

SECOND REGULAR SESSION  
HOUSE COMMITTEE SUBSTITUTE FOR  
**HOUSE BILL NO. 1964**  
**99TH GENERAL ASSEMBLY**

5565H.06C

D. ADAM CRUMBLISS, Chief Clerk

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**AN ACT**

To repeal sections 32.200, 143.011, 143.022, 143.031, 143.071, 143.105, 143.151, 143.161, 143.261, 143.451, and 143.461, RSMo, and to enact in lieu thereof eleven new sections relating to taxation.

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

Section A. Sections 32.200, 143.011, 143.022, 143.031, 143.071, 143.105, 143.151,  
2 143.161, 143.261, 143.451, and 143.461, RSMo, are repealed and eleven new sections enacted  
3 in lieu thereof, to be known as sections 32.200, 143.011, 143.022, 143.031, 143.071, 143.151,  
4 143.161, 143.261, 143.451, 143.456, and 143.461, to read as follows:

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

3

4 **MULTISTATE TAX COMPACT**

5

6 **Article I**

7 The purposes of this compact are to:

- 8 1. Facilitate proper determination of state and local tax liability of multistate taxpayers,  
9 including the equitable apportionment of tax bases and settlement of apportionment disputes.  
10 2. Promote uniformity or compatibility in significant components of tax systems.  
11 3. Facilitate taxpayer convenience and compliance in the filing of tax returns and in other  
12 phases of tax administration.  
13 4. Avoid duplicative taxation.

14

15 **Article II**

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.

16 As used in this compact:

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

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

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

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

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

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

31 7. "Sales tax" means a tax imposed with respect to the transfer for a consideration of  
32 ownership, possession or custody of tangible personal property or the rendering of services  
33 measured by the price of the tangible personal property transferred or services rendered and  
34 which is required by state or local law to be separately stated from the sales price by the seller,  
35 or which is customarily separately stated from the sales price, but does not include a tax imposed  
36 exclusively on the sale of a specifically identified commodity or article or class of commodities  
37 or articles.

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

39 (a) is imposed on or with respect to the exercise or enjoyment of any right or power over  
40 tangible personal property incident to the ownership, possession or custody of that property or  
41 the leasing of that property from another including any consumption, keeping, retention, or other  
42 use of tangible personal property; and

43 (b) is complementary to a sales tax.

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

48

### 49 Article III

50 1. Any taxpayer subject to an income tax whose income is subject to apportionment and  
51 allocation for tax purposes pursuant to the laws of a party state or pursuant to the laws of

52 subdivisions in two or more party states may elect to apportion and allocate [his] the taxpayer's  
53 income in the manner provided by the laws of such state or by the laws of such states and  
54 subdivisions without reference to this compact, or may elect to apportion and allocate in  
55 accordance with article IV; **except that for tax years beginning on or after January 1, 2019,**  
56 **any taxpayer subject to the tax imposed by section 143.071 shall apportion and allocate in**  
57 **accordance with the provisions of chapter 143 and shall not apportion or allocate in**  
58 **accordance with article IV.** This election for any tax year may be made in all party states or  
59 subdivisions thereof or in any one or more of the party states or subdivisions thereof without  
60 reference to the election made in the others. For the purposes of this paragraph, taxes imposed  
61 by subdivisions shall be considered separately from state taxes and the apportionment and  
62 allocation also may be applied to the entire tax base. In no instance wherein article IV is  
63 employed for all subdivisions of a state may the sum of all apportionments and allocations to  
64 subdivisions within a state be greater than the apportionment and allocation that would be  
65 assignable to that state if the apportionment or allocation were being made with respect to a state  
66 income tax.

67         2. Each party state or any subdivision thereof which imposes an income tax shall provide  
68 by law that any taxpayer required to file a return, whose only activities within the taxing  
69 jurisdiction consist of sales and do not include owning or renting real estate or tangible personal  
70 property, and whose dollar volume of gross sales made during the tax year within the state or  
71 subdivision, as the case may be, is not in excess of \$100,000 may elect to report and pay any tax  
72 due on the basis of a percentage of such volume, and shall adopt rates which shall produce a tax  
73 which reasonably approximates the tax otherwise due. The multistate tax commission, not more  
74 than once in five years, may adjust the \$100,000 figure in order to reflect such changes as may  
75 occur in the real value of the dollar, and such adjusted figure, upon adoption by the commission,  
76 shall replace the \$100,000 figure specifically provided herein. Each party state and subdivision  
77 thereof may make the same election available to taxpayers additional to those specified in this  
78 paragraph.

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

81

#### 82         Article IV

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

84             (1) "Business income" means income arising from transactions and activity in the regular  
85 course of the taxpayer's trade or business and includes income from tangible and intangible  
86 property if the acquisition, management, and disposition of the property constitute integral parts  
87 of the taxpayer's regular trade or business operations.

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

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

92 (4) "Financial organization" means any bank, trust company, savings bank, industrial  
93 bank, land bank, safe deposit company, private banker, savings and loan association, credit  
94 union, cooperative bank, small loan company, sales finance company, investment company, or  
95 any type of insurance company.

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

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

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

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

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

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

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

111 2. Any taxpayer having income from business activity which is taxable both within and  
112 without this state, other than activity as a financial organization or public utility or the rendering  
113 of purely personal services by an individual, shall allocate and apportion ~~[his]~~ **the taxpayer's**  
114 net income as provided in this article. If a taxpayer has income from business activity as a public  
115 utility but derives the greater percentage of ~~[his]~~ **the taxpayer's** income from activities subject  
116 to this article, the taxpayer may elect to allocate and apportion ~~[his]~~ **the taxpayer's** entire net  
117 income as provided in this article.

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

120 (1) In that state ~~[he]~~ **the taxpayer** is subject to a net income tax, a franchise tax  
121 measured by net income, a franchise tax for the privilege of doing business, or a corporate stock  
122 tax; or

123 (2) That state has jurisdiction to subject the taxpayer to a net income tax regardless of  
124 whether, in fact, the state does or does not.

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

128 5. (1) Net rents and royalties from real property located in this state are allocable to this  
129 state.

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

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

132 (b) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer  
133 is not organized under the laws of or taxable in the state in which the property is utilized.

134 (3) The extent of utilization of tangible personal property in a state is determined by  
135 multiplying the rents and royalties by a fraction, the numerator of which is the number of days  
136 of physical location of the property in the state during the rental or royalty period in the taxable  
137 year and the denominator of which is the number of days of physical location of the property  
138 everywhere during all rental or royalty periods in the taxable year. If the physical location of the  
139 property during the rental or royalty period is unknown or unascertainable by the taxpayer,  
140 tangible personal property is utilized in the state in which the property was located at the time  
141 the rental or royalty payer obtained possession.

142 6. (1) Capital gains and losses from sales of real property located in this state are  
143 allocable to this state.

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

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

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

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

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

153 8. (1) Patent and copyright royalties are allocable to this state:

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

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

158 (2) A patent is utilized in a state to the extent that it is employed in production,  
159 fabrication, manufacturing, or other processing in the state or to the extent that a patented  
160 product is produced in the state. If the basis of receipts from patent royalties does not permit  
161 allocation to states or if the accounting procedures do not reflect states of utilization, the patent  
162 is utilized in the state in which the taxpayer's commercial domicile is located.

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

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

170 10. The property factor is a fraction, the numerator of which is the average value of the  
171 taxpayer's real and tangible personal property owned or rented and used in this state during the  
172 tax period and the denominator of which is the average value of all the taxpayer's real and  
173 tangible personal property owned or rented and used during the tax period.

174 11. Property owned by the taxpayer is valued at its original cost. Property rented by the  
175 taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual  
176 rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from  
177 subrentals.

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

182 13. The payroll factor is a fraction, the numerator of which is the total amount paid in  
183 this state during the tax period by the taxpayer for compensation and the denominator of which  
184 is the total compensation paid everywhere during the tax period.

185 14. Compensation is paid in this state if:

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

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

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

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

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

195 15. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer  
196 in this state during the tax period, and the denominator of which is the total sales of the taxpayer  
197 everywhere during the tax period.

