

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4828S.05S
 Bill No.: CCS for HCS for SB 994
 Subject: Tax Credits; Taxation and Revenue - Income
 Type: Original
 Date: May 15, 2026

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*/**	Could exceed (\$6,814,709)	Could exceed (\$1,750,000)	Could exceed (\$1,750,000)
Total Estimated Net Effect on General Revenue	Could exceed (\$6,814,709)	Could exceed (\$1,750,000)	Could exceed (\$1,750,000)

*Oversight assumes §143.621 allowing for a refund of an erroneous deficiency and any related interest, additions to tax, or penalties attributable to the deficiency could potentially reach the \$250,000 threshold and ITSD costs for section §143.998.

**Oversight reflects extension of sunset date for contributions to local food pantries for §135.647

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§143.121 - Military Pay Income Tax Deduction

Officials from the **Department of Revenue (DOR)** assume this proposal has section B that says the repeal of the language in this proposal would become effective January 1, 2027.

Currently members of the military are allowed a subtraction of 100% of their income received from their military service, from their federal adjusted gross income when calculating their Missouri adjusted gross income (MAGI). Additionally, they are allowed to receive a deduction of active and inactive duty training pay which reduces their calculation of tax liability. These deductions and subtractions are found in Section 143.174 and 143.175. Section 143.121.3(12) allows veterans to have a subtraction of 100% of their retirement benefits from the calculation of MAGI. Additionally, 100% of their combat pay is allowed to be subtracted when calculating MAGI per Section 143.121.3(8).

This proposal repeals all these provisions of statute, then replaces with new language in Section 143.121.3(8). This new language consolidates the language of all the other sections into a clear single subtraction for all military pay or compensation. This new language would become effective January 1, 2027. DOR notes that the language moving the subtractions from one section of statute to another will not have a fiscal impact. However, moving the deductions that are taken after MAGI is calculated to before MAGI is calculated has the potential to increase the amount of federal income tax deduction some taxpayer could qualify for, which could further reduce their tax liability and the amount of tax owed.

Using information from taxpayer records, DOR notes that in tax year 2023 (the most complete year available) that \$752 million was taken in the active and inactive military deduction. Therefore, about \$35 million in tax was exempt at the current 4.7% individual income tax rate. Moving these from a deduction to a subtraction may result in an additional loss to general revenue but is expected to be minimal as the deductions already are reducing the majority of the tax liability.

DOR will need to make changes to the tax form (\$2,200), website and computer changes (\$7,547).

In response to a previous version, officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposal would move the existing military income deductions into one concise income tax subtraction. The expected impact from subtracting versus deducting qualifying income will not change. However, moving from a deduction to a subtraction would lower a taxpayer's Missouri adjusted gross income (MAGI), which could allow some taxpayers to deduct more of their federal income tax through the existing FIT deduction. B&P notes that the allowable FIT deduction is based on a taxpayer's MAGI, with the deduction phasing out as MAGI increases over a base threshold amount.

FAGI - subtractions = MAGI
MAGI - deductions = MO taxable income

The potential GR impact from this proposal expected to be minimal.

Oversight notes officials from B&P and DOR both assume the proposal will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR's and B&P's estimated impact in the fiscal note.

§143.121.10 - Beginning Farmer Subtraction

Officials from the **Department of Revenue (DOR)** assume this proposal modifies section 143.121.10 regarding the beginning farmer deduction. It starts by changing the definition of "Farm owner" from "an individual" to "a taxpayer". It then adds a definition of "Taxpayer".

It appears the intent of the definition of "Taxpayer" is to include pass-through entities and corporations. However, the deduction must be subtracted from a taxpayer's Missouri adjusted gross income to the extent included in federal adjusted gross income. The deduction would still only be able to be claimed on an Individual Income Tax Return MO-1040. The returns for fiduciary, corporations, and pass-through entities do not include Missouri adjusted gross income.

