COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1683S.04F
Bill No.: SS No. 2 for HCS for HB Nos. 594 & 508
Subject: Taxation and Revenue - Income
Type: Original
Date: April 6, 2025

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	Could exceed ($429,837,794)	Could exceed ($342,776,824 to ($343,843,012)	Could exceed ($347,663,571 to $349,200,234)
Total Estimated Net Effect on General Revenue	**Could exceed ($429,837,794)**	**Could exceed ($342,776,824 to ($343,843,012)**	**Could exceed ($347,663,571 to $349,200,234)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
School District Trust Fund (0688)	Could exceed ($7,652,381)	Could exceed ($10,940,595)	Could exceed ($10,940,595)
Conservation Commission Fund (0609)	Could Exceed ($955,114)	Could Exceed ($1,365,664)	Could Exceed ($1,365,664)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	Could Exceed ($765,238)	Could Exceed ($1,094,060)	Could Exceed ($1,094,060)
Total Estimated Net Effect on Other State Funds	**Could Exceed ($9,372,733)**	**Could Exceed ($13,400,319)**	**Could Exceed ($13,400,319)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	**More or Less than ($31,046,283)**	**More or Less than ($30,403,080)**	**More or Less than ($24,577,399)**

FISCAL ANALYSIS

ASSUMPTION

Section 67.547 - County Local Sales Tax

Officials from the **Department of Revenue (DOR)** note this section of statute currently allows a County to impose a county sales tax upon a vote of its citizens. The statutes state that the tax could be at a rate of one-eighth of one percent, one-fourth of one percent, three-eighths of one percent, or one-half of one percent. This proposal is adding language in Section 67.547.3 that would prohibit a county from submitting to the voters any proposal that results in a combined sales tax rate of more than 1.5%.

DOR notes that once a political subdivision adopts a sales tax, they notify the Department. DOR reviews to determine if the political subdivision has statutory authority to have a sales tax and calculates the aggregate of any they have. If approved, DOR has the new tax rate start in the second quarter after DOR receives it. If it is determined that the county did not have statutory authority or that they exceed their aggregate rate allowed, the county is notified that their sales tax is null and void.

This proposal makes a one-time exception for sales tax elections that were held on November 8, 2022 (FY 2022). This proposal would allow a county that submitted a tax proposal to the citizens that violated the aggregate sales tax rate allowed, to be approved by DOR to collect that tax, as long as they did not exceed an aggregated 1.5% sales tax rate. This appears to be making a one-time exception to the rule for at least one county.

If a county is allowed to start their sales tax, then DOR would start it in the second quarter after the effective date of this proposal. This will not have a fiscal impact on DOR.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this provision would increase the allowable county sales tax rate from 0.5% to 1.0%. To the extent that this provision results in additional sales tax collections, this provision may impact TSR through the 2% DOR cost of collection Fee.

Oversight notes that current law limits the combined amount of sales tax levied by a county to 1%. This act increases such limit to 1.5%, and provides that any sales tax levy approved during the November 8, 2022, general election shall be deemed to be in compliance with state law if the combined amount of sales tax levied pursuant to the County Sales Tax Act is not in excess of 1.5%

Oversight will show the potential fiscal impact to locals as $0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Oversight notes if a county approves a sales tax, DOR is allowed to retain 1% of collections which is deposited into general revenue. **Oversight** will show the potential fiscal impact to general revenue as $0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Section 67.582 - Law Enforcement County Sales Tax

Officials from the **Department of Revenue (DOR)** note starting August 28, 2024, this proposal will allow any county to vote on a sales tax up to an aggregate 1% for the funding of law enforcement services. Currently, counties aggregate sales tax cannot exceed 0.5%. To implement a tax or to increase a tax they already have, a county must take the issue back to the ballot for their citizens to vote on. The Department has no way of determining which counties may seek to increase their sales tax rate in order to fund law enforcement.

The Department notes that if a county approves a sales tax, DOR will collect and distribute it. DOR is allowed to retain 1% of the amount collected. The DOR 1% collection fee is deposited into general revenue.

The revenue impact of this proposal is unknown. DOR will not have any administrative impact from this proposal.

Oversight notes current law authorizes certain counties to levy a sales tax for the purpose of providing law enforcement services to such county, with the rate not to exceed 0.5%. This act authorizes such levy not to exceed 1%

Oversight will show the impact to locals as $0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Oversight notes if a county approves a sales tax, DOR is allowed to retain 1% of collections which is deposited into general revenue. **Oversight** will show the potential fiscal impact to general revenue as $0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Section 67.1366 – Small Cities Transient Guest Tax

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this provision would amend local transient guest taxes. This provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue** and the **City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes this section allows a city with a population of more than 100,000 to adopt a transient guest tax by a vote of their citizens. The tax currently can be used for the promotion, operation and development of tourism. This proposal would expand the use of the tax to include paying for the operating costs of a community center. Therefore, Oversight will reflect no fiscal impact for this proposal.

Section 67.1367 – Transient Guest Tax in Ste. Genevieve and Perry Counties

In response to a similar proposal this year, (SB 169), officials from the **Office of Administration - Budget and Planning (B&P)** defer to the counties on the transient guest tax for specific estimates of actual collection costs. This proposal

- Has no direct impact on B&P
- Has no direct impact on general or total state revenues
- Will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** 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.

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

Officials from St. Genevieve and Perry Counties did not respond to Oversight's request for fiscal impact for this proposal.

Oversight assumes this proposal authorizes Ste. Genevieve County and Perry County, upon voter approval, to enact a transient guest tax of not more than 6% per occupied room at hotels, motels, bed and breakfast inns or campground cabins per night for tourism purposes. Oversight assumes this proposal is permissive in nature and would have no local fiscal impact without action by the governing body and approval by a majority of voters. If a majority of voters approve this issue on the ballot, then there would be potential tax revenue for Ste. Genevieve and/or Perry counties. Therefore, Oversight will reflect a $0 (no voter approval) or unknown revenue impact for this proposal.

Section 94.900 - Sales Tax(es) for Public Safety

Officials from the **Department of Revenue (DOR)** note the following:

City of Sunrise Beach
This proposal allows a village with more than four hundred thirty but fewer than four hundred eighty inhabitants and partially located in a county with more than forty thousand but fewer than fifty thousand inhabitants and with a county seat with more than two thousand but fewer than six thousand inhabitants to adopt a sales tax for the purpose of funding public safety. DOR believes this is Sunrise Beach.

DOR records show that Sunrise Beach has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	$5,838,331	$13,526,486	$15,734,969	$7,228,722	$42,328,508
2021	$7,048,910	$13,555,591	$15,540,917	$8,049,232	$44,194,651
2022	$7,048,393	$14,467,865	$16,470,014	$7,610,478	$45,596,750
2023	$7,724,185	$16,244,642	$20,493,780	$9,592,952	$54,055,558

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR is showing how much would be collected if they just chose full one-half percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the Sunrise Beach would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	$57,364,191	$286,821	$2,868	$283,953
2027	$58,511,475	$292,557	$2,926	$289,632
2028	$59,681,704	$298,409	$2,984	$295,424

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Sunrise Beach	1/2 of 1% Tax	
Fiscal Year	**DOR 1%**	**Local Collection**
2026	$0	$0
2027 (8 months)	$1,950	$193,088
2028	$2,984	$295,424

*Effective Date 8/28/2025

City of Hannibal
The legislation states any city with more than sixteen thousand but fewer than eighteen thousand inhabitants and located in more than one county can impose a sales tax for public safety services. DOR believes that the Cities of Hannibal and Sikeston are the ones allowed the sales tax.