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

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

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

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

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

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

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

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

210 18. If the allocation and apportionment provisions of this article do not fairly represent  
211 the extent of the taxpayer's business activity in this state, the taxpayer may petition for or the tax  
212 administrator may require, in respect to all or any part of the taxpayer's business activity, if  
213 reasonable:

214 (1) separate accounting;

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

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

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

220

221 Article V

222 1. Each purchaser liable for a use tax on tangible personal property shall be entitled to  
223 full credit for the combined amount or amounts of legally imposed sales or use taxes paid by  
224 ~~him~~ **the purchaser** with respect to the same property to another state and any subdivision  
225 thereof. The credit shall be applied first against the amount of any use tax due the state, and any  
226 unused portion of the credit shall then be applied against the amount of any use tax due a  
227 subdivision.

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

232

233           Article VI

234           1. (a) The multistate tax commission is hereby established. It shall be composed of one  
235 "member" from each party state who shall be the head of the state agency charged with the  
236 administration of the types of taxes to which this compact applies. If there is more than one such  
237 agency the state shall provide by law for the selection of the commission member from the heads  
238 of the relevant agencies. State law may provide that a member of the commission be represented  
239 by an alternate but only if there is on file with the commission written notification of the  
240 designation and identity of the alternate. The attorney general of each party state or ~~his~~ **the**  
241 **attorney general's** designee, or other counsel if the laws of the party state specifically provide,  
242 shall be entitled to attend the meetings of the commission, but shall not vote. Such attorneys  
243 general, designees, or other counsel shall receive all notices of meetings required under  
244 paragraph 1 (e) of this article.

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

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

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

251           (e) The commission shall hold an annual meeting and such other regular meetings as its  
252 bylaws may provide and such special meetings as its executive committee may determine. The  
253 commission bylaws shall specify the dates of the annual and any other regular meetings, and  
254 shall provide for the giving of notice of annual, regular and special meetings. Notices of special  
255 meetings shall include the reasons therefor and an agenda of the items to be considered.

256           (f) The commission shall elect annually, from among its members, a chairman, a vice  
257 chairman and a treasurer. The commission shall appoint an executive director who shall serve  
258 at its pleasure, and it shall fix his **or her** duties and compensation. The executive director shall  
259 be secretary of the commission. The commission shall make provision for the bonding of such  
260 of its officers and employees as it may deem appropriate.

261           (g) Irrespective of the civil service, personnel or other merit system laws of any party  
262 state, the executive director shall appoint or discharge such personnel as may be necessary for



263 the performance of the functions of the commission and shall fix their duties and compensation.

264 The commission bylaws shall provide for personnel policies and programs.

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

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

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

271 (k) The commission shall adopt bylaws for the conduct of its business. The commission  
272 shall publish its bylaws in convenient form, and shall file a copy of the bylaws and any  
273 amendments thereto with the appropriate agency or officer in each of the party states.

274 (l) The commission annually shall make to the governor and legislature of each party  
275 state a report covering its activities for the preceding year. Any donation or grant accepted by  
276 the commission or services borrowed shall be reported in the annual report of the commission,  
277 and shall include the nature, amount and conditions, if any, of the donation, gift, grant or services  
278 borrowed and the identity of the donor or lender. The commission may make additional reports  
279 as it may deem desirable.

280 2. (a) To assist in the conduct of its business when the full commission is not meeting,  
281 the commission shall have an executive committee of seven members, including the chairman,  
282 vice chairman, treasurer and four other members elected annually by the commission. The  
283 executive committee, subject to the provisions of this compact and consistent with the policies  
284 of the commission, shall function as provided in the bylaws of the commission.

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

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

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

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

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

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

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

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

303 (b) Each of the commission's budgets of estimated expenditures shall contain specific  
304 recommendations of the amounts to be appropriated by each of the party states. The total amount  
305 of appropriations requested under any such budget shall be apportioned among the party states  
306 as follows: one-tenth in equal shares; and the remainder in proportion to the amount of revenue  
307 collected by each party state and its subdivisions from income taxes, capital stock taxes, gross  
308 receipts taxes, sales and use taxes. In determining such amounts, the commission shall employ  
309 such available public sources of information as, in its judgment, present the most equitable and  
310 accurate comparisons among the party states. Each of the commission's budgets of estimated  
311 expenditures and requests for appropriations shall indicate the sources used in obtaining  
312 information employed in applying the formula contained in this paragraph.

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

319 (d) The commission shall keep accurate accounts of all receipts and disbursements. The  
320 receipts and disbursements of the commission shall be subject to the audit and accounting  
321 procedures established under its bylaws. All receipts and disbursements of funds handled by the  
322 commission shall be audited yearly by a certified or licensed public accountant and the report of  
323 the audit shall be included in and become part of the annual report of the commission.

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

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

329

### 330 Article VII

331 1. Whenever any two or more party states, or subdivisions of party states, have uniform  
332 or similar provisions of law relating to an income tax, capital stock tax, gross receipts tax, sales  
333 or use tax, the commission may adopt uniform regulations for any phase of the administration

334 of such law, including assertion of jurisdiction to tax, or prescribing uniform tax forms. The  
335 commission may also act with respect to the provisions of article IV of this compact.

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

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

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

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

345

#### 346 Article VIII

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

349 2. Any party state or subdivision thereof desiring to make or participate in an audit of  
350 any accounts, books, papers, records or other documents may request the commission to perform  
351 the audit on its behalf. In responding to the request, the commission shall have access to and  
352 may examine, at any reasonable time, such accounts, books, papers, records, and other  
353 documents and any relevant property or stock of merchandise. The commission may enter into  
354 agreements with party states or their subdivisions for assistance in performance of the audit. The  
355 commission shall make charges, to be paid by the state or local government or governments for  
356 which it performs the service, for any audits performed by it in order to reimburse itself for the  
357 actual costs incurred in making the audit.

358 3. The commission may require the attendance of any person within the state where it  
359 is conducting an audit or part thereof at a time and place fixed by it within such state for the  
360 purpose of giving testimony with respect to any account, book, paper, document, other record,  
361 property or stock of merchandise being examined in connection with the audit. If the person is  
362 not within the jurisdiction, ~~he~~ **the person** may be required to attend for such purpose at any  
363 time and place fixed by the commission within the state of which ~~he~~ **the person** is a resident;  
364 provided that such state has adopted this article.

365 4. The commission may apply to any court having power to issue compulsory process  
366 for orders in aid of its powers and responsibilities pursuant to this article and any and all such  
367 courts shall have jurisdiction to issue such orders. Failure of any person to obey any such order  
368 shall be punishable as contempt of the issuing court. If the party or subject matter on account  
369 of which the commission seeks an order is within the jurisdiction of the court to which

370 application is made, such application may be to a court in the state or subdivision on behalf of  
371 which the audit is being made or a court in the state in which the object of the order being sought  
372 is situated. The provisions of this paragraph apply only to courts in a state that has adopted this  
373 article.

374 5. The commission may decline to perform any audit requested if it finds that its  
375 available personnel or other resources are insufficient for the purpose or that, in the terms  
376 requested, the audit is impracticable of satisfactory performance. If the commission, on the basis  
377 of its experience, has reason to believe that an audit of a particular taxpayer, either at a particular  
378 time or on a particular schedule, would be of interest to a number of party states or their  
379 subdivisions, it may offer to make the audit or audits, the offer to be contingent on sufficient  
380 participation therein as determined by the commission.

381 6. Information obtained by any audit pursuant to this article shall be confidential and  
382 available only for tax purposes to party states, their subdivisions or the United States.  
383 Availability of information shall be in accordance with the laws of the states or subdivisions on  
384 whose account the commission performs the audit, and only through the appropriate agencies or  
385 officers of such states or subdivisions. Nothing in this article shall be construed to require any  
386 taxpayer to keep records for any period not otherwise required by law.

387 7. Other arrangements made or authorized pursuant to law for cooperative audit by or  
388 on behalf of the party states or any of their subdivisions are not superseded or invalidated by this  
389 article.