DOR notes that beginning with tax year 2025, capital gains can be subtracted on the Individual Income Tax Return, MO-1040. This modification to the statute would only be applicable to income received through a rental, lease, or crop-sharing agreements. DOR is unable to estimate a fiscal note for increasing the number of taxpayers that can claim this deduction as it is unknown annually how many farmers may be in this situation.

DOR will need to update the MO-1040, MO-1040A, MO-1120 & MO-PTE form at a cost of \$2,200 per form. For a total of \$8,800. Additionally, this would require programming changes to the Revenue Premier system for each of these forms at a cost of \$7,547 per form change. For a total of \$30,188.

In response to a previous version, officials from **Office of Administration – Budget & Planning (B&P)** assumed B&P's estimated cost for HB 202/SB 138 was based on the definition of beginning farmer. B&P was unable then (and now) to separate sales by owner type. Therefore,

the estimated costs reflected in the TAFP fiscal notes included all potential owners. This proposal will not impact TSR or the calculation under Article X, Section 18(e) beyond what was already estimated during the 2023 session.

Oversight will reflect the costs for form and programming changes as provided by the Department of Revenue.

Oversight notes the Department of Revenue assumes this proposal could increase the number of taxpayers that can claim this deduction. Oversight does not have information to the contrary and therefore, Oversight will reflect an unknown loss to general revenue for the potential increase in deductions claimed. Given the few number of potential qualifiers of this deduction, (applicable to income received through a rental, lease, or crop-sharing agreements.) Oversight assumes the unknown loss of revenue will be under the \$250,000 threshold.

§143.511 - Individual Income Tax Filing Deadlines

In response to a previous version, officials from the **Office of Administration – Budget & Planning (B&P)** assumed this provision would allow the annual income tax due date to change from April 15th to the date required for federal income tax returns. B&P notes that there are many years where the federal annual due date falls after April 15th. B&P further notes that DOR already matches the Missouri income tax due date with the federal due date. Therefore, this provision will not impact state revenues.

Officials from the **Department of Revenue (DOR)** assume this proposal would require income tax return's filing deadline to be the same as the federal deadline. It appears the intent is to allow the state filing deadline to move when the federal government moves their deadline. Currently, Missouri tax returns are due on April 15th each year unless moved by the Governor Office. Sometimes, the federal filing deadline is moved to another day.

DOR notes that some income tax returns are currently due at the federal level on March 15th but in Missouri they are due April 15th. The MO-1065 is one such example. This proposal would require Missouri to make that form and any others with different deadlines, to match the Internal Revenue Service's deadlines.

DOR notes this would require the changing of the tax forms and instructions as well as updating the computer programs. This would result in a cost of around 10,000 per form that needs changing. These would be one-time costs.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

§143.512 - Tax Credits

Officials from the **Department of Revenue (DOR)** assume this proposal appears to want to allow a taxpayer who attempts to claim a tax credit, that is denied from a lack of available funds, and that denial causes a balance due notice to be generated by DOR, to pay their balance due without paying a penalty or interest for sixty days. If the balance due is not paid within sixty days, the penalty and interest would still be owed.

DOR notes that tax credits can be denied for various reasons. Many of the state tax credit programs have caps that are first come, first serve and taxpayers can be denied if their claim is filed later than others. Additionally, a balance due can be caused from an intentional disregard of rules and regulations which result in a deficiency. This proposal would require DOR to provide a grace period even when the taxpayer willful files a return that results in a balance due.

If the intent is to allow for a grace period only on apportioned tax credits, DOR notes there are four such credits. They are the Biodiesel Retailers, Champion for Children, Ethanol Retailers, and Food Pantry tax credit programs. These credits became apportioned credits because the annual cap was placed on the redemptions rather than on the issuance of the credits as is practice.

Apportioned credits allow people to apply for the tax credit and then the amount of the credit is adjusted downward should the number of credits redeemed exceed the cap. This practice results in taxpayers not knowing the amount of credit they are to receive, and unless the taxpayer pays their whole tax liability without regard for the tax credit, they have the potential to get an “assessment of unpaid tax notice” from DOR for the outstanding balance not covered by the credit.

