 this section do not fairly represent the extent of the
20 corporation's income applicable to this state; and

21 (b) That the alternative to such provisions is reasonable.
22 The same burden of proof shall apply whether the corporation is
23 petitioning for, or the director is requiring, the use of any
24 reasonable method to effectuate an equitable allocation and
25 apportionment of the corporation's income. Notwithstanding the
26 previous sentence, if the director can show that in any two of
27 the prior five tax years, the corporation had used an allocation
28 or apportionment method at variance with its allocation or

1 apportionment method or methods used for such other tax years,
2 then the director shall not bear the burden of proof in imposing
3 a different method pursuant to subdivision (2) of this
4 subsection.

5 (4) If the director requires any method to effectuate an
6 equitable allocation and apportionment of the corporation's
7 income, the director cannot impose any civil or criminal penalty
8 with reference to the tax due that is attributable to the
9 corporation's reasonable reliance solely on the allocation and
10 apportionment provisions of this section.

11 (5) A corporation that has received written permission from
12 the director to use a reasonable method to effectuate an
13 equitable allocation and apportionment of the corporation's
14 income shall not have that permission revoked with respect to
15 transactions and activities that have already occurred unless
16 there has been a material change in, or a material
17 misrepresentation of, the facts provided by the corporation upon
18 which the director reasonably relied.

19 14. Any corporation described in subdivision (1) of
20 subsection 1 of section 143.441 organized in this state or
21 granted a permit to operate in this state for the transportation
22 or care of passengers shall report its gross earnings within the
23 state on intrastate business and shall also report its gross
24 earnings on all interstate business done in this state. Such
25 report shall be subject to inquiry for the purpose of determining
26 the amount of income to be included in Missouri taxable income.
27 This subsection shall not apply to a railroad.

28 15. A corporation described in subdivision (2) of

1 subsection 1 of section 143.441 shall include in its Missouri
2 taxable income all income arising from all sources in this state
3 and all income from each transportation service wholly within
4 this state, from each service where the only rails and lines of
5 such corporation used are those in this state, and such
6 proportion of revenue from each service where the facilities of
7 such corporation in this state and in another state or states are
8 used, as the mileage used over the rails and lines of such
9 corporation in the state shall bear to the total mileage used
10 over the rails and lines of such corporation. The corporation
11 may elect to compute the portion of income from all sources
12 within this state in the following manner:

13 (1) The income from all sources shall be determined as
14 provided;

15 (2) The amount of investment of such corporation on
16 December thirty-first of each year in this state in fixed
17 transportation facilities, real estate and improvements, plus the
18 value on December thirty-first of each year of any fixed
19 transportation facilities, real estate and improvements in this
20 state leased from any other railroad shall be divided by the sum
21 of the total amount of investment of such corporation on December
22 thirty-first of each year in fixed transportation facilities,
23 real estate and improvements, plus the value on December thirty-
24 first of each year, of any fixed transportation facilities, real
25 estate and improvements leased from any other railroad. Where any
26 fixed transportation facilities, real estate or improvements are
27 leased by more than one railroad, such portion of the value shall
28 be used by each railroad as the rental paid by each shall bear to

1 the rental paid by all lessees. The income shall be multiplied
2 by the fraction thus obtained to determine the proportion to be
3 used to arrive at the amount of Missouri taxable income.

4 16. A corporation described in subdivision (3) of
5 subsection 1 of section 143.441 shall include in its Missouri
6 taxable income one-half of the net income from the operation of a
7 bridge between this and another state. If any such bridge is
8 owned or operated by a railroad corporation or corporations, or
9 by a corporation owning a railroad corporation using such bridge,
10 then the figures for operation of such bridge may be included in
11 the return of such railroad or railroads; or if such bridge is
12 owned or operated by any other corporation which may now or
13 hereafter be required to file an income tax return, one-half of
14 the income or loss to such corporation from such bridge may be
15 included in such return by adding or subtracting the same to or
16 from another net income or loss shown by the return.

17 17. A corporation described in subdivision (4) of
18 subsection 1 of section 143.441 shall include in its Missouri
19 taxable income all income arising from all sources within this
20 state. Income shall include revenue from each telephonic or
21 telegraphic service rendered wholly within this state; from each
22 service rendered for which the only facilities of such
23 corporation used are those in this state; and from each service
24 rendered over the facilities of such corporation in this state
25 and in other state or states, such proportion of such revenue as
26 the mileage involved in this state shall bear to the total
27 mileage involved over the lines of said company in all states.
28 The corporation may elect to compute the portion of income from

1 all sources within this state in the following manner:

2 (1) The income from all sources shall be determined as
3 provided;

4 (2) The amount of investment of such corporation on
5 December thirty-first of each year in this state in telephonic or
6 telegraphic facilities, real estate and improvements thereon,
7 shall be divided by the amount of the total investment of such
8 corporation on December thirty-first of each year in telephonic
9 or telegraphic facilities, real estate and improvements. The
10 income of the corporation shall be multiplied by the fraction
11 thus obtained to determine the proportion to be used to arrive at
12 the amount of Missouri taxable income.