DOR records show that the City of Hannibal has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total

2020	$69,982,368.93	$87,152,350.18	$85,155,681.85	$87,018,478.50	$329,308,879.46
2021	$81,082,721.86	$93,364,299.02	$92,954,006.96	$97,111,124.68	$364,512,152.52
2022	$81,170,292.21	$100,642,087.33	$100,479,879.44	$102,098,456.41	$384,390,715.39
2023	$93,944,023.14	$105,473,477.82	$98,614,294.11	$102,438,199.94	$400,469,995.01

The Department notes this proposal allows a one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Hannibal would collect, and the fee retained by DOR as:

Fiscal Year	**Total Sales**	**Total Collections**	**DOR 1% Fee**	**Final Collection**
2026	$424,981,962	$2,124,910	$21,249	$2,103,661
2027	$433,481,602	$2,167,408	$21,674	$2,145,734
2028	$442,151,234	$2,210,756	$22,108	$2,188,649

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Hannibal	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	$0	$0
2027 (8 months)	$14,449	$1,430,489
2028	$22,108	$2,188,649

*Effective Date 8/28/2025

City of Sikeston
DOR records show that the City of Sikeston has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	$77,014,327.29	$87,785,994.44	$83,655,316.11	$84,822,741.37	$333,278,379.21
2021	$88,403,514.59	$95,942,003.77	$93,652,632.85	$100,823,372.16	$378,821,523.37
2022	$90,545,427.58	$98,830,654.31	$97,693,783.35	$99,809,523.86	$386,879,389.10
2023	$98,404,739.52	$101,042,378.99	$97,451,516.39	$101,029,487.09	$397,928,121.99

The Department notes this proposal allows a one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Sikeston would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	$422,284,506	$2,111,423	$21,114	$2,090,308
2027	$430,730,197	$2,153,651	$21,537	$2,132,114
2028	$439,344,801	$2,196,724	$21,967	$2,174,757

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Sikeston	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	$0	$0
2027 (8 months)	$14,358	$1,421,410
2028	$21,967	$2,174,757

*Effective Date 8/28/2025

City of Moberly
The legislation states any city with more than twelve thousand five hundred but fewer than fourteen thousand inhabitants and located in a county seat with more than twenty-two thousand but fewer than twenty-five thousand and with a county seat with more than nine hundred but fewer than one thousand four hundred inhabitants can impose a sales tax for public safety services. DOR believes that the City of Moberly is the one allowed the sales tax.

DOR records show that the City of Moberly has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	$55,859,356.06	$66,129,963.24	$63,232,963.70	$64,320,765.28	$249,543,048.28
2021	$64,437,630.42	$69,254,646.34	$68,914,973.65	$73,071,081.41	$275,678,331.82
2022	$65,016,796.49	$72,708,115.63	$73,181,876.80	$76,137,546.66	$287,044,335.58
2023	$71,062,661.33	$76,973,260.28	$76,239,424.62	$78,417,427.60	$302,692,773.83

The Department notes this proposal allows a one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Moberly would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	$321,219,993	$1,606,100	$16,061	$1,590,039
2027	$327,644,393	$1,638,222	$16,382	$1,621,840
2028	$334,197,281	$1,670,986	$16,710	$1,654,277

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Moberly	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	$0	$0
2027 (8 months)	$10,921	$1,081,226
2028	$16,710	$1,654,277

*Effective Date 8/28/2025

<u>*City of Joplin*</u>

The legislation states any city with more than fifty-one thousand but fewer than fifty-eight thousand inhabitants and located in more than one county can impose a sales tax for public safety services. DOR believes that the City of Joplin is the one allowed the sales tax.

DOR records show that the City of Joplin has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	$333,332,340.53	$350,430,676.71	$379,642,023.94	$411,620,125.33	$1,475,025,166.51
2021	$397,523,397.19	$434,444,664.37	$400,127,308.43	$427,402,675.08	$1,659,498,045.07
2022	$384,224,088.04	$430,650,070.85	$436,430,186.68	$447,415,995.47	$1,698,720,341.04
2023	$395,327,695.61	$434,284,211.14	$425,811,465.94	$456,135,462.81	$1,711,558,835.50

The Department notes this proposal allows a one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Joplin would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	$1,816,319,929	$9,081,600	$90,816	$8,990,784
2027	$1,852,646,327	$9,263,232	$92,632	$9,170,599
2028	$1,889,699,254	$9,448,496	$94,485	$9,354,011

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Joplin	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	$0	$0
2027 (8 months)	$61,755	$6,113,733
2028	$94,485	$9,354,011

*Effective Date 8/28/2025

City of Nevada
The legislation states any city with more than eight thousand but fewer than nine thousand inhabitants and that is the county seat of a county with more than nineteen thousand but fewer than twenty-two thousand inhabitants can impose a sales tax for public safety services. DOR believes that the City of Nevada is the one allowed the sales tax.

DOR records show that the City of Nevada has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	$38,208,694.67	$44,612,841.38	$43,665,437.02	$42,989,997.53	$169,476,970.60
2021	$43,931,886.61	$49,116,769.20	$46,410,825.68	$48,826,592.05	$188,286,073.54
2022	$43,446,517.76	$51,704,817.34	$51,124,401.71	$52,879,021.88	$199,154,758.69
2023	$48,624,132.46	$53,461,869.83	$51,767,031.79	$56,676,504.57	$210,529,538.65

The Department notes this proposal allows a one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Nevada would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	$223,415,631	$1,117,078	$11,171	$1,105,907
2027	$227,883,943	$1,139,420	$11,394	$1,128,026
2028	$232,441,622	$1,162,208	$11,622	$1,150,586

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Nevada	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	$0	$0
2027 (8 months)	$7,596	$752,017
2028	$11,622	$1,150,586

*Effective Date 8/28/2025

If any of these cities pass a sales tax the Department will need to make changes to the department's Revenue Premier system, Rate Manager system, MyTax portal system, Avalara Sales and use tax rate map, and website changes. These changes are estimated at $1,832 per system change ($7,328) per city that passes the sales tax.

Oversight notes DOR anticipates administrative costs of ($7,328) per city that passes the sales tax. Therefore, Oversight will show a range of potential costs to DOR of $0 (not approved by voters) up to ($43,968) ($7,328 x 6 cities).

Officials from the **Office of Administration - Budget and Planning (B&P)** note this provision would expand the ability to levy a city sales tax. To the extent that this provision results in additional sales tax collections, this provision may impact TSR through the 2% DOR cost of collection Fee.

Sections 135.010, 135.025 & 135.030 - "Circuit Breaker"

Officials from the **Department of Revenue (DOR)** and **Office of Administration - Budget and Planning (B&P)** both note:

Background of Current PTC Program

This proposal attempts to make modifications to the Senior Property tax credit (PTC). The PTC provides two tax credits, one to homeowners and one to renters that pay property tax. In order to qualify for the PTC program there are income eligibility requirements, and a person must:

Be over the age of 65,

Or 100% disabled,

Or a 100% disabled veteran,

Or at least 60 and the qualifying widow of someone in the previous categories.

For homeowners, the PTC provides a credit to offset the amount of actual property tax paid by the homeowner. The credit is up to $1,100 in property tax actually paid but the credit amount phases out as an individual's income rises. The homeowner's credit is for those with incomes of less than $30,000. It should be noted, there is no limit on the number of individuals who can receive the credit annually.