DOR notes the Champion for Children tax credit program already grants DOR the authority to notify taxpayers and to give those taxpayers a sixty-day grace period to make an additional payment should their account require it. They are allowed this grace period only if their unpaid balance is a result of the credit being applied at a lesser rate. Therefore, this proposal would not impact the Champion for Children program.

DOR notes that the Food Pantry program does not allow for such a grace period. At this time, DOR notifies the taxpayer of the adjustment and then is required to assess penalties and interest. It appears this proposal attempts to allow DOR to give them a grace period. DOR assumes this would have minimal impact of less than \$10,000 annually.

DOR notes that the Ethanol and Biodiesel Retailers credits have not been apportioned as the number of credits claimed is currently less than the cap amount. However, this proposal could impact them in the near future.

In response to a previous version, officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposal would waive any addition to tax, interest, and penalties on taxes due because of tax credits being apportioned, if the resulting tax due is paid within 60

days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers when redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged to remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

Oversight notes that B&P and DOR both assume the fiscal impact stemming from §143.511 would be minimal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§143.591 - Electronic Filing of W-2 Returns

Officials from the **Department of Revenue (DOR)** assume this proposal starting January 1, 2027, would require an employer with 10 or more employees to file the returns for tax withholding electronically with DOR. Currently only those employers with 250 or more employees are required to file electronically. The Internal Revenue Service began with tax year 2023 requiring all employers with 10 or more employees to file electronically with them.

DOR would need to update the Form 4282 and W-2 form at a cost of \$2,200 each. DOR also would need to update the website and computer program at a cost of \$1,887. DOR would also need to notify registered businesses through various means.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

In response to the similar legislation, HB 1919 (2026), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this proposal will not impact: - TSR - The calculation under Article X, Section 18(e) - B&P.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

§143.621 - Protest Tax Deficiencies

In response to a version, officials from the **B&P** assumed this provision would allow taxpayers to claim a refund for all tax, interest, additions, and/or penalties related to a deficiency that was later determined to be in error. This allowance does not require taxpayers to have timely filed a

protest with DOR before claiming such refund. To the extent that this increases refund payments, this provision could decrease TSR and GR.

Officials from the **Department of Revenue (DOR)** assume this provision amends Section 143.621 to add a new subsection. This subsection allows for a taxpayer who has paid a deficiency and any interest, additions, or penalties attributable to this deficiency, which is later found to be erroneous, to be entitled to a refund of such amounts paid regardless of whether the taxpayer timely filed a protest with the Director.

DOR is unable to determine a fiscal impact from this proposal as it is predicated on taxpayers not paying the correct amount of tax when they originally file their tax return.

Oversight is unable to determine how many tax deficiencies paid by taxpayers have the potential to be erroneous. Oversight assumes any potential refunds would be paid to the taxpayer and potentially impact general revenue. Therefore, Oversight will reflect a \$0 or unknown cost to general revenue to account for any potential refunds sought by the taxpayer from this provision. Oversight notes the following according to the Department of Revenue's 2024 Annual [Report](#):

Fiscal Year	Individual Income Tax Collected	Individual Income Tax Refunds
FY 2024	\$9,066,281,176	\$1,176,324,865

Oversight assumes the amount of tax, interest, additions, and penalties potentially refunded under this proposal could exceed (\$250,000).

§135.647 - Food Pantry Donation Tax Credit

In response to the similar legislation, (HCS for HB Nos. 2461, 2457 & 1782), officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposal would expand the food pantry tax credit to include food banks, starting August 28, 2026. However, this proposal retroactively allows tax credits for donations made to food banks between January 1, 2026, and August 28, 2026.