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

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

393

#### 394 Article IX

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

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

401 3. Whenever a taxpayer who has elected to employ article IV, or whenever the laws of  
402 the party state or subdivision thereof are substantially identical with the relevant provisions of  
403 article IV, the taxpayer, by written notice to the commission and to each party state or  
404 subdivision thereof that would be affected, may secure arbitration of an apportionment or  
405 allocation, if ~~he~~ **the taxpayer** is dissatisfied with the final administrative determination of the

406 tax agency of the state or subdivision with respect thereto on the ground that it would subject  
407 ~~him~~ **the taxpayer** to double or multiple taxation by two or more party states or subdivisions  
408 thereof. Each party state and subdivision thereof hereby consents to the arbitration as provided  
409 herein, and agrees to be bound thereby.

410 4. The arbitration board shall be composed of one person selected by the taxpayer, one  
411 by the agency or agencies involved, and one member of the commission's arbitration panel. If  
412 the agencies involved are unable to agree on the person to be selected by them, such person shall  
413 be selected by lot from the total membership of the arbitration panel. The two persons selected  
414 for the board in the manner provided by the foregoing provisions of this paragraph shall jointly  
415 select the third member of the board. If they are unable to agree on the selection, the third  
416 member shall be selected by lot from among the total membership of the arbitration panel. No  
417 member of a board selected by lot shall be qualified to serve if ~~he~~ **the member** is an officer or  
418 employee or is otherwise affiliated with any party to the arbitration proceeding. Residence  
419 within the jurisdiction of a party to the arbitration proceeding shall not constitute affiliation  
420 within the meaning of this paragraph.

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

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

428 7. The board shall have power to administer oaths, take testimony, subpoena and require  
429 the attendance of witnesses and the production of accounts, books, papers, records, and other  
430 documents, and issue commissions to take testimony. Subpoenas may be signed by any member  
431 of the board. In case of failure to obey a subpoena, and upon application by the board, any judge  
432 of a court of competent jurisdiction of the state in which the board is sitting or in which the  
433 person to whom the subpoena is directed may be found may make an order requiring compliance  
434 with the subpoena, and the court may punish failure to obey the order as a contempt. The  
435 provisions of this paragraph apply only in states that have adopted this article.

436 8. Unless the parties otherwise agree the expenses and other costs of the arbitration shall  
437 be assessed and allocated among the parties by the board in such manner as it may determine.  
438 The commission shall fix a schedule of compensation for members of arbitration boards and of  
439 other allowable expenses and costs. No officer or employee of a state or local government who  
440 serves as a member of a board shall be entitled to compensation therefor unless ~~he~~ **such officer**  
441 **or employee** is required on account of his **or her** service to forego the regular compensation

442 attaching to his **or her** public employment, but any such board member shall be entitled to  
443 expenses.

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

447 10. The board shall file with the commission and with each tax agency represented in  
448 the proceeding: the determination of the board; the board's written statement of its reasons  
449 therefor; the record of the board's proceedings; and any other documents required by the  
450 arbitration rules of the commission to be filed.

451 11. The commission shall publish the determinations of boards together with the  
452 statements of the reasons therefor.

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

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

458

#### 459 Article X

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

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

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

471

#### 472 Article XI

473 Nothing in this compact shall be construed to:

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

476 (b) Apply to any tax or fixed fee imposed for the registration of a motor vehicle or any  
477 tax on motor fuel, other than a sales tax; provided that the definition of "tax" in article VIII 9 may

478 apply for the purposes of that article and the commission's powers of study and recommendation  
479 pursuant to article VI 3 may apply.

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

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

485

486 Article XII

487 This compact shall be liberally construed so as to effectuate the purposes thereof. The  
488 provisions of this compact shall be severable and if any phrase, clause, sentence or provision of  
489 this compact is declared to be contrary to the constitution of any state or of the United States or  
490 the applicability thereof to any government, agency, person or circumstance is held invalid, the  
491 validity of the remainder of this compact and the applicability thereof to any government, agency,  
492 person or circumstance shall not be affected thereby. If this compact shall be held contrary to  
493 the constitution of any state participating therein, the compact shall remain in full force and  
494 effect as to the remaining party states and in full force and effect as to the state affected as to all  
495 severable matters.

143.011. 1. **For tax years ending before January 1, 2018**, a tax is hereby imposed for  
2 every ~~taxable~~ tax year on the Missouri taxable income of every resident. The tax shall be  
3 determined by applying the tax table or the rate provided in section 143.021, which is based upon  
4 the following rates:

5

6 If the Missouri taxable income is:	The tax is:
7 Not over \$1,000.00	1 ½% of the Missouri taxable income
8 Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over \$1,000
9 Over \$2,000 but not over \$3,000	\$35 plus 2 ½% of excess over \$2,000
10 Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over \$3,000
11 Over \$4,000 but not over \$5,000	\$90 plus 3 ½% of excess over \$4,000
12 Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000

13	Over \$6,000 but not over \$7,000	\$165 plus 4 ½% of excess over \$6,000
14	Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over \$7,000
15	Over \$8,000 but not over \$9,000	\$260 plus 5 ½% of excess over \$8,000
16	Over \$9,000	\$315 plus 6% of excess over \$9,000

17           2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of  
 18 this section **and the tax rate under subsection 5 of this section** may be reduced over a period  
 19 of years. Each reduction in the top rate of tax **or tax rate** shall be by one-tenth of a percent, and  
 20 no more than one reduction shall occur in a calendar year. The top rate of tax **or tax rate** shall  
 21 not be reduced below five ~~and one-half~~ percent. Reductions in the rate of tax shall take effect  
 22 on January first of a calendar year, and such reduced rates shall continue in effect until the next  
 23 reduction occurs.

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

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

30           (4) The director of ~~the department of~~ revenue shall, by rule, adjust the tax tables under  
 31 subsection 1 of this section **and the tax rate under subsection 5 of this section** to effectuate  
 32 the provisions of this subsection. ~~[The bracket for income subject to the top rate of tax shall be  
 33 eliminated once the top rate of tax has been reduced to five and one-half of a percent.]~~

34           3. ~~[Beginning with]~~ **For** the 2017 calendar year, the brackets of Missouri taxable income  
 35 identified in subsection 1 of this section shall be adjusted annually by the percent increase in  
 36 inflation. The director shall publish such brackets ~~[annually beginning on or]~~ after October 1,  
 37 2016. Modifications to the brackets shall take effect on January first ~~[of each calendar year]~~ and  
 38 shall apply to **the 2017 tax** ~~[years beginning on or after the effective date of the new brackets]~~  
 39 **year.**

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

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

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



45 (3) "Percent increase in inflation", the percentage, if any, by which the CPI for the  
 46 preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and ending  
 47 August 31, 2015.

48 **5. For tax years beginning on or after January 1, 2018, a tax is hereby imposed for**  
 49 **every tax year on the Missouri taxable income of every resident at a rate of five and eight-**  
 50 **tenths**  
 51 **percent.**

143.022. 1. As used in this section, "business income" means the income greater than  
 2 zero arising from transactions in the regular course of all of a taxpayer's trade or business and  
 3 shall be limited to the Missouri source net profit from the combination of the following:

4 (1) The total combined profit as properly reported to the Internal Revenue Service on  
 5 each Schedule C, or its successor form, filed; and

6 (2) The total partnership and S corporation income or loss properly reported to the  
 7 Internal Revenue Service on Part II of Schedule E, or its successor form.

8 2. In addition to all other modifications allowed by law, there shall be subtracted from  
 9 the federal adjusted gross income of an individual taxpayer a percentage of such individual's  
 10 business income, to the extent that such amounts are included in federal adjusted gross income  
 11 when determining such individual's Missouri adjusted gross income.

12 3. In the case of an S corporation described in section 143.471 or a partnership  
 13 computing the deduction allowed under subsection 2 of this section, taxpayers described in  
 14 subdivision (1) or (2) of this subsection shall be allowed such deduction apportioned in  
 15 proportion to their share of ownership of the business as reported on the taxpayer's Schedule K-1,  
 16 or its successor form, for the tax period for which such deduction is being claimed when  
 17 determining the Missouri adjusted gross income of:

18 (1) The shareholders of an S corporation as described in section 143.471;

19 (2) The partners in a partnership.