The PTC also currently provides a credit to offset the amount of property tax included in a taxpayer's rent payment. The tax credit for renters is up to $750 in property tax paid and to qualify a renter must have an income less than $27,500. The amount of the credit does phase out as income rises and there is no limit on the number of renters who can receive the credit annually.

This proposal says that most of the modifications of the property tax credit will begin on January 1, 2026. DOR notes that the majority of the PTC tax returns are received in their office between January and April of each year. DOR assume that the changes made by this proposal would fully impact FY 2026.

Proposed Changes

This proposal would increase the income allowance for PTC claimants by $800 for renters who are married (filing combined) and $1,800 for homeowners who are married (filing combined) starting with calendar year 2026.

This proposal would increase the maximum PTC credit amount for renters and homeowners. Renters would increase from $750 to $1,055 and homeowners would increase from $1,100 to $1,550 starting with calendar year 2026. Additionally, this proposal allows this credit amount to be adjusted annually by the CPI. For fiscal note purposes, DOR uses a 2% inflation factor annually.

PTC Credit

Calendar Year	Renter	Homeowner
Current	$750	$1,100
2026	$1,055	$1,550
2027	$1,076	$1,581
2028	$1,098	$1,613
2029	$1,120	$1,645
2030	$1,142	$1,678

*Assumes 2% average annual inflation.

This proposal also increases the maximum income limits allowed to qualify for the PTC. However, it limits the PTC to those with a filing status of "single" or "married filing combined". Therefore, those who check the "married filing separate" box and those that do not check a box will no longer be eligible for the PTC credit.

Maximum Income by Filing Status

<table>
<tr><th>Filing Status</th><th>Own/Rent</th><th>2026 Max Income</th></tr>
<tr><td rowspan="2">Single</td><td>Rent</td><td>$38,200</td></tr>
<tr><td>Own</td><td>$42,200</td></tr>
<tr><td rowspan="2">Married Filing Combined</td><td>Rent</td><td>$41,000</td></tr>
<tr><td>Own</td><td>$48,000</td></tr>
<tr><td>Married Filing Separate</td><td colspan="2">No longer qualifies</td></tr>
<tr><td>Other</td><td colspan="2">No longer qualifies</td></tr>
</table>

In tax year 2023, there were 1,280 individuals who filed a PTC claim with a filing status other than single or married filing combined. They claimed $798,801 and therefore, this would result in a savings to general revenue of these filers no longer being eligible for the PTC credit.

In addition to increasing the PTC maximum income limit, this proposal starting January 1, 2027, will allow the maximum limit to be increased annually by the CPI. For fiscal note purposes, DOR uses a 2% inflation factor. Therefore, DOR can expect the incomes to increase as follows:

Maximum Income

Calendar Year	Renter		Homeowner	
	Single	Married	Single	Married
Current	$27,500		$30,000	
2026	$38,200	$42,200	$41,000	$48,000
2027	$38,964	$43,044	$41,820	$48,960
2028	$39,743	$43,905	$42,656	$49,939
2029	$40,538	$44,783	$43,509	$50,938
2030	$41,349	$45,679	$44,379	$51,957

*Assumes 2% average annual inflation.

DOR notes that the PTC credit is calculated using a formula that takes into account that as an individual's income rises the amount of the credit, they are eligible for decreases. Currently for every $300 increase in income the tax credit amount given decreases $25.

This proposal increases the phase-out increments used when running the calculation. It increases the income limit from $300 to $495 and then allows it to be inflation adjusted in future fiscal years. DOR uses a 2% inflation factor for fiscal note purposes.

This proposal also changes the formula to cap the tax credit reduction to 2%. Currently the credit is reduced by 1/16% for each $300 increment for a maximum reduction of 4%. This would change the $300 to $495 and change the 4% to 2%. Under current law, the reduction cap is not met however, this proposal would limit both the renters and homeowners. After 32 reductions the maximum tax credit allowed would remain constant.

PTC Phase-Out Increments

Calendar Year	Income Increment	Phase-Out Cap
Current	$300	4%
2026	$495	2%
2027	$505	2%
2028	$515	2%
2029	$525	2%
2030	$536	2%

*Assumes 2% average annual inflation.

Impact of Maximum Credit and Slower Credit Phase-Out (Formula Changes)

Increasing the maximum credit and making changes to how the formula calculates the amount of credit each person gets will impact the current filers of the program. If no additional people were allowed in the program, this is the impact to the current filers from the changes in this proposal.

Single Renters

In tax year 2023, there were 28,534 single renters who claimed the PTC with a maximum credit of $750. With this proposal increasing the amount of the credit from $750 to $1,055 and increasing the phase-out income limit from $300 to $495 and changing the cap reduction to 2% DOR can expect an increase in the amount of credits paid out over the next several years.

Single-Renters (Change in PTC formula)

Tax Year	Credit Cap	Income Increments	Reduction Cap	GR Impact
Current	$750	$300	4%	$0
2026	$1,055	$495	2%	($6,886,188)
2027	$1,076	$505	2%	($7,329,438)
2028	$1,098	$515	2%	($7,794,365)
2029	$1,120	$525	2%	($8,258,759)
2030	$1,142	$536	2%	($8,721,689)

DOR notes that because the credit cap and income increments keep being inflated in future years, this will continue to have an increasing impact on general revenue. Additionally, these changes are about the formula only and do not include the changes made to the maximum upper limit.

Married Filing Combined Renters

In tax year 2023, there were 1,207 married filing combined renters claiming the PTC with a maximum credit of $750. With this proposal increasing the amount of the credit from $750 to $1,055 and increasing the phase-out limit from $300 to $495 and changing the cap reduction to 2% DOR can expect an increase in the amount of credits paid out over the next several years.

Married Filing Combined - Renters (Change in Formula)

Tax Year	Credit Cap	Income Increments	Reduction Cap	GR Impact
Current	$750	$300	4%	$0
2026	$1,055	$495	2%	($282,043)
2027	$1,076	$505	2%	($299,482)
2028	$1,098	$515	2%	($317,878)
2029	$1,120	$525	2%	($336,175)
2030	$1,142	$536	2%	($354,367)

DOR notes that because the credit cap and income increments keep being inflated in future years, this will continue to have an increasing impact on general revenue. Additionally, these changes are about the formula only and do not include the changes made to the maximum upper limit.

Single Homeowners

In tax year 2023, there were 28,778 single homeowners who claimed the PTC with a maximum credit of $1,100. With this proposal increasing the amount of the credit from $1,100 to $1,550 and increasing the phase-out income limit from $300 to $495 and changing the cap reduction to 2% DOR can expect an increase in the amount of credits paid out over the next several years.

Single-Homeowners (Change in PTC formula)

Tax Year	Credit Cap	Income Increments	Reduction Cap	GR Impact
Current	$1,100	$300	4%	$0
2026	$1,550	$495	2%	($8,160,188)
2027	$1,581	$505	2%	($8,642,843)
2028	$1,613	$515	2%	($9,142,232)

2029	$1,645	$525	2%	($9,642,369)
2030	$1,678	$536	2%	($10,153,312)

DOR notes that because the credit cap and income increments keep being inflated in future years, this will continue to have an increasing impact on general revenue. Additionally, these changes are about the formula only and do not include the changes made to the maximum upper limit.