This proposal also increases the tax credit value from 50% of donations to 70% of donations and increases the annual redemption limit from \$1.75 million to \$2.75 million for donations made to qualifying locations other than food banks. For donations to food banks, the annual redemption limit will be \$1.25 million starting tax year 2026. In addition, it clarifies that taxpayers may not receive both an income tax deduction, for charitable donations, and this tax credit for the same donation.

This proposal extends the sunset date to December 2032.

This proposal would waive additions to tax, interest, and penalties on tax liabilities resulting solely from a tax credit limit-denial, if the resulting tax due is paid within 60 days. B&P notes

that this would only apply to tax credits that are apportioned among taxpayers if redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Food pantry tax credit redemptions averaged \$1,732,588 from FY23-FY25.

Therefore, B&P estimates that this proposal could reduce GR by \$2.25 million annually starting in FY27 (when tax year 2026 returns are filed).

Officials from the **Department of Revenue (DOR)** assume starting August 28, 2026, this proposal will extend the sunset date of the food pantry tax credit allowing it to continue into the future.

The food pantry tax credit program is an apportioned tax credit, and it has been apportioned the last several years from claims exceeding the cap. Currently the cap is set at \$1,750,000.

For informational purposes, the Department notes the Food Pantry tax credit program was created in 2007 and it had a sunset. In 2013, the sunset was extended, and the cap was lowered to \$1,250,000. Then in 2014, the cap was increased to its current \$1,750,000. In 2018, the sunset was extended until 2026. Below is information on the redemption of the credits over the last few years.

Year	Total Redeemed
FY 2025	\$1,697,778.00
FY 2024	\$1,749,996.00
FY 2023	\$1,749,990.00
FY 2022	\$1,749,992.00
FY 2021	\$1,749,992.00
FY 2020	\$1,131,882.00
FY 2019	\$1,380,894.00
FY 2018	\$1,679,924.00
FY 2017	\$1,584,566.00
FY 2016	\$1,155,480.00
FY 2015	\$1,118,866.00
FY 2014	\$840,234.00

FY 2013	\$72,822.00
FY 2012	\$796,156.10

The food pantry program is an existing tax credit and therefore DOR already has the forms and procedures in place to handle the changes to the credit. DOR will just need to update the computer programming for the new cap, percent of credit change and sunset extension which is estimated at \$1,887.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

Officials from the **Oversight Division** are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Officials from the **Department of Social Services (DSS)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

§143.998 - DOR Records

Officials from **DOR** state this provision would require DOR to provide information about tax returns to the Department of Elementary and Secondary Education. DOR notes that they do not track individual income tax returns by school district and to do so would require upgrades to their computer systems. Based on estimates received for different upgrades to our system it could cost over \$5 million.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

§§100.260 - 620.2600 - Modifies provisions relating to tax credits

Officials from the **DOR** note:

Section 100.260 Industrial Development Reserve Fund

This proposal modifies the section references in this provision. This will not have a fiscal impact on DOR.

Section 100.270 Certified Capital Company

This proposal modifies the definition of certified capital company and qualified Missouri business. DOR defers to DED for the impact of this provision.

Section 100.293 Jobs Now Act

This proposal modifies the sectional references in this program. DOR defers to DED for fiscal impact.

Section 135.800 Tax Credit Accountability Act

This provision updates the name of the tax credit programs and removes the tax credits that are being repealed from the TCAA. This will not have a fiscal impact on DOR.

Section 137.123 Property Tax Assessment

This section updates sectional references in regard to property tax assessment. DOR assumes this would not have a fiscal impact.

Section 148.330

This section removes old repealed statutory references. This will not fiscally impact DOR.

Section 190.465 - 911 Districts

This section is removing language from statutes. DOR will defer to the Department of Economic Development for impact on this wording.

Section 320.092

This provision removes old statutory references. This will not fiscally impact DOR.

Section 620.1910 Manufacturing Jobs Act

This proposal is modifying definitions in the Manufacturing Jobs Act tax credit program. It should be noted that this program sunset on October 12, 2016, and therefore, changing these definitions will not result in any additional impact to the state.

