April 2, 2018

In order to be responsive to the latest legislative developments, MOCPA continually monitors proposed legislation. The society utilizes both professional and grassroots lobbyists to ensure the CPA profession has a voice in Jefferson City. By keeping members informed, MOCPA is empowering you to contribute to the legislative process.

Update provided by Chuck Pierce, CPA, MOCPA government relations consultant

Session Update

Last week, the Legislature had a financial focus. The Senate advanced a major tax reform bill, while the House finished its work on the budget.

The big news for Missouri CPAs was the Senate's work on **SB 617**. This bill had been debated once this session and placed on the informal calendar. On Wednesday, the Senate took it up, and the sponsor presented a modified substitute bill. It is approximately 300 pages, and the debate was expected to last for hours. Most observers doubted it would even come to a vote. But surprisingly, the bill was perfected on a voice vote after only 30 minutes of debate.

On a simple basis, the bill makes changes to income tax and corporate rates and deductions. However, the bill has some very complicated components that are not getting much attention. It is these areas in which Missouri CPAs should be very interested.

The first is that the legislation removes the optional methods of multi-state allocation and goes to a single-factor method as the only option. Missouri has had the single factor, but this bill changes the method slightly. While the changes seem minor, they could strongly impact some businesses. Changes to definitions and sourcing rules could cause some businesses to pay more. The elimination of the optional three-factor method has a positive fiscal note, meaning it raises taxes on some corporations.

The bill also moves the state into the streamlined sales tax agreement. This necessitates changing almost all the definitions slightly and adopting destination sourcing. Depending on the business, these could have profound impacts.

It is not possible to generalize on the tax impact of this bill. It is clear that some businesses will gain, and some will lose. This is particularly the case when you factor in that the bill reduces or eliminates the Federal Income Tax deduction for both individuals and corporations. If you have clients or your business is impacted by either sales tax or multi-state allocations, it is well worth your while to review this bill. Given its size and the time of year, that is no small task.

Although we are one step closer to having a major tax bill, there is still a long way to go. This bill has been perfected, which means it cannot be amended in the Senate. It does not mean it has passed the Senate. It still requires a roll call vote. The perfection votes are generally a voice vote. At the time this bill was perfected, not all of the Senators were in the chamber. Most observers commented that the voice vote sounded close. Because the bill was changed, a new fiscal note must be prepared, and the bill goes back to another committee to review the fiscal impact. If it is voted out of that committee, it will get a roll call vote. The fiscal note will likely impact the support for the bill. It will be interesting to see if there are actually 18 Senators who will vote for the bill.

While MOCPA has not taken a position on the bill as a whole, we are committed to pointing out any technical errors. We have already noted several and continue to review the bill. The more people looking at it the better. At this point in the debate, changes can still be made, which may not be the case later in the session. If you see technical flaws or have concerns on the bill, please contact Dena Hull at dhull@mocpa.org or (800) 264-7966, ext. 105.

The House spent the week finishing the budget. This process consumes the better part of the week on the floor. The House made several changes to the governor's recommended budget. The most notable of these was in the area of funding for higher education. The governor had recommended cuts to higher education. The House restored those, and in return, negotiated a pledge of a tuition increase cap of 1 percent from higher education institutions.

The budget now goes to the Senate for approval. The Constitution requires the budget to be approved by both chambers by May 11.

Legislation of Interest
To view the complete list of high-priority bills MOCPA is currently tracking, along with their most recent activity and current status, click here. The following bills had significant activity this week:

HB 1465, modifying various provisions relating to degree offerings at public institutions of higher education, received final approval by the House 135 to 4. The bill is now truly agreed and finally passed and goes to the governor for his signature or veto. This bill has been agreed to by all colleges, and the governor is expected to sign it.

SB 590, modifying the Historic Preservation Tax Credit, passed the Senate 24 to 8.

SB 802, modifying provisions relating to women's and minority business enterprises, passed the Senate 32 to 0.

SB 884, modifying provisions relating to retail sales licenses, passed the Senate 29 to 1.

For Additional Information
This *Government Advocacy Update* will continue weekly through the legislative session. If you have any questions on MOCPA's government advocacy efforts, please visit the Web page, or contact Dena Hull at (800) 264-7966, ext. 105.

Related Links
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