Married Filing Combined Homeowners

In tax year 2023, there were 5,682 married filing combined homeowners who claimed the PTC with a maximum credit of $1,100. With this proposal increasing the amount of the credit from $1,100 to $1,550 and increasing the phase-out income limit from $300 to $495 and changing the cap reduction to 2% DOR can expect an increase in the amount of credits paid out over the next several years.

<u>Married Filing Combined-Homeowners (Change in PTC formula)</u>

Tax Year	Credit Cap	Income Increments	Reduction Cap	GR Impact
Current	$1,100	$300	4%	$0
2026	$1,550	$495	2%	($1,630,249)
2027	$1,581	$505	2%	($1,727,696)
2028	$1,613	$515	2%	($1,828,470)
2029	$1,645	$525	2%	($1,929,242)
2030	$1,678	$536	2%	($2,032,715)

DOR notes that because the credit cap and income increments keep being inflated in future years, this will continue to have an increasing impact on general revenue. Additionally, these changes are about the formula only and do not include the changes made to the maximum upper limit.

<u>Credit and Formula Changes Summary</u>

The changes to the amount of the credit allowed and the formula would result in the following impact to general revenue:

Higher Credit and Slower Phase-Out

Tax Year	Renter		Homeowner		Total
	Single	Married	Single	Married	
2026	($6,886,188)	($282,043)	($8,160,188)	($1,630,249)	($16,958,668)
2027	($7,329,438)	($299,482)	($8,642,843)	($1,727,696)	($17,999,459)
2028	($7,794,365)	($317,878)	($9,142,232)	($1,828,470)	($19,082,945)
2029	($8,258,759)	($336,175)	($9,642,369)	($1,929,242)	($20,166,545)
2030	($8,721,689)	($354,367)	($10,153,312)	($2,032,715)	($21,262,083)

<u>Impact from Change in Maximum Upper Limit</u>

Increasing the maximum upper limit will allow additional people to qualify for the credit that currently do not qualify. Using the individual income tax system, DOR is able to determine the number of additional people that would qualify with an income fitting the new limits in the proposal. Adding these new people into the program will result in the following impact.

Since DOR does not know how many of these additional people are homeowners and renters, DOR pulled the tax year 2023 PTC claims and found the current percentage of homeowners and renters.

PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	59.7%	40.3%
Widow(er)	67.5%	32.5%
Disabled	22.6%	77.4%

While DOR notes as incomes rise, there is a likely hood more people will own their home rather than rent, it is unclear how would DOR could calculate that. For the simplicity of the fiscal note, DOR will use this same split for the new people being added under this proposal as the current split.

<u>Single Renters</u>
<u>*2026*</u>

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,200 who filed as a single filer.

218	widow/widower,
29,700	65 years or older,
1,504	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

71	widow(er),
11,976	age 65 and older,
<u>1,163</u>	disabled.
13,210	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $458. Therefore, this could result in an increased loss to general revenue of $6,044,175 ($458 credit * 13,210 new filers) in FY 2026.

<u>2027</u>

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,964 who filed as a single filer.

236	widow/widower,
31,685	65 years or older,
1,603	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

77	widow(er),
12,776	age 65 and older,
<u>1,240</u>	disabled.
14,093	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $472. Therefore, this could result in an increased loss to general revenue of $6,648,693 ($472 credit * 14,093 new filers) in FY 2027.

<u>2028</u>

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $39,743 who filed as a single filer.

254	widow/widower,
33,670	65 years or older,
1,701	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

82	widow(er),
13,577	age 65 and older,
1,316	disabled.
14,975	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $493. Therefore, this could result in an increased loss to general revenue of $7,377,059 ($493 credit * 14,975 new filers) in FY 2028.

2029
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $40,538 who filed as a single filer.

264	widow/widower,
35,814	65 years or older,
1,788	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

86	widow(er),
14,441	age 65 and older,
1,383	disabled.
15,910	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $514. Therefore, this could result in an increased loss to general revenue of $8,175,292 ($514 credit * 15,910 new filers) in FY 2029.

2030
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,349 who filed as a single filer.

286	widow/widower,
37,910	65 years or older,
1,892	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

93	widow(er),
15,286	age 65 and older,
1,464	disabled.
16,843	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $528. Therefore, this could result in an increased loss to general revenue of $8,898,095 ($528 credit * 16,843 new filers) in FY 2030.

DOR notes that the annual loss will continue past FY 2030 due to the inflation rate continuing into the future.

Married Filing Combined Renters

2026

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,000 who filed as a married filing combined filer.

32,070	65 years or older,
4,598	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

12,932	age 65 and older,
3,557	disabled.
16,489	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $455. Therefore, this could result in an increased loss to general revenue of $7,506,159 ($455 credit * 16,489 new filers) in FY 2026.

2027

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,820 who filed as a married filing combined filer.

33,738	65 years or older,
4,852	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

13,604	age 65 and older,
3,753	disabled.
17,357	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $469. Therefore, this could result in an increased loss to general revenue of $8,141,053 ($469 credit * 17,357 new filers) in FY 2027.

2028
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $42,656 who filed as a married filing combined filer.

35,360	65 years or older,
5,115	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

14,258	age 65 and older,
3,957	disabled.
18,215	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $490. Therefore, this could result in an increased loss to general revenue of $8,917,813 ($490 credit * 18,215 new filers) in FY 2028.

2029
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $43,509 who filed as a married filing combined filer.

37,115	65 years or older,
5,356	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

14,966	age 65 and older,
<u>4,143</u>	disabled.
19,109	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $510. Therefore, this could result in an increased loss to general revenue of $9,748,672 ($510 credit * 19,109 new filers) in FY 2029.

2030
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $27,500 and $44,379 who filed as a married filing combined filer.

38,886	65 years or older,
5,576	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the renters.

15,680	age 65 and older,
<u>4,313</u>	disabled.
19,993	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $526. Therefore, this could result in an increased loss to general revenue of $10,517,651 ($526 credit * 19,993 new filers) in FY 2030.

<u>Single Homeowners</u>

<u>2026</u>
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $42,200 who filed as a single filer.

263	widow/widower
32,775	65 years or older,
1,591	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

178	widow/widower
19,559	age 65 and older,
360	disabled.
20,097	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $940. Therefore, this could result in an increased loss to general revenue of $18,891,180 ($940 credit * 20,097 new filers) in FY 2026.

2027
Using the most current year data, there are the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $43,044 who filed as a single filer.

284	widow/widower
34,960	65 years or older,
1,668	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

192	widow/widower
20,863	age 65 and older,
378	disabled.
21,433	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $964. Therefore, this could result in an increased loss to general revenue of $20,661,412 ($964 credit * 21,433 new filers) in FY 2027.

2028
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $43,905 who filed as a single filer.

300	widow/widower
37,083	65 years or older,
1,748	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

203	widow/widower
22,130	age 65 and older,
<u>396</u>	disabled.
22,729	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $990. Therefore, this could result in an increased loss to general revenue of $22,501,710 ($990 credit * 22,729 new filers) in FY 2028.

<u>2029</u>
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $44,783 who filed as a single filer.

321	widow/widower
39,278	65 years or older,
1,828	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

217	widow/widower
23,440	age 65 and older,
<u>414</u>	disabled.
24,071	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $1,017. Therefore, this could result in an increased loss to general revenue of $24,481,067 ($1,017 credit * 24,071 new filers) in FY 2029.
<u>2030</u>

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $45,679 who filed as a single filer.

