

Missouri set to require online stores to collect taxes

May 14 2021, by Summer Ballentine

Missouri is set to become the last state to require out-of-state online stores to collect sales taxes on residents' purchases after the GOP House gave its approval Friday.

House members voted 145-6 to send an online sales tax bill to fellow Republican Gov. Mike Parson, just hours before lawmakers' 6 p.m. deadline to pass legislation.

Bipartisan proponents have argued that it's unfair that local Missouri stores have to charge sales taxes while out-of-state online retailers don't.

"We had to have a level playing field for them," Democratic St. Louis Rep. Steve Butz said Friday.

Missouri is the only state with a [sales tax](#) that that hasn't approved some kind of requirement that out-of-state online stores collect taxes on items sold to residents. Buyers are still required to pay that tax, but many people don't know that, and it's challenging to enforce without the help of retailers.

Diane Yetter, president and founder of the Sales Tax Institute, said that meant Missouri lost out on potential revenue during the coronavirus pandemic as many people opted to buy online.

"The budget impact of the pandemic was really probably hardest felt by Missouri because they didn't have that," Yetter said.

The legislation would require out-of-state retailers with at least \$100,000 of annual sales in Missouri to collect state and local taxes beginning in 2023. It also would require online marketplace facilitators to collect Missouri's taxes on sales made through their sites, beginning in 2023.

As part of a deal to boost tax collections from online sales, lawmakers agreed to cut state income taxes. The individual income tax rate would fall by one-tenth of a percentage point in 2024 and could fall by two additional one-tenth percentage point increments in subsequent years if Missouri's net general revenues grow by \$150 million.

Maysville Republican Rep. J. Eggleston, a top negotiator for the bill, said including the income tax cut was a top Republican priority "to make sure that this was not accidentally harmful to our citizens."

Another provision would create a state tax credit for lower income working families modeled after the existing federal earned income tax credit. That tax credit would start in 2023 and could increase in size in subsequent years, but only if Missouri's revenues grow by at least \$150 million.

The legislation also would exempt federal coronavirus relief payments from state [income](#) taxes.

Parson appears likely to sign the bill. He's called on lawmakers to pass such legislation in the past.

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