Section 620.2010 Missouri Works program

This section modifies definitions in the MO Works program. DOR defers to DED for impact of this modification.

Section 620.2020 MO Works Tax Credit program

This section repeals language from the statute referencing obsolete tax credits that are repealed in this proposal. This will not have any fiscal impact on DOR.

Section 99.1205 - Distressed Area Land Assemblage Tax Credit

This provision is the Distressed Area Land Assemblage tax credit program that awarded credits to a developer in St. Louis. It had a cumulative cap of \$20 million and expired as of August 28, 2013. It had a six year carry forward that has expired. Repealing this would not have a fiscal impact on DOR.

Section 135.313 - Charcoal Producers Tax Credit

This provision is the Charcoal Producers tax credit program that gave a tax credit for control technology equipment connected with the production of charcoal. The credit was to be claimed in 1998 and could be carried forward to the next eight years. The carry forward period has expired. Repealing this would not have a fiscal impact on DOR.

Sections 135.500, 135.503, 135.505, 135.508, 135.516, 135.517, 135.520, 135.523, 135.526, 135.529, 135.350 – Missouri Certified Capital Company Law & Tax Credit
This program has expired. Repealing this program would not have a fiscal impact on DOR.

Section 135.535 Rebuilding Communities Tax Credit
This provision is the Rebuilding Communities tax credit that gave a credit for businesses locating to a distressed community. The program ended on August 28, 2013, when it was replaced with the MO Works program. Repealing this would not have a fiscal impact on DOR.

Sections 135.545 & 135.546 – Transportation Development Tax Credit
This is the Transportation Development tax credit program that had a \$10 million cap. It had a 10 year carry forward which has expired. Repealing this would not have a fiscal impact on DOR.

Section 135.679 Qualified Beef Tax Credit
This is the qualified beef tax credit program that gave farmers a credit based on the weight of cattle. This program sunset on December 31, 2021. Repealing this would not have a fiscal impact on DOR.

Sections 135.680 & 135.682 - New Markets Tax Credit
This is the New Markets tax credit program that stopped in 2010. It had a 5 year carry forward that has expired. Repealing this would not have a fiscal impact on DOR.

Section 135.700 - Wine and Grape Tax Credit
This is the Wine and Grape tax credit program that provides a company with tax credits for the purchase price of new equipment and materials used to increase production of wine in this state. The Missouri House of Representatives has voted each year since FY 2019 to not allow any credits to be authorized. Repealing this would not have a fiscal impact on DOR.

Section 135.710 - Alternative Fuel Tax Credit
This is the Alternative Fuel tax credit program that provided reimbursement of expenses for installing alternative fuel pumps at a gas station. This proposal stopped in 2018, and the 2-year carry forward has expired. Repealing this would not have a fiscal impact on DOR.

Section 135.766 – Guarantee Fee Tax Credit
This is the Guarantee Fee tax credit program that provided a tax credit for 30 days after the effective date of the bill which was August 28, 1999. This program has expired. Repealing this would not have a fiscal impact on DOR.

Sections 135.950, 135.953, 135.957, 135.960, 135.963, 135.967, 135.968, 135.970 & 135.973 Enhanced Enterprise Zone Tax Credit
This provision is the Enhanced Enterprise Zone tax credit that gave a credit for expanding a business in an enhanced enterprise zone. The program ended on August 28, 2013, when it was replaced with the MO Works program. Repealing this would not have a fiscal impact on DOR.

Section 135.1125 Unmet Health Need Tax Credit

This provision is the unmet health need tax credit program. This program was not implemented as no organizations came forward wanting to participate. This program had no authorizations, issuances or redemptions. Repealing this would not have a fiscal impact on DOR.

Section 173.196 – Higher Education Scholarship Program Tax Credit

This is the Higher Education tax credit that provided a credit for contributions to a scholarship program. This program expired in 2005. Repealing this would not have a fiscal impact on DOR.