338	widow/widower
41,497	65 years or older,
1,915	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

228	widow/widower

24,764	age 65 and older,
434	disabled.
25,426	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $1,043. Therefore, this could result in an increased loss to general revenue of $26,520,195 ($1,043 credit * 25,426 new filers) in FY 2030.

Married Filing Combined Homeowners

2026
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $48,000 who filed as a married filing combined filer.

39,688	65 years or older,
5,622	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

23,685	age 65 and older,
1,273	disabled.
24,958	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $940. Therefore, this could result in an increased loss to general revenue of $23,460,520 ($940 credit * 24,958 new filers) in FY 2026.

2027
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $48,960 who filed as a married filing combined filer.

41,641	65 years or older,
5,899	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

24,850	age 65 and older,
1,336	disabled.
26,186	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $964. Therefore, this could result in an increased loss to general revenue of $25,243,304 ($964 credit * 26,186 new filers) in FY 2027.

2028
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $49,939 who filed as a married filing combined filer.

43,629	65 years or older,
6,181	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

26,037	age 65 and older,
1,400	disabled.
27,437	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $990. Therefore, this could result in an increased loss to general revenue of $27,162,630 ($990 credit * 27,437 new filers) in FY 2028.

2029
Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $50,938 who filed as a married filing combined filer.

45,627	65 years or older,
6,476	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

27,229	age 65 and older,
1,466	disabled.
28,695	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $1,017. Therefore, this could result in an increased loss to general revenue of $29,174,924 ($1,017 credit * 28,695 new filers) in FY 2029.

2030

Using the most current year data, there were the following individuals with a Missouri Adjusted Gross Income (MAGI) between $30,000 and $51,957 who filed as a married filing combined filer.

47,730	65 years or older,
6,775	disabled

Using the homeowner/renter split discussed above DOR assumes the following could potentially be the homeowners.

28,484	age 65 and older,
1,534	disabled.
30,018	total new filers

In addition to the additional maximum credit and formula changes, DOR estimates that the average PTC credit for these additional people may be $1,043. Therefore, this could result in an increased loss to general revenue of $31,301,270 ($1,043 credit * 30,018 new filers) in FY 2030.

DOR notes that the annual loss will continue to increase given the inflation factor language.

Maximum Upper Limit Summary

Adding the additional people to the PTC program will result in the following impact:

Higher Maximum Income Limit

Tax Year	Renter		Homeowner		Total
	Single	Married	Single	Married	
2026	($6,044,175)	($7,506,159)	($18,891,180)	($23,460,520)	($55,902,034)
2027	($6,648,693)	($8,141,053)	($20,661,412)	($25,243,304)	($60,694,462)
2028	($7,377,059)	($8,917,813)	($22,501,710)	($27,162,630)	($65,959,212)
2029	($8,175,292)	($9,748,672)	($24,481,067)	($29,174,924)	($71,579,955)
2030	($8,898,095)	($10,517,651)	($26,520,195)	($31,301,270)	($77,237,211)

Total Bill Summary

All the changes in this proposal will result in the following impact.

Table 8: Summary of GR Impact

Fiscal Year	No Longer Qualify	Renter		Homeowner		Total GR Loss
		Higher Income	Increased Credit	Higher Income	Increased Credit	
2026	$798,801	($13,550,334)	($7,168,231)	($42,351,700)	($9,790,437)	($72,061,901)
2027	$798,801	($14,789,746)	($7,628,920)	($45,904,716)	($10,370,539)	($77,895,120)
2028	$798,801	($16,294,872)	($8,112,243)	($49,664,340)	($10,970,702)	($84,243,356)
2029	$798,801	($17,923,964)	($8,594,934)	($53,655,991)	($11,571,611)	($90,947,699)
2030	$798,801	($19,415,746)	($9,076,056)	($57,821,465)	($12,186,027)	($97,700,493)

This will require website changes, form changes ($2,200) and changes to DOR's individual income tax computer systems ($7,327). These changes will need to occur each year and estimated to cost $9,527 annually.

Oversight assumes the Department of Revenue (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

In response to a similar proposal this year, (SB 64), officials from the **Office of Administration – Budget & Planning** note:

This proposal would make multiple changes to the property tax credit (PTC).

Section 135.010 would increase the income allowance for PTC claimants by $800 for renters who are married (filing combined) and $1,800 for homeowners who are married (filing combined) starting with calendar year 2026. B&P notes that because this provision is effective for calendar year 2026, it will begin affecting state revenues in FY26 as annual PTC claims are filed beginning in January. B&P further notes that the peak PTC claims are January through April each year.

Section 135.025 would increase the maximum PTC credit amount. **Section 135.030.1** would increase the maximum income limits allowed to qualify for the PTC. **Section 135.030.2** would increase the phase-out increments, used when calculating the PTC credit based on an individual's income. B&P notes that because these provisions are effective for calendar year 2026, they will begin affecting state revenues in FY26 as annual PTC claims are filed beginning in January. B&P further notes that the peak PTC claims are January through April each year.

Section 135.025 would increase the renter credit from $750 (current law) to $1,055 and the homeowner credit from $1,100 (current law) to $1,555 starting with calendar year 2026. Beginning calendar year 2027, the tax credit amounts shall be adjusted annually by CPI-U for the Midwest Region. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate. Table 1 shows the estimated credit amount over time.

Table 1: PTC Credit

Calendar Year	Renter	Homeowner
Current	$750	$1,100
2026	$1,055	$1,550
2027	$1,076	$1,581
2028	$1,098	$1,613
2029	$1,120	$1,645
2030	$1,142	$1,678

*Assumes 2% average annual inflation.

Section 135.030.1 would increase the maximum upper income allowed to claim the PTC, depending on a taxpayer's filing status. Beginning calendar year 2026 the maximum limits shall be:

Table 2: Maximum Income by Filing Status

Filing Status	Own/Rent	2026 Max Income
Single	Own	$42,200
	Rent	$38,200
Married Filing Combined	Own	$48,000
	Rent	$41,000
Married Filing Separate	No longer qualifies	
Other	No longer qualifies	

B&P notes that the language in this proposal sets new maximum income levels explicitly for taxpayers with either a single or married filing combined status. Therefore, this language excludes all other filing status types, such as married filing separate or individuals that do not indicate a filing status.

In tax year 2023, there were 1,280 individual who filed the PTC with a filing status other than single or married filing combined, for total credit claims of $798,801. Therefore, this provision will increase GR by $798,801 starting with FY26.

Beginning January 1, 2027, the maximum income limits shall be adjusted annually for inflation using CPI-U. For the purpose of this fiscal note, B&P will assume a 2% average annual inflation rate. Tables 3 shows the maximum income limits by tax year.

Table 3: Maximum Income

Calendar Year	Renter		Homeowner	
	Single	Married	Single	Married
Current	$27,500		$30,000	
2026	$38,200	$42,200	$41,000	$48,000
2027	$38,964	$43,044	$41,820	$48,960
2028	$39,743	$43,905	$42,656	$49,939
2029	$40,538	$44,783	$43,509	$50,938
2030	$41,349	$45,679	$44,379	$51,957

*Assumes 2% average annual inflation.

Section 135.025.2 would increase the phase-out income increments from $300 (current law) to $495 beginning with calendar year 2026. The income increment amounts shall the be adjusted annually for inflation using CPI-U. B&P notes that this proposal does not state when such inflation adjustments shall occur. For the purpose of this fiscal note, B&P assumes that the adjustments will occur at the same time as other inflation adjustments contained within this proposal. B&P will assume a 2% average annual inflation rate.