13 18. From the income determined in this section to be from
14 all sources within this state shall be deducted such of the
15 deductions for expenses in determining Missouri taxable income as
16 were incurred in this state to produce such income and all losses
17 actually sustained in this state in the business of the
18 corporation.

19 19. If a corporation derives only part of its income from
20 sources within Missouri, its Missouri taxable income shall only
21 reflect the effect on Missouri taxable income of the deduction
22 for net operating loss allowed by Section 172 of the Internal
23 Revenue Code. The extent applicable to Missouri shall be
24 determined by multiplying the amount that would otherwise affect
25 Missouri taxable income by the ratio for the year of the Missouri
26 taxable income of the corporation for the year divided by the
27 Missouri taxable income for the year as though the corporation
28 had derived all of its income from sources within Missouri. For

1 the purpose of the preceding sentence, Missouri taxable income
2 shall not reflect the deduction.

3 20. Any investment funds service corporation organized as a
4 corporation or S corporation which has any shareholders
5 resided in this state shall be subject to Missouri income tax
6 as provided in this chapter.

7 143.461. 1. A corporation shall elect to determine income
8 applicable to this state by multiplying the total income from all
9 sources by the fraction determined in the manner in section
10 143.451 for all tax years ending on or before December 31, 2019,
11 and for all tax years beginning on or before January 1, 2020, in
12 the manner set forth in section 143.455; first, by filing written
13 notice with the director of revenue on or before the due date of
14 the return (including extensions of time) of the taxpayer's
15 election, or, second, by failing to keep its books and records in
16 such manner as to show the income applicable to this state,
17 including gross income and deductions applicable thereto.

18 2. If the corporation shall keep its books and records so
19 as to show the income applicable to this state by any other
20 method of allocation between this state and other states
21 [involved of income from transactions partially within and
22 partially without this state], including gross income and
23 deductions applicable thereto, and such method shows the income
24 applicable to this state, including gross income and deductions
25 applicable thereto, then it may, on or before sixty days before
26 the end of any taxable year, petition the director of revenue, in
27 writing, to be permitted in its return required to be filed to
28 apportion to this state according to the method shown by such

1 books or records. If the director of revenue finds that such
2 method does show the income applicable to this state including
3 gross income and the deductions applicable thereto, he or she
4 shall notify the corporation, at least thirty days prior to the
5 last day on which such corporation's return for that taxable year
6 is to be filed, that it may use that method for the shorter of
7 five years or as long as such method shows the income applicable
8 to this state, including gross income and deductions applicable
9 thereto.

10 3. The corporation shall cease using such method after the
11 shorter of five years or whenever the director of revenue finds
12 and notifies such corporation on or before ninety days before the
13 end of the taxable year, that such method does not so show. Upon
14 and after such expiration or revocation the corporation shall be
15 permitted to petition to use the same or another method of
16 allocation that will show such income including gross income and
17 deductions applicable thereto as though no petition had ever been
18 filed.

19 4. Failure, after a method has expired or been revoked by
20 the director of revenue, to submit a method which the director of
21 revenue finds will show such income applicable to this state
22 including gross income and deductions applicable thereto, on or
23 before sixty days before the end of any taxable year, or failure
24 to make a return on the basis, which has been approved by the
25 director of revenue on petition of the corporation and which
26 stands unrevoked or unexpired, shall constitute an election to
27 accept the determination of income applicable to this state by
28 multiplying the total income from all sources by the fraction

determined in the manner set forth in section 143.451 for all tax years ending on or before December 31, 2019, and for all tax years beginning on or before January 1, 2020, in the manner set forth in section 143.455.

143.471. 1. An S corporation, as defined by Section 1361 (a)(1) of the Internal Revenue Code, shall not be subject to the taxes imposed by section 143.071, or other sections imposing income tax on corporations.