Section 320.093 - Dry Fire Hydrant Tax Credit

This is the Dry Fire Hydrant tax credit program that provided a credit for businesses that implemented fire protection controls. This program expired in 2010. Repealing this would not have a fiscal impact on DOR.

Sections 348.300, 348.302, 348.304, 348.306, 348.308, 348.310, 348.312, 348.316, 348.318, 620.641 & 620.644 - Seed Capitol Tax Credit

This is the Seed Capitol tax credit program that expired in 1996. Repealing this would not have a fiscal impact on DOR.

Sections 620.635, 620.638, 620.647, 620.650, 620.653 - New Enterprise Creation Act Tax Credit

This is the New Enterprise Creation tax credit program that expired in 1999. Repealing this would not have a fiscal impact on DOR.

Sections 620.1875, 620.1878, 620.1881, 620.1884, 620.1887, & 620.1890 MO Quality Jobs

This is the MO Quality Jobs program that expired on August 28, 2013. It was replaced by the MO Works program. Repealing this would not have a fiscal impact on DOR.

Section 620.2600 - Innovation Campus Tax Credit Act

This is the Innovation Campus tax credit program that sunset in 2020. It appears it was never implemented. Repealing this would not have a fiscal impact on DOR.

In response to the similar legislation, HB 3329 (2026), officials from the **Department of Economic Development, Office of Administration – Budget & Planning, and Missouri Department of Agriculture, and Office of the State Treasurer** each assumed the proposal will have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Responses regarding the proposed legislation as a whole

Officials from the Office of **Administration - Administrative Hearing Commission, Department of Social Services, City of Kansas City, and University of Central Missouri**

each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for both respective agencies.

Officials from the **Department of Commerce and Insurance (DCI)** assume no additional fiscal impact, but the \$379,562 that was issued but not yet redeemed under §135.500 - §135.529 RSMo could still be redeemed.

Officials from the **Office of Administration** defer to the OA-B&P for the potential fiscal impact of this proposal.

Officials from the **City of Kansas City** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

In response to the previous version, officials from the **County Employees Retirement Fund (CERF), Kansas City Civilian Police Employees' Retirement, Kansas City Police Retirement System, and Metro St. Louis Sewer District Employees Pension Plan** each assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agencies.

Officials from the **Oversight Division** are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss</u> – (§143.121) Income tax subtraction for military income p.5	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> – (§143.121.10) Increased number of taxpayers claiming deduction p.5	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> – DOR (§§143.121.10, 143.511, 143.591, 143.621, 143.971) Forms and programming updates p.5-6	(\$64,709)	\$0	\$0
<u>Cost</u> – DOR (§143.621) Refunds for Erroneous Income Tax Deficiencies p.6	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – DOR (§143.998) DOR programing for DESE reports p.5-6	(\$5,000,000)	\$0	\$0
<u>Cost</u> – (§135.647) Contributions to local food pantries p.8-11	Up to (\$1,750,000)	Up to (\$1,750,000)	Up to (\$1,750,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Could exceed (\$6,814,709)	Could exceed (\$1,750,000)	Could exceed (\$1,750,000)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to taxation.

TAX CREDITS This act repeals several expired tax credits, including:

- 1) Distressed Areas Land Assemblage Tax Credit (Section 99.1205);
- 2) Charcoal Producers Tax Credit (Section 135.313);
- 3) Missouri Certified Capital Company Law (Section 135.500 to 135.529);
- 4) Tax credit for relocating business to distressed communities (Section 135.535);
- 5) Tax credit for investing in the transportation development of distressed communities (Section 135.545 and 135.546);
- 6) Qualified Beef Tax Credit (Section 135.679);
- 7) Qualified Equity Investment Tax Credit (Section 135.680 and 135.682);
- 8) Grape and Wine Producers Tax Credit (Section 135.700);
- 9) Alternative Fuel Vehicle Refueling Property and Electric Vehicle Recharging Property Tax Credit (Section 135.710);
- 10) Small Business Guaranty Fees Tax Credit (Section 135.766);
- 11) Enhanced Enterprise Zones Program (Section 135.950 to 135.973);
- 12) Unmet Health, Hunger, and Hygiene Needs of Children in School Tax Credit (Section 135.1125);
- 13) Higher Education Scholarship Donation Program (Section 173.196);
- 14) Tax Credit for purchasing dry fire hydrants or providing water storage for dry fire hydrants (Section 320.093);
- 15) Contributions to Innovation Centers Tax Credit (Section 348.300 to 348.318);
- 16) Missouri New Enterprise Creation Act (Section 620.635 to 620.653);
- 17) Missouri Quality Jobs Act (Section 620.1875 to 620.1890); and the
- 18) Innovation Campus Tax Credit (Section 620.2600).