20 4. The percentage to be subtracted under subsection 2 of this section shall be increased  
 21 ~~[over a period of years. Each increase in the percentage shall be]~~ by five percent ~~[and no more~~  
 22 ~~than one increase shall occur]~~ in [a] calendar year~~[- The maximum percentage that may be~~  
 23 ~~subtracted is twenty-five percent of business income. Any increase in the percentage that may~~  
 24 ~~be subtracted shall take effect on January first of a calendar year]~~ **2017**, and such percentage shall  
 25 continue in effect ~~[until the next percentage increase occurs. An increase shall only apply to tax~~  
 26 ~~years that begin on or after the increase takes effect.~~

27 ~~————~~ 5. An increase in the percentage that may be subtracted under subsection 2 of this section  
 28 shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds

29 the highest amount of net general revenue collected in any of the three fiscal years prior to such  
30 fiscal year by at least one hundred fifty million dollars.

31 ~~—————6. The first year that a taxpayer may make the subtraction under subsection 2 of this~~  
32 ~~section is 2017, provided that the provisions of subsection 5 of this section are met. If the~~  
33 ~~provisions of subsection 5 of this section are met, the percentage that may be subtracted in 2017~~  
34 ~~is five percent.] for successive calendar years.~~

143.031. 1. A ~~[husband and wife]~~ **married couple** who file a joint federal income tax  
2 return shall file a combined return. A ~~[husband and wife]~~ **married couple** who do not file a joint  
3 federal income tax return shall not file a combined return.

4 2. The Missouri combined taxable income on a combined return shall include all of the  
5 income and deductions of ~~[the husband and wife]~~ **both spouses**. ~~[The Missouri taxable income~~  
6 ~~of each spouse shall be an amount that is the same proportion of their Missouri combined taxable~~  
7 ~~income as the Missouri adjusted gross income of that spouse bears to their Missouri combined~~  
8 ~~adjusted gross income.]~~

9 3. **If one spouse is a nonresident**, the tax of each spouse shall be determined by the  
10 application of either section 143.021 or section 143.041 depending upon whether such spouse  
11 is a resident or nonresident. Their Missouri combined tax shall be the sum of the tax applicable  
12 to each spouse.

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

4 2. For all tax years beginning on or after September 1, 1993, **and ending before**  
5 **January 1, 2019**, a tax is hereby imposed upon the Missouri taxable income of corporations in  
6 an amount equal to six and one-fourth percent of Missouri taxable income.

7 3. **For all tax years beginning on or after January 1, 2019, a tax is hereby imposed**  
8 **upon the Missouri taxable income of corporations in an amount equal to five and eight-**  
9 **tenths percent of Missouri taxable income.**

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

12 5. **(1) Beginning with the 2018 calendar year, the rate of tax under subsection 3 of**  
13 **this section may be reduced over a period of years. Each reduction in the rate of tax shall**  
14 **be by one-tenth of one percent, and no more than one reduction shall occur in a calendar**  
15 **year. The top rate of tax or tax rate shall not be reduced below five percent. Reductions**  
16 **in the rate of tax shall take effect on January first of a calendar year, and such reduced**  
17 **rates shall continue in effect until the next reduction occurs.**

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

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

24           **(4) The director of revenue shall, by rule, adjust the rate of tax under this section**  
25 **to effectuate the provisions of this subsection.**

143.151. For all [taxable] tax years beginning before January 1, 1999, a resident shall  
2 be allowed a deduction of one thousand two hundred dollars for himself or herself and one  
3 thousand two hundred dollars for his or her spouse if he or she is entitled to a deduction for such  
4 personal exemptions for federal income tax purposes. For all [taxable] tax years beginning on  
5 or after January 1, 1999, **and ending on or before December 31, 2017**, a resident shall be  
6 allowed a deduction of two thousand one hundred dollars for himself or herself and two thousand  
7 one hundred dollars for his or her spouse if he or she is entitled to a deduction for such personal  
8 exemptions for federal income tax purposes. For ~~all~~ **the 2017 tax** ~~[years beginning on or after~~  
9 ~~January 1, 2017]~~ **year**, a resident with a Missouri adjusted gross income of less than twenty  
10 thousand dollars shall be allowed an additional deduction of five hundred dollars for himself or  
11 herself and an additional five hundred dollars for his or her spouse if he or she is entitled to a  
12 deduction for such personal exemptions for federal income tax purposes and his or her spouse's  
13 Missouri adjusted gross income is less than twenty thousand dollars.

143.161. 1. For all [taxable] tax years beginning after December 31, 1997, **and ending**  
2 **on or before December 31, 2017**, a resident may deduct one thousand two hundred dollars for  
3 each dependent for whom such resident is entitled to a dependency exemption deduction for  
4 federal income tax purposes. In the case of a dependent who has attained sixty-five years of age  
5 on or before the last day of the [taxable] tax year, if such dependent resides in the taxpayer's  
6 home or the dependent's own home or if such dependent does not receive Medicaid or state  
7 funding while residing in a facility licensed pursuant to chapter 198, the taxpayer may deduct an  
8 additional one thousand dollars.

9           2. For all ~~taxable~~ tax years beginning on or after January 1, 1999, **and ending on or**  
10 **before December 31, 2017**, a resident who qualifies as an unmarried head of household or as  
11 a surviving spouse for federal income tax purposes may deduct an additional one thousand four  
12 hundred dollars.

13           3. For all [taxable] tax years beginning on or after January 1, 2015, for each birth for  
14 which a certificate of birth resulting in stillbirth has been issued under section 193.165, a  
15 taxpayer may claim the exemption under subsection 1 of this section only in the [taxable] tax

16 year in which the stillbirth occurred, if the child otherwise would have been a member of the  
17 taxpayer's household.

18 **4. For all tax years beginning on or after January 1, 2018, a resident may deduct**  
19 **one thousand dollars for each dependent who has attained sixty-five years of age on or**  
20 **before the last day of the tax year if such dependent resides in the taxpayer's home or the**  
21 **dependent's own home or if such dependent does not receive Medicaid or state funding**  
22 **while residing in a facility licensed pursuant to chapter 198.**

143.261. 1. For every remittance to the director of revenue made on or before the date  
2 the remittance becomes due, the employer, other than the United States and its agencies, the state  
3 of Missouri and political subdivisions thereof, may deduct and retain the following percentages  
4 of the total amount of tax withheld and paid in each calendar year:

5 (1) Two percent of five thousand dollars or less;

6 (2) One percent of amount collected in excess of five thousand dollars and up to and  
7 including ten thousand dollars;

8 (3) One-half percent of amount collected in excess of ten thousand dollars.

9 **2. (1) Beginning with the 2018 calendar year, the rates of remittance retention**  
10 **under subsection 1 of this section may be reduced over a period of years. Each reduction**  
11 **in the rates shall be by one-fifth of a percent, and no more than one reduction shall occur**  
12 **in a calendar year. The lowest rate of remittance retention shall be eliminated once the**  
13 **rate is reduced to or below zero percent. Reductions in the rates shall take effect on**  
14 **January first of a calendar year, and such reduced rates shall continue in effect until the**  
15 **next reduction occurs.**

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

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

22 **(4) The director of revenue shall, by rule, adjust the rates of remittance retention**  
23 **under this section to effectuate the provisions of this subsection.**

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

3 **2. For all tax years ending on or before December 31, 2018, a corporation described**  
4 **in subdivision (1) of subsection 1 of section 143.441 shall include in its Missouri taxable income**  
5 **all income from sources within this state, including that from the transaction of business in this**

6 state and that from the transaction of business partly done in this state and partly done in another  
7 state or states. However:

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

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

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

17 (b) The amount of sales which are transactions wholly in this state shall be added to one-  
18 half of the amount of sales which are transactions partly within this state and partly without this  
19 state, and the amount thus obtained shall be divided by the total sales or in cases where sales do  
20 not express the volume of business, the amount of business transacted wholly in this state shall  
21 be added to one-half of the amount of business transacted partly in this state and partly outside  
22 this state and the amount thus obtained shall be divided by the total amount of business  
23 transacted, and the net income shall be multiplied by the fraction thus obtained, to determine the  
24 proportion of income to be used to arrive at the amount of Missouri taxable income. The  
25 investment or reinvestment of its own funds, or sale of any such investment or reinvestment,  
26 shall not be considered as sales or other business transacted for the determination of said  
27 fraction.