Section 135.030.3 caps the reduction in the tax credit to 2%. B&P notes that under current law, the tax credit is reduced by (1/16)% for each $300 increase in a taxpayer's income, with a maximum reduction of 4.0%. This proposal would change the reduction calculation to (1/16%) for every $495 (adjusted for inflation) increase in a taxpayer's income, with a maximum reduction of 2.0%. B&P further notes that under current law, the reduction cap is never met with the existing income limits; however, the 2% reduction limit would be binding for both renters and homeowners. Therefore, after 32 reductions the minimum tax credit, based on property tax paid, will remain a constant amount.

Table 4: PTC Phase-Out Increments

Calendar Year	Income Increment	Phase-Out Cap
Current	$300	4%
2026	$495	2%
2027	$505	2%
2028	$515	2%
2029	$525	2%
2030	$536	2%

*Assumes 2% average annual inflation.

<u>Maximum Credit and Slower Credit Phase-Out</u>

<u>Single – Renter</u>

In tax year 2023, 28,534 single renters claimed the PTC, with a maximum possible credit of $750. B&P notes that the PTC phases-out as an individual's income increases. This proposal slows and limits the income phase-out.

2026
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,055, increasing the phase-out limit from $300 to $495, and capping the credit value reduction at 2% could reduce GR by $6,886,188 beginning FY26.

2027
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,076, increasing the phase-out limit from $300 to $505, and capping the credit value reduction at 2% could reduce GR by $7,329,438 beginning FY27.

2028
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,098, increasing the phase-out limit from $300 to $515, and capping the credit value reduction at 2% could reduce GR by $7,794,365 beginning FY28.

2029

Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,120, increasing the phase-out limit from $300 to $525, and capping the credit value reduction at 2% could reduce GR by $8,258,759 beginning FY29.

2030
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,142, increasing the phase-out limit from $300 to $536, and capping the credit value reduction at 2% could reduce GR by $8,721,689 beginning FY30.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce GR by more than the estimates discussed above.

<u>Married, Filing Combined – Renter</u>

In tax year 2023, 1,207 married, filing combined, renters claimed the PTC, with a maximum possible credit of $750. B&P notes that the PTC phases-out as an individual's income increases. This proposal slows and limits the income phase-out.

2026
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,055, increasing the phase-out limit from $300 to $495, and capping the credit value reduction at 2% could reduce GR by $282,043 beginning FY26.

2027
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,076, increasing the phase-out limit from $300 to $505, and capping the credit value reduction at 2% could reduce GR by $299,482 beginning FY27.

2028
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,098, increasing the phase-out limit from $300 to $515, and capping the credit value reduction at 2% could reduce GR by $317,878 beginning FY28.

2029
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,120, increasing the phase-out limit from $300 to

$525, and capping the credit value reduction at 2% could reduce GR by $336,175 beginning FY29.

2030
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $750 to $1,142, increasing the phase-out limit from $300 to $536, and capping the credit value reduction at 2% could reduce GR by $354,367 beginning FY30.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce GR by more than the estimates discussed above.

<u>Single – Homeowner</u>

In tax year 2023, 28,778 single homeowners claimed the PTC, with a maximum possible credit of $1,100. B&P notes that the PTC phases-out as an individual's income increases. This proposal slows and limits the income phase-out.

2026
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,550, increasing the phase-out limit from $300 to $495, and capping the credit value reduction at 2% could reduce GR by $8,160,188 beginning FY26.

2027
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,581, increasing the phase-out limit from $300 to $505, and capping the credit value reduction at 2% could reduce GR by $8,642,843 beginning FY27.

2028
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,613, increasing the phase-out limit from $300 to $515, and capping the credit value reduction at 2% could reduce GR by $9,142,232 beginning FY28.

2029
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,645, increasing the phase-out limit from $300 to $525, and capping the credit value reduction at 2% could reduce GR by $9,642,369 beginning FY29.

2030
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,678, increasing the phase-out limit from $300 to $536, and capping the credit value reduction at 2% could reduce GR by $10,153,312 beginning FY30.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce GR by more than the estimates discussed above.

<u>Married, Filing Combined – Homeowner</u>

In tax year 2023, 5,682 married, filing combined, homeowners claimed the PTC, with a maximum possible credit of $1,100. B&P notes that the PTC phases-out as an individual's income increases. This proposal slows and limits the income phase-out.

2026
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,550, increasing the phase-out limit from $300 to $495, and capping the credit value reduction at 2% could reduce GR by $1,630,249 beginning FY26.

2027
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,581, increasing the phase-out limit from $300 to $505, and capping the credit value reduction at 2% could reduce GR by $1,727,696 beginning FY27.

2028
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,613, increasing the phase-out limit from $300 to $515, and capping the credit value reduction at 2% could reduce GR by $1,828,470 beginning FY28.

2029
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,645, increasing the phase-out limit from $300 to $525, and capping the credit value reduction at 2% could reduce GR by $1,929,242 beginning FY29.

2030
Using tax year 2023 data, the most recent available, and the phase-out formula, B&P estimates that increasing the PTC credit from $1,100 to $1,678, increasing the phase-out limit from $300 to

$536, and capping the credit value reduction at 2% could reduce GR by $2,032,715 beginning FY30.

B&P notes that this estimate does not include a higher average PTC claim for the individuals discussed under the "maximum upper limit" section. Therefore, increasing the maximum credit could reduce GR by more than the estimates discussed above.

Credit Changes Summary

Based on the above information, B&P estimates that this provision could reduce GR by more than $16,958,668 ($7,168,231 renters + $9,790,437 homeowners) beginning FY26. By FY30, this provision could reduce GR by more than $21,262,083 ($9,076,056 renters + $12,186,027 homeowners). Table 5 shows the estimated impact by filing and owning status.

Table 5: Higher Credit and Slower Phase-Out

Calendar Year	Fiscal Year	Renter		Homeowner		Total
		Single	Married	Single	Married	
2026	2026	($6,886,188)	($282,043)	($8,160,188)	($1,630,249)	($16,958,668)
2027	2027	($7,329,438)	($299,482)	($8,642,843)	($1,727,696)	($17,999,459)
2028	2028	($7,794,365)	($317,878)	($9,142,232)	($1,828,470)	($19,082,945)
2029	2029	($8,258,759)	($336,175)	($9,642,369)	($1,929,242)	($20,166,545)
2030	2030	($8,721,689)	($354,367)	($10,153,312)	($2,032,715)	($21,262,083)

Homeownership Rates

Using tax year 2023 PTC claims, the most recent year available, B&P determined the percentage of claimants that were homeowners versus renters. Table 6 shows the percentage for each major filing type.

Table 6: PTC Homeowner vs. Renter

Filing Type	Homeowner	Renter
Age 65+	59.7%	40.3%
Widow(er)	67.5%	32.5%
Disabled	22.6%	77.4%

For the purpose of this fiscal note, B&P will assume the potential newly qualified (under the higher maximum income limits) individuals will follow the same owner/renter pattern. However, it is likely that as the income limit increases, the homeownership rate would also increase.

Maximum Income Limits

Single – Renter

2026

In tax year 2023, the most recent complete year available, there were 218 individuals who filed as qualifying widow/widower, 29,700 individuals who claimed they were 65 years or older, and 1,504 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,200.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 71 of the widow(er), 11,976 age 65 and older, and 1,163 disabled could potentially be renters. Therefore, B&P estimates that 13,210 additional people could qualify for the renter PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $458. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $6,044,175 (13,210 x $458) in FY26.