2. A shareholder of an S corporation shall determine such shareholder's S corporation modification and pro rata share, including its character, by applying the following:

(1) Any modification described in sections 143.121 and 143.141 which relates to an item of S corporation income, gain, loss, or deduction shall be made in accordance with the shareholder's pro rata share, for federal income tax purposes, of the item to which the modification relates. Where a shareholder's pro rata share of any such item is not required to be taken into account separately for federal income tax purposes, the shareholder's pro rata share of such item shall be determined in accordance with his pro rata share, for federal income tax purposes, of S corporation taxable income or loss generally;

(2) Each item of S corporation income, gain, loss, or deduction shall have the same character for a shareholder pursuant to sections 143.005 to 143.998 as it has for federal income tax purposes. Where an item is not characterized for federal income tax purposes, it shall have the same character for a shareholder as if realized directly from the source from which realized by the S corporation or incurred in the same manner as

1 incurred by the S corporation.

2 3. A nonresident shareholder of an S corporation shall
3 determine such shareholder's Missouri nonresident adjusted gross
4 income and his or her nonresident shareholder modification by
5 applying the provisions of this subsection. Items shall be
6 determined to be from sources within this state pursuant to
7 regulations of the director of revenue in a manner consistent
8 with the division of income provisions of section 143.451,
9 section 143.461, or section 32.200 (Multistate Tax Compact). In
10 determining the adjusted gross income of a nonresident
11 shareholder of any S corporation, there shall be included only
12 that part derived from or connected with sources in this state of
13 the shareholder's pro rata share of items of S corporation
14 income, gain, loss or deduction entering into shareholder's
15 federal adjusted gross income, as such part is determined
16 pursuant to regulations prescribed by the director of revenue in
17 accordance with the general rules in section 143.181. Any
18 modification described in subsections 2 and 3 of section 143.121
19 and in section 143.141, which relates to an item of S corporation
20 income, gain, loss, or deduction shall be made in accordance with
21 the shareholder's pro rata share, for federal income tax
22 purposes, of the item to which the modification relates, but
23 limited to the portion of such item derived from or connected
24 with sources in this state.

25 4. Notwithstanding subsection 3 of this section to the
26 contrary, for all tax years beginning on or after January 1,
27 2020, the items referred to in that subsection shall be
28 determined to be from sources within this state pursuant to

1 regulations of the director of revenue in a manner consistent
2 with the division of income provisions of section 143.455 and
3 section 143.461.

4 5. The director of revenue shall permit S corporations to
5 file composite returns and to make composite payments of tax on
6 behalf of its nonresident shareholders not otherwise required to
7 file a return. If the nonresident shareholder's filing
8 requirements result solely from one or more interests in any
9 other partnerships or subchapter S corporations, that nonresident
10 shareholder may be included in the composite return.

11 [5.] 6. If an S corporation pays or credits amounts to any
12 of its nonresident individual shareholders as dividends or as
13 their share of the S corporation's undistributed taxable income
14 for the taxable year, the S corporation shall either timely file
15 with the department of revenue an agreement as provided in
16 subsection [6] 7 of this section or withhold Missouri income tax
17 as provided in subsection [7] 8 of this section. An S
18 corporation that timely files an agreement as provided in
19 subsection [6] 7 of this section with respect to a nonresident
20 shareholder for a taxable year shall be considered to have timely
21 filed such an agreement for each subsequent taxable year. An S
22 corporation that does not timely file such an agreement for a
23 taxable year shall not be precluded from timely filing such an
24 agreement for subsequent taxable years. An S corporation is not
25 required to deduct and withhold Missouri income tax for a
26 nonresident shareholder if:

27 (1) The nonresident shareholder not otherwise required to
28 file a return agrees to have the Missouri income tax due paid as

1 part of the S corporation's composite return;

2 (2) The nonresident shareholder not otherwise required to
3 file a return had Missouri assignable federal adjusted gross
4 income from the S corporation of less than twelve hundred
5 dollars;

6 (3) The S corporation is liquidated or terminated;

7 (4) Income was generated by a transaction related to
8 termination or liquidation; or

9 (5) No cash or other property was distributed in the
10 current and prior taxable year.

11 [6.] 7. The agreement referred to in subdivision (1) of
12 subsection [5] 6 of this section is an agreement of a nonresident
13 shareholder of the S corporation to:

14 (1) File a return in accordance with the provisions of
15 section 143.481 and to make timely payment of all taxes imposed
16 on the shareholder by this state with respect to income of the S
17 corporation; and

18 (2) Be subject to personal jurisdiction in this state for
19 purposes of the collection of income taxes, together with related
20 interest and penalties, imposed on the shareholder by this state
21 with respect to the income of the S corporation.

22 The agreement will be considered timely filed for a taxable year,
23 and for all subsequent taxable years, if it is filed at or before
24 the time the annual return for such taxable year is required to
25 be filed pursuant to section 143.511.