The act also makes several corresponding technical corrections to other tax credits in current law.

DONATED FOOD TAX CREDIT

Current law authorizes a tax credit for donations of cash or food made to certain organizations, with such credit scheduled to sunset on December 31, 2026. This act extends the sunset date to December 31, 2032. (Section 135.647)

MILITARY INCOME TAX DEDUCTION Current law authorizes an income tax deduction for income received for military service while the taxpayer serves in a combat zone. For all tax years beginning on or after January 1, 2027, this act modifies such deduction to apply to all military income, as defined in the act, regardless of duty status or filing status. (Section 143.121)

This provision has a delayed effective date of January 1, 2027.

BEGINNING FARMER INCOME TAX DEDUCTION

Current law authorizes an income tax deduction for certain income received for the sale or lease of farmland to beginning farmers. This act adds a definition of "taxpayer" to such deduction. (Section 143.121)

This provision has a delayed effective date of January 1, 2027.

TAX RETURNS

Current law provides that the date for filing income tax returns shall be the fifteenth day of the fourth month following the close of the taxpayer's taxable year. This act provides that such date shall be the date prescribed for the filing of federal tax returns. (Section 143.511)

Current law requires withholding tax returns to be submitted electronically by employers with at least two hundred fifty employees. Beginning January 1, 2027, this act requires such electronic returns for employers with at least ten employees. (Section 143.591)

Current law requires a taxpayer to indicate on the taxpayer's return the school district in which the taxpayer is a resident. This act repeals such provision and instead requires the Department of Revenue to submit an annual report to the Department of Elementary and Secondary Education including the average Missouri adjusted gross income per return for the state, as well as the average Missouri adjusted gross income per return for each school district in the state. (Section 143.998)

TAX DEFICIENCIES

This act provides that if a taxpayer has a state income tax balance due resulting from the full or partial denial of a tax credit, the taxpayer shall not be held liable for any addition to tax, penalty, or interest on such amount of income tax due if the reason for the denial of a tax credit was the cumulative maximum amount of allowable tax credits being exceeded for the tax year, if the balance due is paid or payment arrangements have been made within sixty days of receiving notice of the balance due, and the addition to tax or penalty is not due to fraud or fraudulent intent. (Section 143.512)

This act provides that a taxpayer that has paid a deficiency and any interest, additions to tax, or penalties attributable to such deficiency that is subsequently found to be erroneous, regardless of whether such taxpayer has timely filed a protest with the Director of Revenue, shall be entitled to a refund in the amount of the deficiency and any interest, additions to tax, or penalties attributable to such deficiency that were paid by the taxpayer. Such refund shall be paid as provided in current law. (Section 143.621)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue
Office of Administration - Administrative Hearing Commission
Department of Labor and Industrial Relations
Department of Revenue
Missouri Department of Transportation

L.R. No. 4828S.05S
Bill No. CCS for HCS for SB 994
Page **18** of **18**
May 15, 2026

Office of Administration
Joint Committee on Administrative Rules
Office of the Secretary of State
University of Central Missouri
City of Kansas City



Julie Morff
Director
May 15, 2026



Jessica Harris
Assistant Director
May 15, 2026