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

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

32 b. "Partly within this state and partly without this state" if the seller's shipping point is  
33 in this state and the purchaser's destination point is outside this state, or the seller's shipping point  
34 is outside this state and the purchaser's destination point is in this state;

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

37 (d) For purposes of this subdivision:

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

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

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

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

46 (b) The amount of sales which are transactions in this state shall be divided by the total  
47 sales, and the net income shall be multiplied by the fraction thus obtained, to determine the  
48 proportion of income to be used to arrive at the amount of Missouri taxable income. The  
49 investment or reinvestment of its own funds, or sale of any such investment or reinvestment,  
50 shall not be considered as sales or other business transacted for the determination of said  
51 fraction;

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

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

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

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

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

63 a. In the case of sale, rental, lease, or license of real property, if and to the extent the  
64 property is located in this state;

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

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

70 d. In the case of intangible property:

71 (i) That is rented, leased, or licensed, if and to the extent the property is used in this state  
72 by the rentee, lessee, or licensee, provided that intangible property utilized in marketing a good  
73 or service to a consumer is "used in this state" if that good or service is purchased by a consumer  
74 who is in this state. Franchise fees or royalties received for the rent, lease, license, or use of a  
75 trade name, trademark, service mark, or franchise system or provides a right to conduct business  
76 activity in a specific geographic area are "used in this state" to the extent the franchise location  
77 is in this state; and

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

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

82 ii. Receipts from intangible property sales that are contingent on the productivity, use,  
83 or disposition of the intangible property shall be treated as receipts from the rental, lease, or  
84 licensing of such intangible property under item (i) of this subparagraph; and

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

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

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

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

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

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

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

101 (c) "Distribution services" include, but are not limited to, the services of advertising,  
102 servicing, marketing, underwriting or selling shares of an investment company, but, in the case  
103 of advertising, servicing or marketing shares, only where such service is performed by a person  
104 who is, or in the case of a closed end company, was, either engaged in the services of  
105 underwriting or selling investment company shares or affiliated with a person that is engaged in  
106 the service of underwriting or selling investment company shares. In the case of an open end  
107 company, such service of underwriting or selling shares must be performed pursuant to a contract  
108 entered into pursuant to 15 U.S.C. Section 80a-15(b), as from time to time amended;

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

113 (e) "Investment funds service corporation" includes any corporation or S corporation  
114 doing business in the state which derives more than fifty percent of its gross income in the  
115 ordinary course of business from the provision directly or indirectly of management, distribution  
116 or administration services to or on behalf of an investment company or from trustees, sponsors  
117 and participants of employee benefit plans which have accounts in an investment company. An  
118 investment funds service corporation shall include any corporation or S corporation providing  
119 management services as an investment advisory firm registered under Section 203 of the  
120 Investment Advisors Act of 1940, as amended from time to time, regardless of the percentage  
121 of gross revenues consisting of fees from management services provided to or on behalf of an  
122 investment company;

123 (f) "Management services" include but are not limited to, the rendering of investment  
124 advice directly or indirectly to an investment company making determinations as to when sales  
125 and purchases of securities are to be made on behalf of the investment company, or the selling  
126 or purchasing of securities constituting assets of an investment company, and related activities,  
127 but only where such activity or activities are performed:

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

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

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

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

139 (h) "Residence", presumptively the fund shareholder's mailing address on the records of  
140 the investment company. If, however, the investment company or the investment funds service  
141 corporation has actual knowledge that the fund shareholder's primary residence or principal place  
142 of business is different than the fund shareholder's mailing address such presumption shall not  
143 control. To the extent an investment funds service corporation does not have access to the  
144 records of the investment company, the investment funds service corporation may employ  
145 reasonable methods to determine the investment company fund shareholder's residence.

146 (5) Notwithstanding other provisions of law to the contrary, qualifying sales of an  
147 investment funds service corporation, or S corporation, shall be considered wholly in this state  
148 only to the extent that the fund shareholders of the investment companies, to which the



149 investment funds service corporation, or S corporation, provide services, are resided in this  
150 state. Wholly in this state qualifying sales of an investment funds service corporation, or S  
151 corporation, shall be determined as follows:

152 (a) By multiplying the investment funds service corporation's total dollar amount of  
153 qualifying sales from services provided to each investment company by a fraction, the numerator  
154 of which shall be the average of the number of shares owned by the investment company's fund  
155 shareholders resided in this state at the beginning of and at the end of the investment  
156 company's taxable year that ends with or within the investment funds service corporation's  
157 taxable year, and the denominator of which shall be the average of the number of shares owned  
158 by the investment company's fund shareholders everywhere at the beginning of and at the end  
159 of the investment company's taxable year that ends with or within the investment funds service  
160 corporation's taxable year;

161 (b) A separate computation shall be made to determine the wholly in this state qualifying  
162 sales from each investment company. The qualifying sales for each investment company shall  
163 be multiplied by the respective percentage of each fund, as calculated pursuant to paragraph (a)  
164 of this subdivision. The product of this equation shall result in the wholly in this state qualifying  
165 sales. The qualifying sales for each investment company which are not wholly in this state will  
166 be considered wholly without this state;

167 (c) To the extent an investment funds service corporation has sales which are not  
168 qualifying sales, those nonqualified sales shall be apportioned to this state based on the  
169 methodology utilized by the investment funds service corporation without regard to this  
170 subdivision.

171 3. Any corporation described in subdivision (1) of subsection 1 of section 143.441  
172 organized in this state or granted a permit to operate in this state for the transportation or care  
173 of passengers shall report its gross earnings within the state on intrastate business and shall also  
174 report its gross earnings on all interstate business done in this state which report shall be subject  
175 to inquiry for the purpose of determining the amount of income to be included in Missouri  
176 taxable income. The previous sentence shall not apply to a railroad.

177 4. A corporation described in subdivision (2) of subsection 1 of section 143.441 shall  
178 include in its Missouri taxable income all income arising from all sources in this state and all  
179 income from each transportation service wholly within this state, from each service where the  
180 only lines of such corporation used are those in this state, and such proportion of revenue from  
181 each service where the facilities of such corporation in this state and in another state or states are  
182 used, as the mileage used over the lines of such corporation in the state shall bear to the total  
183 mileage used over the lines of such corporation. The taxpayer may elect to compute the portion  
184 of income from all sources within this state in the following manner:

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

186 (2) The amount of investment of such corporation on December thirty-first of each year  
187 in this state in fixed transportation facilities, real estate and improvements, plus the value on  
188 December thirty-first of each year of any fixed transportation facilities, real estate and  
189 improvements in this state leased from any other railroad shall be divided by the sum of the total  
190 amount of investment of such corporation on December thirty-first of each year in fixed  
191 transportation facilities, real estate and improvements, plus the value on December thirty-first  
192 of each year, of any fixed transportation facilities, real estate and improvements leased from any  
193 other railroad. Where any fixed transportation facilities, real estate or improvements are leased  
194 by more than one railroad, such portion of the value shall be used by each railroad as the rental  
195 paid by each shall bear to the rental paid by all lessees. The income shall be multiplied by the  
196 fraction thus obtained to determine the proportion to be used to arrive at the amount of Missouri  
197 taxable income.

198 5. A corporation described in subdivision (3) of subsection 1 of section 143.441 shall  
199 include in its Missouri taxable income one-half of the net income from the operation of a bridge  
200 between this and another state. If any such bridge is owned or operated by a railroad corporation  
201 or corporations, or by a corporation owning a railroad corporation using such bridge, then the  
202 figures for operation of such bridge may be included in the return of such railroad or railroads;  
203 or if such bridge is owned or operated by any other corporation which may now or hereafter be  
204 required to file an income tax return, one-half of the income or loss to such corporation from  
205 such bridge may be included in such return by adding or subtracting same to or from another net  
206 income or loss shown by the return.

