# Government Advocacy Update

MOCPA
Missouri Society of
Certified Public Accountants

*Protecting Your Interests*

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*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

Tax reform took center stage last week as Governor Greitens presented his plan to both the public and the Legislature. Also, last week marked the deadline for the governor's interim appointments to receive confirmation. While the vast majority were confirmed without debate, several came under fire from the Senate.

Governor Greitens unveiled his tax reform proposal with a series of press conferences around the state on Monday and Tuesday. The Legislature received the details on Tuesday morning. SB 939, originally a bill establishing a state EIC, was heard in the Senate Ways and Means Committee. Rather than the simple three-page bill that was filed, the committee received a 400-page committee substitute that had the statutory changes needed to implement the governor's plan.

The governor touted his proposal as being revenue neutral, which means any cuts to tax rates or the addition of deductions must be offset with increases to revenues. Here is an overview of the changes in the governor's plan:

### Revenue Reducers

- Decrease the top individual tax bracket from 5.9 to 5.3 percent;
- Cut the corporate rate from 6.25 to 4.25 percent; and
- Establish a non-refundable earned income tax credit equal to 20 percent of the federal earned income tax credit.

### Revenue Raisers

- Reduce on a sliding scale the individual income tax deduction for federal income taxes;
- Eliminate the corporate income tax deduction for federal corporate income tax;
- Repeal the timely filing allowance for both sales and withholding taxes;
- Implement the Streamlined Sales Tax Compact; and
- Require corporations to utilize the single factor of sales method for corporate income allocation by eliminating the other optional methods.

The governor presented estimates that as a total package are revenue neutral. But, neutrality is in the eye of the beholder. With this many changes, along with those to the federal tax code, it is hard to predict the total fiscal impact with precision. Additionally, each of these revisions impacts individuals and businesses differently based on their circumstances. While the package may be neutral in total to the state coffers, there will be gainers and losers among individuals and businesses.

Because the legislation was presented as a committee substitute, it will not be available online or receive a formal fiscal note until it is voted out of the committee. The Ways and Means Committee could yet make changes to this bill or may very well combine portions of the bill with other legislation they have heard to produce a completely different tax reform bill. Once the final bill is voted out of committee, the details will be available on MOCPA's website**.**

Late last week, the Senate shifted its focus from tax reform to gubernatorial appointments. Gubernatorial appointments made while the Legislature is not in session have full authority to carry out their duties, but they must be confirmed within the first 30 days after the Legislature convenes. If the appointees are not confirmed, they are barred for life from ever serving on the board or commission. That deadline was Friday. The governor had made many appointments during the interim. Appointees to two commissions, the Education Commission and Missouri Housing Development Commission (MHDC), have drawn particular attention because of controversial votes the newly appointed commissioners made before they were confirmed.

The controversy continues because shortly before the session, the Education Commission appointees withdrew and then were re-appointed. This removed them from the commission but gave them until the end of session in May to get confirmed. However, it left the commission without enough confirmed commissioners to constitute a quorum.

The appointees to the MHDC did not resign before the Senate convened. Late last week, it became clear the Senate was not going to vote to confirm the nominees to the MHDC. The governor sent a letter to the Senate to withdraw their nominations, thus allowing them to be re-appointed later. Several Senators blocked the acceptance of the withdrawal. At the last minute, the appointees sent an email to the Senate resigning their appointment. Because this was done after the Senate had convened, there is substantial legal uncertainty over whether these individuals can be re-appointed.

The battle over appointments may well seem like inside baseball over an arcane process. However, it is indicative of the current strain between the governor and the Senate. The Senate, as a body, takes a lot of pride in the traditions of its rules and procedures. Many Senators feel the governor has circumvented those processes with the way he has made interim appointments. While the governor and a majority of the Senate are from the same political party, the tensions between the two branches likely overrule party affiliation. This may make it hard for the governor to advance his tax reform proposal.

**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.

**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.

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