

SECOND REGULAR SESSION

# HOUSE BILL NO. 2908

102ND GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE MERIDETH.

5274H.011

DANA RADEMAN MILLER, Chief Clerk

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## AN ACT

To amend chapter 50, RSMo, by adding thereto three new sections relating to local earnings taxes.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 50, RSMo, is amended by adding thereto three new sections, to be known as sections 50.1351, 50.1356, and 50.1361, to read as follows:

**50.1351. 1. As used in sections 50.1351 to 50.1361, the term "earnings tax" means a tax on the following:**

**(1) Salaries, wages, commissions, and other compensation earned by a county's residents;**

**(2) Salaries, wages, commissions, and other compensation earned by nonresidents of a county for work done or services performed or rendered in the county;**

**(3) Net profits of associations, businesses, or other activities conducted by a county's residents; and**

**(4) Net profits of associations, businesses, or other activities conducted in a county by nonresidents of the county.**

**2. (1) As used in sections 50.1351 to 50.1361, the term "salaries, wages, commissions, and other compensation" shall not be construed to include any contributions to a deferred compensation plan including, but not limited to, a salary reduction plan, a cafeteria plan, or any other similar plan deferring the receipt of compensation by a resident or nonresident of a county if such contribution is not subject to Missouri state income tax at the time such contribution is made.**

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18           **(2) The net profits or earnings of associations, businesses, other activities, and**  
19 **corporations shall be ascertained and determined by deducting the necessary expenses**  
20 **of operation from the gross profits or earnings.**

21           **(3) The earnings or net profits subject to tax of any nonresident individual, of**  
22 **any association or business conducted by nonresidents, or of any corporation, in any**  
23 **case in which the work done, services performed or rendered, and business or other**  
24 **activities conducted are done, performed, rendered, or conducted both within and**  
25 **without the county may be ascertained by formula as set forth in any ordinance enacted**  
26 **under sections 50.1351 to 50.1361 or prescribed by rules or regulations adopted under**  
27 **such ordinance.**

28           **3. The governing body of a county may, by order or ordinance, replace all taxes**  
29 **levied and imposed on all real property and personal property by such county with an**  
30 **earnings tax as provided in sections 50.1351 to 50.1361. No order or ordinance**  
31 **replacing such property taxes with an earnings tax shall become effective unless the**  
32 **governing body of the county submits to the qualified voters of the county at a state**  
33 **general, primary, or general municipal election a proposal to authorize the governing**  
34 **body of the county to replace such property taxes with such earnings tax.**

35           **4. The question submitted shall be in substantially the following form: "Shall \_\_**  
36 **\_\_\_ (insert county name) County replace all real property and personal property taxes**  
37 **levied and imposed by the county with an earnings tax at a rate that will produce**  
38 **substantially the same revenues as produced by the real and personal property taxes?".**

39           **5. If a majority of the votes cast on the proposal by the qualified voters voting**  
40 **thereon are in favor of the proposal, the order or ordinance shall be in effect. If a**  
41 **majority of the votes cast by the qualified voters voting thereon are opposed to the**  
42 **proposal, the governing body of the county shall have no power to replace the property**  
43 **taxes and impose the earnings tax unless and until the governing body of the county**  
44 **submits another proposal to authorize the governing body of the county to replace the**  
45 **property taxes and impose the earnings tax under sections 50.1351 to 50.1361 and such**  
46 **proposal is approved by a majority of the qualified voters voting thereon.**

**50.1356. 1. The income received by any of the following shall not be taxable**  
2 **under an earnings tax imposed under sections 50.1351 to 50.1361:**

3           **(1) A labor, agricultural, or horticultural organization;**

4           **(2) A mutual savings bank not having a capital stock represented by shares;**

5           **(3) A fraternal-beneficiary society, order, or association, operating under the**  
6 **lodge system or for the exclusive benefit of the members of a fraternity itself operating**  
7 **under the lodge system and providing for the payment of life, sick, accident, or other**  
8 **benefits to the members of such society, order, or association or their dependents;**

9           **(4) A domestic building and loan association or credit union without capital**  
10 **stock organized and operated for mutual purposes and without profit;**

11           **(5) A cemetery company owned and operated exclusively for the benefit of its**  
12 **members, unless such cemetery company is operated for profit;**

13           **(6) A corporation or association organized and operated exclusively for**  
14 **religious, charitable, scientific, or educational purposes, no part of the net income of**  
15 **which inures to the benefit of any private stockholder or individual;**

16           **(7) A business league, chamber of commerce, or board of trade not organized for**  
17 **profit and no part of the net income of which inures to the benefit of any private**  
18 **stockholder or individual;**

19           **(8) A civic league or organization not organized for profit but operated**  
20 **exclusively for the promotion of social welfare;**

21           **(9) A club organized and operated exclusively for pleasure, recreation, and other**  
22 **nonprofitable purposes, no part of the net income of which inures to the benefit of any**  
23 **private stockholder or member;**