207 6. A corporation described in subdivision (4) of subsection 1 of section 143.441 shall  
208 include in its Missouri taxable income all income arising from all sources within this state.  
209 Income shall include revenue from each telephonic or telegraphic service rendered wholly within  
210 this state; from each service rendered for which the only facilities of such corporation used are  
211 those in this state; and from each service rendered over the facilities of such corporation in this  
212 state and in other state or states, such proportion of such revenue as the mileage involved in this  
213 state shall bear to the total mileage involved over the lines of said company in all states. The  
214 taxpayer may elect to compute the portion of income from all sources within this state in the  
215 following manner:

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

217 (2) The amount of investment of such corporation on December thirty-first of each year  
218 in this state in telephonic or telegraphic facilities, real estate and improvements thereon, shall be  
219 divided by the amount of the total investment of such corporation on December thirty-first of  
220 each year in telephonic or telegraphic facilities, real estate and improvements. The income of

221 the taxpayer shall be multiplied by **the** fraction thus obtained to determine the proportion to be  
222 used to arrive at the amount of Missouri taxable income.

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

227 8. If a corporation derives only part of its income from sources within Missouri, its  
228 Missouri taxable income shall only reflect the effect of the following listed deductions to the  
229 extent applicable to Missouri. The deductions are: (a) its deduction for federal income taxes  
230 pursuant to section 143.171, and (b) the effect on Missouri taxable income of the deduction for  
231 net operating loss allowed by Section 172 of the Internal Revenue Code. The extent applicable  
232 to Missouri shall be determined by multiplying the amount that would otherwise affect Missouri  
233 taxable income by the ratio for the year of the Missouri taxable income of the corporation for the  
234 year divided by the Missouri taxable income for the year as though the corporation had derived  
235 all of its income from sources within Missouri. For the purpose of the preceding sentence,  
236 Missouri taxable income shall not reflect the listed deductions.

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

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

**143.456. 1. As used in this section, unless the context otherwise requires:**

2 **(1) "Apportionable income" means:**

3 **(a) All income that is apportionable under the Constitution of the United States and**  
4 **is not allocated under the laws of this state, including:**

5 **a. Income arising from transactions and activity in the regular course of the**  
6 **taxpayer's trade or business; and**

7 **b. Income arising from tangible and intangible property if the acquisition,**  
8 **management, employment, development or disposition of the property is or was related to**  
9 **the operation of the taxpayer's trade or business; and**

10 **(b) Any income that would be allocable to this state under the Constitution of the**  
11 **United States, but that is apportioned rather than allocated under the laws of this state;**

12 **(2) "Commercial domicile" means the principal place from which the trade or**  
13 **business of the taxpayer is directed or managed;**

14 **(3) "Financial organization" means any bank, trust company, savings bank,**  
15 **industrial bank, land bank, safe deposit company, private banker, savings and loan**

16 association, credit union, cooperative bank, small loan company, sales finance company,  
17 investment company, or any type of insurance company;

18 (4) "Non-apportionable income" means all income other than apportionable  
19 income;

20 (5) "Public utility" means any business entity:

21 (a) That owns or operates any plant, equipment, property, franchise, or license for  
22 the transmission of communications, transportation of goods or persons, except by  
23 pipeline, or the production, transmission, sale, delivery, or furnishing of electricity, water  
24 or steam; and

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

27 (6) "Receipts" means all gross receipts of the taxpayer that are not allocated under  
28 paragraphs of this section and that are received from transactions and activity in the  
29 regular course of the taxpayer's trade or business; except that receipts of a taxpayer from  
30 hedging transactions and from the maturity, redemption, sale, exchange, loan or other  
31 disposition of cash or securities shall be excluded.

32 2. For all tax years beginning on or after January 1, 2019, any corporation having  
33 income from business activity which is taxable both within and without this state shall  
34 allocate and apportion its net income as provided in this section.

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

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

39 (2) That state has jurisdiction to subject the corporation to a net income tax  
40 regardless of whether, in fact, the state does so.

41 4. Rents and royalties from real or tangible personal property, capital gains,  
42 interest, dividends or patent or copyright royalties, to the extent that they constitute  
43 nonapportionable income, shall be allocated as provided in subsections 5 to 8 of this  
44 section.

45 5. (1) Net rents and royalties from real property located in this state are allocable  
46 to this state.

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

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

50           **(b) In their entirety if the corporation's commercial domicile is in this state and the**  
51 **corporation is not organized under the laws of or taxable in the state in which the property**  
52 **is utilized.**

53           **(3) The extent of utilization of tangible personal property in a state is determined**  
54 **by multiplying the rents and royalties by a fraction, the numerator of which is the number**  
55 **of days of physical location of the property in the state during the rental or royalty period**  
56 **in the tax year and the denominator of which is the number of days of physical location of**  
57 **the property everywhere during all rental or royalty periods in the tax year. If the physical**  
58 **location of the property during the rental or royalty period is unknown or unascertainable**  
59 **by the corporation, tangible personal property is utilized in the state in which the property**  
60 **was located at the time the rental or royalty payer obtained possession.**

61           **6. (1) Capital gains and losses from sales of real property located in this state are**  
62 **allocable to this state.**

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

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

66           **(b) The corporation's commercial domicile is in this state and the corporation is not**  
67 **taxable in the state in which the property had a situs.**

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

70           **7. Interest and dividends are allocable to this state if the corporation's commercial**  
71 **domicile is in this state.**

72           **8. (1) Patent and copyright royalties are allocable to this state if and to the extent**  
73 **that:**

74           **(a) The patent or copyright is utilized by the payer in this state; or**

75           **(b) The patent or copyright is utilized by the payer in a state in which the**  
76 **corporation is not taxable and the corporation's commercial domicile is in this state.**

77           **(2) A patent is utilized in a state to the extent that it is employed in production,**  
78 **fabrication, manufacturing, or other processing in the state or to the extent that a patented**  
79 **product is produced in the state. If the basis of receipts from patent royalties does not**  
80 **permit allocation to states or if the accounting procedures do not reflect states of**  
81 **utilization, the patent is utilized in the state in which the taxpayer's commercial domicile**  
82 **is located.**

83           **(3) A copyright is utilized in a state to the extent that printing or other publication**  
84 **originates in the state. If the basis of receipts from copyright royalties does not permit**

85 allocation to states or if the accounting procedures do not reflect states of utilization, the  
86 copyright is utilized in the state in which the corporation's commercial domicile is located.

87 **9. All apportionable income shall be apportioned to this state by multiplying the**  
88 **income by a fraction, the numerator of which is the total receipts of the taxpayer in this**  
89 **state during the tax period and the denominator of which is the total receipts of the**  
90 **taxpayer everywhere during the tax period.**

91 **10. Receipts from the sale of tangible personal property are in this state if:**

92 **(1) The property is delivered or shipped to a purchaser, other than the United**  
93 **States government, within this state regardless of the f.o.b. point or other conditions of the**  
94 **sale; or**

95 **(2) The property is shipped from an office, store, warehouse, factory, or other place**  
96 **of storage in this state and:**

97 **(a) The purchaser is the United States government; or**

98 **(b) The corporation is not taxable in the state of the purchaser.**

99 **11. (1) Receipts, other than receipts described in subsection 10 of this section, are**  
100 **in this state if the corporation's market for the sales is in this state. The corporation's**  
101 **market for sales is in this state in the case of:**

102 **(a) Sale, rental, lease or license of real property, if and to the extent the property**  
103 **is located in this state;**

104 **(b) Rental, lease or license of tangible personal property, if and to the extent the**  
105 **property is located in this state;**

106 **(c) Sale of a service, if and to the extent the service is delivered to a location in this**  
107 **state; and**

108 **(d) Intangible property, that is:**

109 **a. Rented, leased, or licensed, if and to the extent the property is used in this state,**  
110 **provided that intangible property utilized in marketing a good or service to a consumer is**  
111 **"used in this state" if that good or service is purchased by a consumer who is in this state;**  
112 **and**

113 **b. Sold, if and to the extent the property is used in this state, provided that:**

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

117 **(ii) Receipts from intangible property sales that are contingent on the productivity,**  
118 **use, or disposition of the intangible property shall be treated as receipts from the rental,**  
119 **lease or licensing of such intangible property under subparagraph a of paragraph (d) of**  
120 **subdivision (1) of this subsection; and**

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

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

125 (3) If the corporation is not taxable in a state to which a receipt is assigned under  
126 subdivision (1) or (2) of this subsection, or if the state of assignment cannot be determined  
127 under subdivision (1) of this subsection or reasonably approximated under subdivision (2)  
128 of this subsection, such receipt shall be excluded from the numerator and denominator of  
129 the receipts factor.

