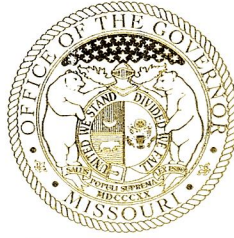


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Michael L. Parson

GOVERNOR
STATE OF MISSOURI

July 9, 2021

TO THE SECRETARY OF STATE
OF THE STATE OF MISSOURI
101st GENERAL ASSEMBLY
FIRST REGULAR SESSION

Herewith I return to you Conference Committee Substitute for House Committee Substitute for Senate Bill 226, entitled:

AN ACT

To repeal sections 137.115, 143.121, 144.011, and 144.080, RSMo, and to enact in lieu thereof seven new sections relating to taxation, with an existing penalty provision and an emergency clause for a certain section.

I disapprove of Conference Committee Substitute for House Committee Substitute for Senate Bill 226. My reasons for disapproval are as follows:

While I recognize and applaud the General Assembly in their effort to improve the laws governing taxation, I cannot approve this bill as presented to me.

I understand section 139.305 was designed to narrowly target small, local businesses harmed by overly intrusive local health measures. However, the language of the bill is severely problematic. Section 139.305 creates broad property tax credits for residents of cities or counties whose real property was affected by "restrictive orders" as defined in the bill. The definition of "restrictive orders" includes "any city-wide or county-wide ordinance or order imposed by a city or county that prohibits or otherwise restricts the use of a taxpayer's real property, including, but not limited to, occupancy restrictions," but not "any ordinance or order prohibiting or restricting the use of a taxpayer's real property due to a violation of a public health or safety code." This section's broad construction would result in several problems. First, this provision would prevent Missouri residents who live outside of a city or county with a qualifying restrictive order from receiving the property tax credit for business property owned within that jurisdiction. Second, as a result of "restrictive orders" being defined so broadly, nearly anyone living in a city or county could claim a property tax credit under the language of the bill. This is a significant departure from the current tax structure in Missouri, and could severely undermine the ability of cities and counties to provide local services. Additionally, this could result in a city or county violating Article VI, Section 26(f)

of the Missouri Constitution if they are unable to make annual debt service payments. Third, this section provides conflicting guidance on tax collection and remittance, which could result in taxpayer frustration and inconsistent application. The intent of the section appears to require a taxpayer to pay their tax bill and then receive a property tax credit; however, the language could allow taxpayers to receive the property tax refund before the property tax is actually paid. I support tax relief for businesses that could not operate during the pandemic due to excessive restrictions. I also value Missouri's local industries and sympathize with the hardships they have endured over the past 16 months. However, this legislation carries significant unintended consequences that could greatly harm localities beyond its attempted protection of individuals and businesses impacted by COVID-19.

Section 144.142 only benefits a single industry, while many industries were also affected by the recent pandemic. Entertainment venues were undoubtedly directly impacted by COVID-19, and their presence is vital to our state. However, they were not the only industry that suffered detrimental impacts. There are numerous other affected industries that were not provided this special tax treatment opportunity by the General Assembly. Additionally, the U.S. Small Business Administration recently created a unique grant assistance program specifically designed to provide assistance to entertainment venues, providing over \$16 billion in assistance to these venues for this purpose.

Moreover, and most troubling, Section 144.142 would subvert sales and use taxes from remittance to the state and instead empower private businesses to keep those taxes. This would result in individuals paying sales and use tax under the guise that their funds were being used to fund public services, but instead were maintained by the businesses that collected it as additional profit. Section 144.142 does not broadly serve Missouri's interests.

Regrettably, section 144.813, providing a sales tax exemption for certain cancer treatment devices, would have provided tax relief for Missourians fighting rare cancers. I am supportive of this tax deduction, which is consistent with other related medical devices and provides appropriate state tax relief. It is my hope that the General Assembly will pass this provision again in the next legislative session.

Two of the other provisions of this bill, which I also support, relate to aircraft property taxation and sales tax remittance filing periods. Such provisions have been signed into law in Senate Bills 153 & 97, relating to taxation.

In accordance with the above stated reasons for disapproval, I am returning Conference Committee Substitute for House Committee Substitute for Senate Bill 226 without my approval.

Respectfully Submitted,



Michael L. Parson
Governor