



GOVERNOR OF MISSOURI

JEFFERSON CITY

65102

JEREMIAH W. (JAY) NIXON
GOVERNOR

P.O. Box 720
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June 11, 2014

TO THE SECRETARY OF STATE OF THE STATE OF MISSOURI

Herewith I return to you Senate Committee Substitute for Senate Bill No. 829 entitled:

AN ACT

To repeal section 136.300, RSMo, and to enact in lieu thereof one new section relating to tax liability disputes.

I disapprove of Senate Committee Substitute for Senate Bill No. 829. My reasons for disapproval are as follows:

Senate Committee Substitute for Senate Bill No. 829 would continue a damaging trend by the General Assembly to enact special tax exemptions and credits that pick winners and losers through the tax code and shift a greater proportion of the tax burden to the majority of Missourians unable to utilize such loopholes. Not a penny of the special breaks that I am vetoing today¹ or the provisions of this bill making such special breaks far easier to exploit was taken into account in the Fiscal Year 2015 budget passed by the General Assembly, leaving it significantly out of balance and requiring swift action to protect the State's fiscal well-being. This is fiscally irresponsible and cannot receive my support.

In enacting Senate Committee Substitute for Senate Bill No. 829 and its brethren in the final hours of the legislative session, the General Assembly disregarded the normal legislative process, slipping in costly provisions without public hearings and without fiscal notes reflecting the impact on the state budget. And just as legislators ignored the legislative process, so too did they disregard the budget process by passing a budget just a week earlier that failed to account for this final day spending spree. Unlike the fiscal impact of Senate Substitute No. 3 for Senate

¹ Conference Committee Substitute for House Committee Substitute for Senate Bill No. 584 Conference Committee Substitute for Senate Committee Substitute for Senate Bill No. 612; Conference Committee Substitute for House Committee Substitute for Senate Bill No. 662; Conference Committee Substitute No. 2 for House Committee Substitute for Senate Bill No. 693; House Committee Substitute for Senate Bill No. 727; Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860; Senate Committee Substitute for House Committee Substitute for House Bill No. 1296; House Bill No. 1455; and Senate Substitute for Senate Committee Substitute for House Bill No. 1865.

Committee Substitute for Senate Bill Nos. 509 & 496, which today's lawmakers have conveniently foisted off on future budgets for education, public safety and vital public services, the fiscal impact of the special breaks I am vetoing today would begin impacting budgets in the fiscal year starting in less than 30 days. There are no delays, triggers, or other gimmicks that could be touted as shielding education, public safety, and other vital public services, at both the state and local level, from the projected \$776 million in state and local revenue legislators voted to send to narrow special interests on the last day of session. While the General Assembly may have abdicated its fiscal responsibilities in failing to account for this budgetary impact, the resulting imbalance cannot be ignored and will have to be corrected through dramatic spending reductions.

Throughout my time as Governor, I have worked with legislators on fiscally responsible ways to improve our tax code while protecting our state's fiscal health, including the four tax cuts that I have signed into law. Even during this legislative session, I worked directly with legislators to put forward a specific, concrete proposal that would have lowered taxes for Missourians and reined in costly and inefficient tax credits for special interests, broadened the overall tax base and reduced tax rates, while protecting our ability to invest in education and other vital public services. Unfortunately, the General Assembly refused to enact this broad tax relief in favor of narrow giveaways like those contained in the bills that I am vetoing today and which would be facilitated by Senate Committee Substitute for Senate Bill No. 829. For the reasons stated herein, this is an endeavor I cannot support.

Proving Eligibility for Tax Exemptions

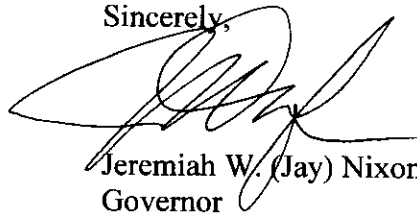
While the other bills that I am vetoing today create broad new tax exemptions, Senate Committee Substitute for Senate Bill No. 829 would make these new exemptions, as well as the more than 200 sales tax exemptions in current law, far easier to exploit by no longer requiring a business claiming a tax exemption to prove it is actually eligible for the claimed exemption.

While I support eliminating the arbitrary limitation in current law that puts the burden of proof on some businesses but not others in determining tax liability, when it comes to someone trying to claim a tax exemption, they should at a minimum be required to show that they are entitled to it. Claiming a special carve-out or loophole without evidence to support it is unfair to the vast majority of Missouri taxpayers who lack the influence to get special tax exemptions crafted for them by the General Assembly. With the help of the legislature and the best accounting and legal advice, those fortunate enough to take advantage of special exemptions would now be given every incentive to push the outer boundaries of any exemptions that could conceivably apply, further eroding the tax base and shifting an even greater tax burden to the majority of taxpayers. Not content with merely showering the fortunate with a cavalcade of new tax breaks, the General Assembly has gone further to stack the deck in their favor and to provide an added incentive to try on an exemption just to see if it fits. This is not a tax policy that I can support.

In accordance with the above-stated reasons for disapproval and for the reasons stated in the

other veto messages issued this day, I am returning Senate Committee Substitute for Senate Bill No. 829 without my approval.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Nixon", written over a horizontal line.

Jeremiah W. (Jay) Nixon
Governor