130 (4) The director may prescribe regulations as necessary or appropriate to carry out  
131 the purposes of this section.

132 12. (1) If the allocation and apportionment provisions of this section do not fairly  
133 represent the extent of the taxpayer's business activity in this state, the taxpayer may  
134 petition for or the tax administrator may require, in respect to all or any part of the  
135 taxpayer's business activity, if reasonable:

136 (a) Separate accounting;

137 (b) The inclusion of one or more additional factors which shall fairly represent the  
138 corporation's business activity in this state; or

139 (c) The employment of any other method to effectuate an equitable allocation and  
140 apportionment of the taxpayer's income.

141 (2) (a) If the allocation and apportionment provisions of this section do not fairly  
142 represent the extent of business activity in this state of corporations engaged in a particular  
143 industry or in a particular transaction or activity, the tax administrator may, in addition  
144 to the authority provided in subdivision (1) of this subsection, establish appropriate rules  
145 or regulations for determining alternative allocation and apportionment methods for such  
146 taxpayers.

147 (b) A regulation adopted pursuant to this section shall be applied uniformly, except  
148 that with respect to any corporation to whom such regulation applies, the corporation may  
149 petition for, or the director may require, adjustment under subdivision (1) of subsection  
150 12 of this section.

151 (3) The party petitioning for, or the director requiring, the use of any method to  
152 effectuate an equitable allocation and apportionment of the corporation's income under  
153 subdivision (1) of this subsection shall prove:

154 (a) That the allocation and apportionment provisions of this section do not fairly  
155 represent the extent of the corporation's business activity in this state; and

156           **(b) That the alternative to such provisions is reasonable. The same burden of proof**  
157 **shall apply whether the corporation is petitioning for, or the director is requiring, the use**  
158 **of any reasonable method to effectuate an equitable allocation and apportionment of the**  
159 **corporation's income. Notwithstanding the previous sentence, if the director can show that**  
160 **in any two of the prior five tax years, the corporation had used an allocation or**  
161 **apportionment method at variance with its allocation or apportionment method or**  
162 **methods used for such other tax years, then the director shall not bear the burden of proof**  
163 **in imposing a different method under subdivision (1) of this subsection.**

164           **(4) If the director requires any method to effectuate an equitable allocation and**  
165 **apportionment of the corporation's income, the director shall not impose any civil or**  
166 **criminal penalty with reference to the tax due that is attributable to the taxpayer's**  
167 **reasonable reliance solely on the allocation and apportionment provisions of this section.**

168           **(5) A corporation that has received written permission from the director to use a**  
169 **reasonable method to effectuate an equitable allocation and apportionment of the**  
170 **corporation's income shall not have that permission revoked with respect to transactions**  
171 **and activities that have already occurred unless there has been a material change in, or a**  
172 **material misrepresentation of, the facts provided by the corporation upon which the**  
173 **director reasonably relied.**

174           **13. For purposes of this subsection, the following words shall, unless the context**  
175 **otherwise requires, have the following meaning:**

176           **(1) "Administration services" include, but are not limited to, clerical, fund or**  
177 **shareholder accounting, participant record keeping, transfer agency, bookkeeping, data**  
178 **processing, custodial, internal auditing, and legal and tax services performed for an**  
179 **investment company;**

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

182           **(3) "Distribution services" include, but are not limited to, the services of**  
183 **advertising, servicing, marketing, underwriting or selling shares of an investment**  
184 **company, but, in the case of advertising, servicing or marketing shares, only if such service**  
185 **is performed by a person who is, or in the case of a closed end company, was, either**  
186 **engaged in the services of underwriting or selling investment company shares or affiliated**  
187 **with a person that is engaged in the service of underwriting or selling investment company**  
188 **shares. In the case of an open end company, such service of underwriting or selling shares**  
189 **shall be performed pursuant to a contract entered into under 15 U.S.C. Section 80a-15(b),**  
190 **as may be amended from time to time;**



191 (4) "Investment company", any person registered under the federal investment  
192 company act of 1940, as amended from time to time, or a company which would be  
193 required to register as an investment company under the act except that such person is  
194 exempt to such registration under section 80a-3(c)(1) of the act;

195 (5) "Investment funds service corporation" includes any corporation or S  
196 corporation doing business in the state which derives more than fifty percent of its gross  
197 income in the ordinary course of business from the provision directly or indirectly of  
198 management, distribution or administration services to or on behalf of an investment  
199 company or from trustees, sponsors and participants of employee benefit plans which have  
200 accounts in an investment company. An investment funds service corporation shall include  
201 any corporation or S corporation providing management services as an investment  
202 advisory firm registered under section 203 of the investment advisors act of 1940, as may  
203 be amended from time to time, regardless of the percentage of gross revenues consisting  
204 of fees from management services provided to or on behalf of an investment company;

205 (6) "Management services" include but are not limited to, the rendering of  
206 investment advice directly or indirectly to an investment company making determinations  
207 as to when sales and purchases of securities are to be made on behalf of the investment  
208 company, or the selling or purchasing of securities constituting assets of an investment  
209 company, and related activities, but only where such activity or activities are performed:

210 (a) Pursuant to a contract with the investment company entered into under 15  
211 U.S.C. Section 80a-15(a), as may be amended from time to time;

212 (b) For a person that has entered into such contract with the investment company;  
213 or

214 (c) For a person that is affiliated with a person that has entered into such contract  
215 with an investment company;

216 (7) "Qualifying sales", gross income derived from the provision directly or  
217 indirectly of management, distribution or administration services to or on behalf of an  
218 investment company or from trustees, sponsors and participants of employee benefit plans  
219 which have accounts in an investment company. For purposes of this section, "gross  
220 income" is defined as that amount of income earned from qualifying sources without  
221 deduction of expenses related to the generation of such income;

222 (8) "Residence", presumptively the fund shareholder's mailing address on the  
223 records of the investment company. If, however, the investment company or the  
224 investment funds service corporation has actual knowledge that the fund shareholder's  
225 primary residence or principal place of business is different than the fund shareholder's  
226 mailing address such presumption shall not control. To the extent an investment funds

227 service corporation does not have access to the records of the investment company, the  
228 investment funds service corporation may employ reasonable methods to determine the  
229 investment company fund shareholder's residence.

230 **14. Notwithstanding other provisions of law to the contrary, qualifying sales of an**  
231 **investment funds service corporation, or S corporation, shall be considered wholly in this**  
232 **state only to the extent that the fund shareholders of the investment companies, to which**  
233 **the investment funds service corporation, or S corporation, provide services, are resided**  
234 **in this state. Qualifying sales that are wholly in this state of an investment funds service**  
235 **corporation, or S corporation, shall be determined as follows:**

236 **(1) By multiplying the investment funds service corporation's total dollar amount**  
237 **of qualifying sales from services provided to each investment company by a fraction, the**  
238 **numerator of which shall be the average of the number of shares owned by the investment**  
239 **company's fund shareholders resided in this state at the beginning of and at the end of**  
240 **the investment company's tax year that ends with or within the investment funds service**  
241 **corporation's tax year, and the denominator of which shall be the average of the number**  
242 **of shares owned by the investment company's fund shareholders everywhere at the**  
243 **beginning of and at the end of the investment company's tax year that ends with or within**  
244 **the investment funds service corporation's tax year;**

245 **(2) A separate computation shall be made to determine the qualifying sales wholly**  
246 **in this state from each investment company. The qualifying sales for each investment**  
247 **company shall be multiplied by the respective percentage of each fund, as calculated under**  
248 **subdivision (1) of this subsection. The product of this equation shall result in the**  
249 **qualifying sales wholly in this state. The qualifying sales for each investment company**  
250 **which are not wholly in this state shall be considered wholly without this state;**

251 **(3) To the extent an investment funds service corporation has sales which are not**  
252 **qualifying sales, those nonqualified sales shall be apportioned to this state based on the**  
253 **methodology utilized by the investment funds service corporation without regard to this**  
254 **subdivision.**