2027

In tax year 2023, the most recent complete year available, there were 236 individuals who filed as qualifying widow/widower, 31,685 individuals who claimed they were 65 years or older, and 1,603 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $38,964.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 77 of the widow(er), 12,776 age 65 and older, and 1,240 disabled could potentially be renters. Therefore, B&P estimates that 14,093 additional people could qualify for the renter PTC in calendar year 2027.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $472. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $6,648,693 (14,093 x $472) in FY27.

2028

In tax year 2023, the most recent complete year available, there were 254 individuals who filed as qualifying widow/widower, 33,670 individuals who claimed they were 65 years or older, and 1,701 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $39,743.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 82 of the widow(er), 13,577 age 65 and older, and 1,316 disabled could potentially be renters. Therefore, B&P estimates that 14,975 additional people could qualify for the renter PTC in calendar year 2028.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $493. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $7,377,059 (14,975 x $493) in FY28.

2029

In tax year 2023, the most recent complete year available, there were 264 individuals who filed as qualifying widow/widower, 35,814 individuals who claimed they were 65 years or older, and 1,788 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $40,538.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals - 86 of the widow(er), 14,441 age 65 and older, and 1,383 disabled could potentially be renters.

Therefore, B&P estimates that 15,910 additional people could qualify for the renter PTC in calendar year 2029.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $514. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $8,175,292 (15,910 x $514) in FY29.

<u>2030</u>
In tax year 2023, the most recent complete year available, there were 286 individuals who filed as qualifying widow/widower, 37,910 individuals who claimed they were 65 years or older, and 1,892 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,349.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 93 of the widow(er), 15,286 age 65 and older, and 1,464 disabled could potentially be renters. Therefore, B&P estimates that 16,843 additional people could qualify for the renter PTC in calendar year 2030.

In addition, based on the additional maximum credit and slower phase-out out discussed above, B&P estimates that the average PTC credit for these individuals may be $528. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $8,898,095 (16,843 x $528) in FY30.

B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum income for renters will continue to be adjusted annually for inflation.

<u>Married, Filing Combined – Renter</u>

<u>2026</u>
In tax year 2023, the most recent complete year available, there were 32,070 individuals who claimed they were 65 years or older and 4,598 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,000.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 12,932 age 65 and older and 3,557 disabled could potentially be renters. Therefore, B&P estimates that 16,489 additional people could qualify for the renter PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $455. Therefore, B&P estimates that increase the maximum income limit for renters could reduce GR by $7,506,159 (16,489 x $455) in FY26.

<u>2027</u>
In tax year 2023, the most recent complete year available, there were 33,738 individuals who claimed they were 65 years or older and 4,852 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $41,820.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 13,604 age 65 and older and 3,753 disabled could potentially be renters. Therefore, B&P estimates that 17,357 additional people could qualify for the renter PTC in calendar year 2027.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $469. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $8,141,053 (17,357 x $469) in FY27.

<u>2028</u>
In tax year 2023, the most recent complete year available, there were 35,360 individuals who claimed they were 65 years or older and 5,115 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $42,656.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 14,258 age 65 and older and 3,957 disabled could potentially be renters. Therefore, B&P estimates that 18,215 additional people could qualify for the renter PTC in calendar year 2028.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $490. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $8,917,813 (18,215 x $490) in FY28.

<u>2029</u>
In tax year 2023, the most recent complete year available, there were 37,115 individuals who claimed they were 65 years or older and 5,356 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $43,509.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 14,966 age 65 and older and 4,143 disabled could potentially be renters. Therefore, B&P estimates that 19,109 additional people could qualify for the renter PTC in calendar year 2029.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $510. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $9,748,672 (19,109 x $510) in FY29.

2030
In tax year 2023, the most recent complete year available, there were 38,886 individuals who claimed they were 65 years or older and 5,576 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $27,500 and $44,379.

Using the homeowner/renter split discussed above, B&P assumes that of those individuals – 15,680 age 65 and older and 4,313 disabled could potentially be renters. Therefore, B&P estimates that 19,993 additional people could qualify for the renter PTC in calendar year 2030.

In addition, based on the additional maximum credit and slower phase-out out discussed above, B&P estimates that the average PTC credit for these individuals may be $526. Therefore, B&P estimates that increase the maximum income limit for renters could reduce TSR and GR by $10,517,651 (19,993 x $526) in FY30.

B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum income for renters will continue to be adjusted annually for inflation.

Single – Homeowner

2026
In tax year 2023, the most recent complete year available, there were 263 individuals who filed as qualifying widow/widower, 32,775 individuals who claimed they were 65 years or older, and 1,591 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $42,200.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals - 178 of the widow(er), 19,559 age 65 and older, and 360 disabled could potentially be homeowners. Therefore, B&P estimates that 20,097 additional people could qualify for the homeowner PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce GR by $18,891,180 (20,097 x $940) in FY26.

2027

In tax year 2023, the most recent complete year available, there were 284 individuals who filed as qualifying widow/widower, 34,960 individuals who claimed they were 65 years or older, and 1,668 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $43,044.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals - 192 of the widow(er), 20,863 age 65 and older, and 378 disabled could potentially be homeowners. Therefore, B&P estimates that 21,433 additional people could qualify for the homeowner PTC in calendar year 2027.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $964. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $20,661,412 (21,433 x $964) in FY27.

2028
In tax year 2023, the most recent complete year available, there were 300 individuals who filed as qualifying widow/widower, 37,083 individuals who claimed they were 65 years or older, and 1,748 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $43,905.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals - 203 of the widow(er), 22,130 age 65 and older, and 396 disabled could potentially be homeowners. Therefore, B&P estimates that 22,729 additional people could qualify for the homeowner PTC in calendar year 2028.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $990. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $22,501,710 (22,729 x $990) in FY28.

2029
In tax year 2023, the most recent complete year available, there were 321 individuals who filed as qualifying widow/widower, 39,278 individuals who claimed they were 65 years or older, and 1,828 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $44,783.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals - 217 of the widow(er), 23,440 age 65 and older, and 414 disabled could potentially be homeowners. Therefore, B&P estimates that 24,071 additional people could qualify for the homeowner PTC in calendar year 2029.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $1,017. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $24,481,067 (24,017 x $1,017) in FY29.

2030

In tax year 2023, the most recent complete year available, there were 338 individuals who filed as qualifying widow/widower, 41,497 individuals who claimed they were 65 years or older, and 1,915 individuals who claimed they were disabled on their individual income tax forms, filed as single, and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $45,679.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals – 228 of the widow(er), 24,764 age 65 and older, and 434 disabled could potentially be homeowners. Therefore, B&P estimates that 25,426 additional people could qualify for the homeowner PTC in calendar year 2030.

In addition, based on the additional maximum credit and slower phase-out out discussed above, B&P estimates that the average PTC credit for these individuals may be $1,043. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $26,520,195 (25,426 x $1,043) in FY30.

B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum income for homeowners will continue to be adjusted annually for inflation.

Married, Filing Combined – Homeowner

2026

In tax year 2023, the most recent complete year available, there were 39,688 individuals who claimed they were 65 years or older and 5,622 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $48,000.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals – 23,685 age 65 and older and 1,273 disabled could potentially be homeowners. Therefore, B&P estimates that 24,958 additional people could qualify for the homeowner PTC in calendar year 2026.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $940. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce GR by $23,460,520 (24,958 x $940) in FY26.