26 [7.] 8. The amount of Missouri income tax to be withheld is
27 determined by multiplying the amount of dividends or
28 undistributed income allocable to Missouri that is paid or

1 credited to a nonresident shareholder during the taxable year by
2 the highest rate used to determine a Missouri income tax
3 liability for an individual, except that the amount of the tax
4 withheld may be determined based on withholding tables provided
5 by the director of revenue if the shareholder submits a Missouri
6 withholding allowance certificate.

7 [8.] 9. An S corporation shall be entitled to recover for a
8 shareholder on whose behalf a tax payment was made pursuant to
9 this section, if such shareholder has no tax liability.

10 [9.] 10. With respect to S corporations that are banks or
11 bank holding companies, a pro rata share of the tax credit for
12 the tax payable pursuant to chapter 148 shall be allowed against
13 each S corporation shareholders' state income tax as follows,
14 provided the bank otherwise complies with section 148.112:

15 (1) The credit allowed by this subsection shall be equal to
16 the bank tax calculated pursuant to chapter 148 based on bank
17 income in 1999 and after, on a bank that makes an election
18 pursuant to 26 U.S.C. Section 1362, and such credit shall be
19 allocated to the qualifying shareholder according to stock
20 ownership, determined by multiplying a fraction, where the
21 numerator is the shareholder's stock, and the denominator is the
22 total stock issued by such bank or bank holding company;

23 (2) The tax credit authorized in this subsection shall be
24 permitted only to the shareholders that qualify as S corporation
25 shareholders, provided the stock at all times during the taxable
26 period qualifies as S corporation stock as defined in 26 U.S.C.
27 Section 1361, and such stock is held by the shareholder during
28 the taxable period. The credit created by this section on a

1 yearly basis is available to each qualifying shareholder,
2 including shareholders filing joint returns. A bank holding
3 company is not allowed this credit, except that, such credit
4 shall flow through to such bank holding company's qualified
5 shareholders, and be allocated to such shareholders under the
6 same conditions; and

7 (3) In the event such shareholder cannot use all or part of
8 the tax credit in the taxable period of receipt, such shareholder
9 may carry forward such tax credit for a period of the lesser of
10 five years or until used, provided such credits are used as soon
11 as the taxpayer has Missouri taxable income.

12 [10.] 11. With respect to S corporations that are
13 associations, a pro rata share of the tax credit for the tax
14 payable under chapter 148 shall be allowed against each S
15 corporation shareholders' state income tax as follows, provided
16 the association otherwise complies with section 148.655:

17 (1) The credit allowed by this subsection shall be equal to
18 the savings and loan association tax calculated under chapter 148
19 based on the computations provided in section 148.630 on an
20 association that makes an election under 26 U.S.C. Section 1362,
21 and such credit shall be allocated to the qualifying shareholder
22 according to stock ownership, determined by multiplying a
23 fraction, where the numerator is the shareholder's stock, and the
24 denominator is the total stock issued by the association;

25 (2) The tax credit authorized in this subsection shall be
26 permitted only to the shareholders that qualify as S corporation
27 shareholders, provided the stock at all times during the taxable
28 period qualifies as S corporation stock as defined in 26 U.S.C.

1 Section 1361, and such stock is held by the shareholder during
2 the taxable period. The credit created by this section on a
3 yearly basis is available to each qualifying shareholder,
4 including shareholders filing joint returns. A savings and loan
5 association holding company is not allowed this credit, except
6 that, such credit shall flow through to such savings and loan
7 association holding company's qualified shareholders, and be
8 allocated to such shareholders under the same conditions; and

9 (3) In the event such shareholder cannot use all or part of
10 the tax credit in the taxable period of receipt, such shareholder
11 may carry forward such tax credit for a period of the lesser of
12 five years or until used, provided such credits are used as soon
13 as the taxpayer has Missouri taxable income.

14 [11.] 12. With respect to S corporations that are credit
15 institutions, a pro rata share of the tax credit for the tax
16 payable under chapter 148 shall be allowed against each S
17 corporation shareholders' state income tax as follows, provided
18 the credit institution otherwise complies with section 148.657:

19 (1) The credit allowed by this subsection shall be equal to
20 the credit institution tax calculated under chapter 148 based on
21 the computations provided in section 148.150 on a credit
22 institution that makes an election under 26 U.S.C. Section 1362,
23 and such credit shall be allocated to the qualifying shareholder
24 according to stock ownership, determined by multiplying a
25 fraction, where the numerator is the shareholder's stock, and the
26 denominator is the total stock issued by such credit institution;

27 (2) The tax credit authorized in this subsection shall be
28 permitted only to the shareholders that qualify as S corporation