24           **(10) A farmer or other mutual hail, cyclone, or fire insurance company, mutual**  
25 **ditch or irrigation company, mutual or cooperative telephone company, or like**  
26 **organization, the income of which consists solely of assessments, dues, and fees collected**  
27 **from members for the sole purpose of meeting its expenses;**

28           **(11) A farmer, fruit grower, or like association, organized and operated as a sales**  
29 **agent for the purpose of marketing the products of its members and turning back to**  
30 **them the proceeds of sales, less the necessary selling expenses, on the basis of the**  
31 **quantity of produce furnished by them;**

32           **(12) A corporation or association organized for the exclusive purpose of holding**  
33 **title to property, collecting income therefrom, and turning over the entire amount**  
34 **thereof, less expenses, to an organization that itself is exempt from the tax imposed by**  
35 **chapter 143;**

36           **(13) A federal land bank or national farm loan association, as provided in**  
37 **section 26 of an Act of Congress approved July 17, 1916, entitled "An act to provide**  
38 **capital for agricultural development, to create standard forms of investment based upon**  
39 **farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for**  
40 **United States bonds, to create government depositaries and financial agents for the**  
41 **United States, and for other purposes";**

42           **(14) A joint stock land bank as to income derived from bonds or debentures or**  
43 **other joint stock land banks or any federal land bank belonging to such joint stock land**  
44 **bank;**

45           **(15) An express company that now pays an annual tax on its gross receipts in this**  
46 **state or an insurance company that pays an annual tax on its gross premium receipts in**  
47 **this state; or**

48           **(16) A trust created by an employer and employees as part of a stock bonus,**  
49 **pension, or profit-sharing plan, for the exclusive benefit of employees, to which**  
50 **contributions are made by such employer or employees, or both, for the purpose of**  
51 **distributing to such employees the earnings and principal of the fund accumulated by**  
52 **the trust in accordance with such plan, or a trust consisting solely of one or more**  
53 **restricted retirement funds created for one or more self-employed persons as part of a**  
54 **retirement plan for the exclusive benefit of such self-employed person or persons, to**  
55 **which contributions are made by such self-employed person or persons, for the purpose**  
56 **of distributing to such self-employed person or persons the earnings and principal of the**  
57 **fund accumulated by the trust in accordance with such plan and the amount actually**  
58 **distributed, or made available to any distributee.**

59           **2. The following income shall be exempt from an earnings tax imposed under**  
60 **sections 50.1351 to 50.1361:**

61           **(1) The proceeds of life insurance policies paid to the individual beneficiaries**  
62 **upon the death of the insured;**

63           **(2) The amount received by the insured as a return of premium or premiums**  
64 **paid by the insured under life insurance or endowment contracts, either during the term**  
65 **or at the maturity of the term mentioned in the contract or upon the surrender of the**  
66 **contract;**

67           **(3) Any amount received under workers' compensation acts, as compensation**  
68 **for personal injuries or sickness, plus the amount of any damages received whether by**  
69 **suit or agreement on account of such injuries or sickness, or through the federal War**  
70 **Risk Insurance Act or any law for the benefit or relief of injured or disabled members of**  
71 **the Armed Forces of the United States;**

72           **(4) The value of property acquired by gift, bequest, devise, or descent, but the**  
73 **income from such property shall be included as income;**

74           **(5) Interest upon the obligations of this state or of any political subdivision**  
75 **thereof or upon the obligations of the United States or its possessions; or**

76           **(6) Any income derived from any public utility performing functions of national**  
77 **government or those incident to the state or any political subdivision thereof, or from**  
78 **the exercise of any essential government function accruing to any state, territory, or the**  
79 **District of Columbia.**

80           **3. The governing body of a county may provide for deductions and exemptions**  
81 **from salaries, wages, and commissions of employees and may provide for exemptions on**  
82 **account of the spouses and dependents of such employees.**

**50.1361. 1. A county may impose upon employers the duty of collecting and**  
2 **remitting to the county any earnings tax that may be levied upon the earnings of**  
3 **employees under sections 50.1351 to 50.1361 and may prescribe penalties for failure to**  
4 **perform such duty. In the event that such county imposes such duty on employers, each**  
5 **such employer shall be entitled to deduct and retain one and one-half percent of the total**  
6 **amount collected to compensate such employer for collecting such tax. The governing**  
7 **body of any such county may, by order or ordinance, reduce, eliminate, or reimpose, if**  
8 **eliminated, the fee allowed to employers by this subsection.**

9           **2. In order to facilitate the collection of the earnings tax authorized under**  
10 **sections 50.1351 to 50.1361, such county may, by order or ordinance, create wage**  
11 **brackets within which the earnings tax shall be uniform for taxpayers entitled to the**  
12 **same number of exemptions.**

13           **3. No earnings tax order or ordinance enacted under sections 50.1351 to 50.1361**  
14 **shall require any taxpayer to file copies of such taxpayer's state or federal income tax**  
15 **returns with any county officer, employee, or other person designated by such order or**  
16 **ordinance to collect or otherwise administer such earnings tax.**

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