255 **15. Any corporation described in subdivision (1) of subsection 1 of section 143.441**  
256 **organized in this state or granted a permit to operate in this state for the transportation**  
257 **or care of passengers shall report its gross earnings within the state on intrastate business**  
258 **and shall also report its gross earnings on all interstate business done in this state. Such**  
259 **report shall be subject to inquiry for the purpose of determining the amount of income to**  
260 **be included in Missouri taxable income. This subsection shall not apply to a railroad.**

261 **16. A corporation described in subdivision (2) of subsection 1 of section 143.441**  
262 **shall include in its Missouri taxable income all income arising from all sources in this state**

263 and all income from each transportation service wholly within this state, from each service  
264 if the only lines of such corporation used are those in this state, and such proportion of  
265 revenue from each service if the facilities of such corporation in this state and in another  
266 state or states are used, as the mileage used over the lines of such corporation in the state  
267 shall bear to the total mileage used over the lines of such corporation. The taxpayer may  
268 elect to compute the portion of income from all sources within this state in the following  
269 manner:

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

271 (2) The amount of investment of such corporation on December thirty-first of each  
272 year in this state in fixed transportation facilities, real estate and improvements, plus the  
273 value on December thirty-first of each year of any fixed transportation facilities, real estate  
274 and improvements in this state leased from any other railroad shall be divided by the sum  
275 of the total amount of investment of such corporation on December thirty-first of each year  
276 in fixed transportation facilities, real estate and improvements, plus the value on December  
277 thirty-first of each year, of any fixed transportation facilities, real estate and improvements  
278 leased from any other railroad. Where any fixed transportation facilities, real estate or  
279 improvements are leased by more than one railroad, such portion of the value shall be used  
280 by each railroad as the rental paid by each shall bear to the rental paid by all lessees. The  
281 income shall be multiplied by the fraction thus obtained to determine the proportion to be  
282 used to arrive at the amount of Missouri taxable income.

283 17. A corporation described in subdivision (3) of subsection 1 of section 143.441  
284 shall include in its Missouri taxable income one-half of the net income from the operation  
285 of a bridge between this and another state. If any such bridge is owned or operated by a  
286 railroad corporation or corporations, or by a corporation owning a railroad corporation  
287 using such bridge, then the figures for operation of such bridge may be included in the  
288 return of such railroad or railroads; or if such bridge is owned or operated by any other  
289 corporation which may now or hereafter be required to file an income tax return, one-half  
290 of the income or loss to such corporation from such bridge may be included in such return  
291 by adding or subtracting the same to or from another net income or loss shown by the  
292 return.

293 18. A corporation described in subdivision (4) of subsection 1 of section 143.441  
294 shall include in its Missouri taxable income all income arising from all sources within this  
295 state. Income shall include revenue from each telephonic or telegraphic service rendered  
296 wholly within this state; from each service rendered for which the only facilities of such  
297 corporation used are those in this state; and from each service rendered over the facilities  
298 of such corporation in this state and in other state or states, such proportion of such

299 revenue as the mileage involved in this state shall bear to the total mileage involved over  
300 the lines of said company in all states. The taxpayer may elect to compute the portion of  
301 income from all sources within this state in the following manner:

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

303 (2) The amount of investment of such corporation on December thirty-first of each  
304 year in this state in telephonic or telegraphic facilities, real estate and improvements  
305 thereon, shall be divided by the amount of the total investment of such corporation on  
306 December thirty-first of each year in telephonic or telegraphic facilities, real estate and  
307 improvements. The income of the taxpayer shall be multiplied by the fraction thus  
308 obtained to determine the proportion to be used to arrive at the amount of Missouri  
309 taxable income.

310 19. From the income determined in subsections 2, 3, 4, 5 and 6 of this section to be  
311 from all sources within this state shall be deducted such of the deductions for expenses in  
312 determining Missouri taxable income as were incurred in this state to produce such income  
313 and all losses actually sustained in this state in the business of the corporation.

314 20. If a corporation derives only part of its income from sources within Missouri,  
315 its Missouri taxable income shall only reflect the effect on Missouri taxable income of the  
316 deduction for net operating loss allowed by Section 172 of the Internal Revenue Code. The  
317 extent applicable to Missouri shall be determined by multiplying the amount that would  
318 otherwise affect Missouri taxable income by the ratio for the year of the Missouri taxable  
319 income of the corporation for the year divided by the Missouri taxable income for the year  
320 as though the corporation had derived all of its income from sources within Missouri. For  
321 the purpose of the preceding sentence, Missouri taxable income shall not reflect the  
322 deduction.

323 21. Any investment funds service corporation organized as a corporation or S  
324 corporation which has any shareholders resided in this state shall be subject to  
325 Missouri income tax as provided in this chapter.

326 22. Notwithstanding the Multistate Tax Compact, sections 32.200 to 32.240; this  
327 section; and section 143.461 to the contrary, sales and business transactions shall not  
328 include any intercompany transactions between corporations of an affiliated group that  
329 file a consolidated income tax return in this state. For purposes of this subdivision,  
330 "affiliated group" has the same meaning as that term is defined under 26 U.S.C. Section  
331 1504(a) and "intercompany transaction" has the same meaning as that term is defined  
332 under 26 C.F.R. Section 1.1502-13.

143.461. 1. A corporation shall elect to determine income applicable to this state by  
2 multiplying the total income from all sources by the fraction determined in the manner in section

3 143.451; first, by filing written notice with the director of revenue on or before the due date of  
4 the return (including extensions of time) of the taxpayer's election, or, second, by failing to keep  
5 its books and records in such manner as to show the income applicable to this state, including  
6 gross income and deductions applicable thereto.

7         2. If the corporation shall keep its books and records so as to show by any other method  
8 of allocation between this state and other states involved of income from transactions partially  
9 within and partially without this state, including gross income and deductions applicable thereto,  
10 and such method shows the income applicable to this state, including gross income and  
11 deductions applicable thereto, then it may, on or before sixty days before the end of any taxable  
12 year, petition the director of revenue, in writing, to be permitted in its return required to be filed  
13 to apportion to this state according to the method shown by such books or records. If the director  
14 of revenue finds that such method does show the income applicable to this state including gross  
15 income and the deductions applicable thereto, he shall notify the corporation, at least thirty days  
16 prior to the last day on which such corporation's return for that taxable year is to be filed, that it  
17 may use that method as long as such method shows the income applicable to this state, including  
18 gross income and deductions applicable thereto.

19         3. The corporation shall cease using such method whenever the director of revenue finds  
20 and notifies such corporation on or before ninety days before the end of the taxable year, that  
21 such method does not so show. Upon and after such revocation the corporation shall be  
22 permitted to petition to use another method of allocation that will show such income including  
23 gross income and deductions applicable thereto as though no petition had ever been filed.

24         4. Failure, after a method has been revoked by the director of revenue, to submit a  
25 method which the director of revenue finds will show such income applicable to this state  
26 including gross income and deductions applicable thereto, on or before sixty days before the end  
27 of any taxable year, or failure to make a return on the basis, which has been approved by the  
28 director of revenue on petition of the corporation and which stands unrevoked, shall constitute  
29 an election to accept the determination of income applicable to this state by multiplying the total  
30 income from all sources by the fraction determined in the manner set forth in section 143.451.

31         **5. If the allocation and apportionment provisions of section 143.456 or this section**  
32 **do not fairly represent the extent of the taxpayer's business activity in this state , the**  
33 **taxpayer may petition for or the tax administrator may require, in respect to all or any**  
34 **part of the taxpayer's business activity, if reasonable:**

35             **(1) Separate accounting;**

36             **(2) The inclusion of one or more additional factors which shall fairly represent the**  
37 **taxpayer's business activity in this state; or**

38           **(3) The employment of any other method to effectuate an equitable allocation and**  
39 **apportionment of the taxpayer's income.**

2                   ~~[143.105. Notwithstanding the provisions of section 143.071, to the~~  
3                   ~~contrary, a tax is hereby imposed upon the Missouri taxable income of~~  
                     ~~corporations in an amount equal to five percent of Missouri taxable income.]~~

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