1 shareholders, provided the stock at all times during the taxable
2 period qualifies as S corporation stock as defined in 26 U.S.C.
3 Section 1361, and such stock is held by the shareholder during
4 the taxable period. The credit created by this section on a
5 yearly basis is available to each qualifying shareholder,
6 including shareholders filing joint returns. A credit
7 institution holding company is not allowed this credit, except
8 that, such credit shall flow through to such credit institution
9 holding company's qualified shareholders, and be allocated to
10 such shareholders under the same conditions; and

11 (3) In the event such shareholder cannot use all or part of
12 the tax credit in the taxable period of receipt, such shareholder
13 may carry forward such tax credit for a period of the lesser of
14 five years or until used, provided such credits are used as soon
15 as the taxpayer has Missouri taxable income.

16 144.087. 1. The director of revenue [shall] may require
17 [all applicants for] retail sales [licenses and all] licensees in
18 default in filing a return and paying their taxes when due to
19 file a bond in an amount to be determined by the director, which
20 may be a corporate surety bond or a cash bond, but such bond
21 shall not be more than two times the average monthly tax
22 liability of the taxpayer[, estimated in the case of a new
23 applicant, otherwise] based on the previous twelve months'
24 experience. At such time as the director of revenue shall deem
25 the amount of a bond required by this section to be insufficient
26 to cover the average monthly tax liability of a given taxpayer,
27 he or she may require such taxpayer to adjust the amount of the
28 bond to the level satisfactory to the director which will cover

1 the amount of such liability. The director shall, after a
2 reasonable period of satisfactory tax compliance for one year
3 from the initial date of bonding, release such taxpayer from the
4 bonding requirement as set forth in this section. All itinerant
5 or temporary businesses shall be required to procure the license
6 and post the bond required under the provisions of sections
7 144.083 and 144.087 prior to the selling of goods at retail, and
8 in the event that such business is to be conducted for less than
9 one month, the amount of the bond shall be determined by the
10 director.

11 2. All cash bonds shall be deposited by the director of
12 revenue into the state general revenue fund, and shall be
13 released to the taxpayer pursuant to subsection 1 of this section
14 from funds appropriated by the general assembly for such purpose.
15 If appropriated funds are available, the commissioner of
16 administration and the state treasurer shall cause such refunds
17 to be paid within thirty days of the receipt of a warrant request
18 for such payment from the director of the department of revenue.

19 3. [An applicant or] A licensee in default may, in lieu of
20 filing any bond required under this section, provide the director
21 of revenue with an irrevocable letter of credit, as defined in
22 section 400.5-103, issued by any state or federally chartered
23 financial institution, in an amount to be determined by the
24 director or may obtain a certificate of deposit issued by any
25 state or federally chartered financial institution, in an amount
26 to be determined by the director, where such certificate of
27 deposit is pledged to the department of revenue until released by
28 the director in the same manner as bonds are released pursuant to

1 subsection 1 of this section. As used in this subsection, the
2 term "certificate of deposit" means a certificate representing
3 any deposit of funds in a state or federally chartered financial
4 institution for a specified period of time which earns interest
5 at a fixed or variable rate, where such funds cannot be withdrawn
6 prior to a specified time without forfeiture of some or all of
7 the earned interest.

8 620.1350. 1. The words used in this section and sections
9 620.1355 and 620.1360 shall, unless the context otherwise
10 requires, have the meaning provided in subdivision (4) of
11 subsection 2 of section 143.451, and in addition, the following
12 words shall have the following meanings:

- 13 (1) "Department", the department of economic development;
14 (2) "Director", the director of the department of economic
15 development.

16 2. An investment funds service corporation or S
17 corporation, certified pursuant to this section and sections
18 620.1355 and 620.1360, may make an annual election to compute the
19 portion of income derived from sources within this state either
20 pursuant to section 143.451 or pursuant to section 32.200
21 relating to the multistate tax compact. The annual election
22 shall be made by the filing of a corporate income tax return
23 reflecting the use of such election and by filing a copy of the
24 certificate issued by the director pursuant to the provisions of
25 this section and sections 620.1355 and 620.1360. The annual
26 election may be made regardless of whether the corporation filed
27 its income tax return on a single entity basis or was included in
28 a consolidated income tax return in any year.

3. Notwithstanding the provisions of subsection 2 of this section to the contrary, for all tax years beginning on or after January 1, 2020, an investment funds service corporation or S corporation, certified pursuant to this section and sections 620.1355 and 620.1360, shall compute the portion of income derived from sources within this state pursuant to section 143.455.

✓

Andrew Koenig

John Wiemann