2027

In tax year 2023, the most recent complete year available, there were 41,641 individuals who claimed they were 65 years or older and 5,899 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $48,960.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals – 24,850 age 65 and older and 1,336 disabled could potentially be homeowners. Therefore, B&P estimates that 26,186 additional people could qualify for the homeowner PTC in calendar year 2027.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $964. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $25,243,304 (26,186 x $964) in FY27.

<u>2028</u>
In tax year 2023, the most recent complete year available, there were 43,629 individuals who claimed they were 65 years or older and 6,181 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $49,939.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals – 26,037 age 65 and older and 1,400 disabled could potentially be homeowners. Therefore, B&P estimates that 27,437 additional people could qualify for the homeowner PTC in calendar year 2028.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $990. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $27,162,630 (27,437 x $990) in FY28.

<u>2029</u>
In tax year 2023, the most recent complete year available, there were 45,627 individuals who claimed they were 65 years or older and 6,476 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $50,938.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals – 27,229 age 65 and older and 1,466 disabled could potentially be homeowners. Therefore, B&P estimates that 28,695 additional people could qualify for the homeowner PTC in calendar year 2029.

In addition, based on the additional maximum credit and slower phase-out discussed above, B&P estimates that the average PTC credit for these individuals may be $1,017. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $29,174,924 (28,695 x $1,017) in FY29.

2030
In tax year 2023, the most recent complete year available, there were 47,730 individuals who claimed they were 65 years or older and 6,775 individuals who claimed they were disabled on their individual income tax forms, filed as married (combined), and had a Missouri Adjusted Gross Income (MAGI) between $30,000 and $51,957.

Using the homeowner/homeowner split discussed above, B&P assumes that of those individuals – 28,484 age 65 and older and 1,534 disabled could potentially be homeowners. Therefore, B&P estimates that 30,018 additional people could qualify for the homeowner PTC in calendar year 2030.

In addition, based on the additional maximum credit and slower phase-out out discussed above, B&P estimates that the average PTC credit for these individuals may be $1,043. Therefore, B&P estimates that increase the maximum income limit for homeowners could reduce TSR and GR by $31,301,270 (30,018 x $1,043) in FY30.

B&P notes that the annual loss for years after FY30 will likely exceed this amount as the maximum income for homeowners will continue to be adjusted annually for inflation.

Maximum Income Changes Summary

B&P estimates that increasing the maximum income limits could reduce GR by $55,902,034 ($13,550,334 renters + $42,351,700 homeowners) in FY26. By FY30, this provision could reduce GR by $77,237,211 ($19,415,746 renters + $57,821,465 homeowners) annually. Table 7 shows the estimated impact by filing/owning status.

Table 7: Higher Maximum Income Limit

Calendar Year	Fiscal Year	Renter		Homeowner		Total
		Single	Married	Single	Married	
2026	2026	($6,044,175)	($7,506,159)	($18,891,180)	($23,460,520)	($55,902,034)
2027	2027	($6,648,693)	($8,141,053)	($20,661,412)	($25,243,304)	($60,694,462)
2028	2028	($7,377,059)	($8,917,813)	($22,501,710)	($27,162,630)	($65,959,212)
2029	2029	($8,175,292)	($9,748,672)	($24,481,067)	($29,174,924)	($71,579,955)
2030	2030	($8,898,095)	($10,517,651)	($26,520,195)	($31,301,270)	($77,237,211)

Bill Summary

B&P estimates that this proposal could reduce GR by $72,061,901 in FY26. By FY30, this provision could reduce GR by $97,700,493. Table 8 shows the impact by fiscal year.

Table 8: Summary of GR Impact

Fiscal Year	No Longer Qualify	Renter		Homeowner		Total GR Loss
		Higher Income	Increased Credit	Higher Income	Increased Credit	
2026	$798,801	($13,550,334)	($7,168,231)	($42,351,700)	($9,790,437)	($72,061,901)
2027	$798,801	($14,789,746)	($7,628,920)	($45,904,716)	($10,370,539)	($77,895,120)
2028	$798,801	($16,294,872)	($8,112,243)	($49,664,340)	($10,970,702)	($84,243,356)
2029	$798,801	($17,923,964)	($8,594,934)	($53,655,991)	($11,571,611)	($90,947,699)
2030	$798,801	($19,415,746)	($9,076,056)	($57,821,465)	($12,186,027)	($97,700,493)

Officials from the **State Tax Commission (STC)** 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 STC.

Oversight will note the redemptions could be substantially lower or exceed the estimates provided by B&P and DOR each year thereafter depending on the increase or decrease in homeowners and renters applying for the tax credit, future CPI adjustments, or home versus rent pattern behaviors in the markets.

Oversight notes that the B&P and DOR calculations are identical, therefore, Oversight will note the B&P & DOR estimated impact in the fiscal note.

Oversight notes that this proposal will only impact state revenues, therefore, Oversight will reflect zero impact to the local political subdivisions in the fiscal note.

Section 137.1050 - Emergency Services Sales Tax

Oversight notes under current law, if in any tax year after the eligible taxpayer's initial credit year the taxpayer's real property tax liability is lower than such liability in the initial credit year, such tax year shall be considered the taxpayer's new initial credit year for all subsequent tax years.
This provision clarifies that the taxpayer's initial credit year for the calculation of the Homestead property tax credit shall not change if the taxpayer's property tax liability is less than his/her tax liability in the initial credit year due to a levy adjustment made pursuant to 321.905.

Additionally, **Oversight** notes that current law authorizes ambulance and fire protection districts in certain counties to propose a sales tax at a rate of up to 0.5%. This act allows such districts to propose a sales tax of up to 1.0% and repeals a prohibition on certain counties imposing such tax. (Section 321.552)

Oversight assumes this proposal adds clarifying language for implementation measures for the property tax credit established in SB 190 (2023).

Oversight notes this credit is optional and a county must submit the proposal to voters or pass a county ordinance in order to participate.

Section 143.121 - Income Tax Subtraction for Capital Gains

Officials from the **Department of Revenue (DOR)** starting January 1, 2025, this proposal would allow a taxpayer, both individuals and corporations, to subtract from their Federal adjusted gross income (FAGI) any amount reported as capital gains for determining their Missouri adjusted gross income (MAGI). DOR notes this proposal would become effective on August 28, 2025, in the middle of the 2025 tax year. DOR notes that these changes will begin January 1, 2025, however, they will not impact state revenue until the first tax returns are filed in January 2026 (FY 2026). DOR also notes this would limit the amount of time taxpayers have to adjust their withholdings for the tax year.

All sources of income are reported on the federal return and only the total income amount (FAGI number) is reported on the Missouri return. DOR used its internal Income Tax Model that contains confidential taxpayer data from both the federal and state tax return to calculate the fiscal impact of this proposal to individuals.

DOR notes that subtractions do not reduce revenues on a dollar-for-dollar basis, but rather in proportion to the top tax rate applied. SB 3 adopted in 2022, lowers the individual income tax rate over a period of years based on certain revenue triggers. The individual income tax rate for tax year 2025 is 4.7%. For fiscal note purposes only, and based on the current consensus revenue estimates, DOR will show the next reduction of the individual income tax rate occurring in consecutive years starting in tax year 2028.

Individual Income Tax

Tax Year	Amount
2025	($111,051,234.18)
2026	($111,035,453.09)
2027	($111,028,327.15)
2028	($108,683,825.07)
2029	($106,287,765.44)

Based on the department's collection data, the department knows that 42% of all individual income tax is received in the first fiscal year and 58% is received in the second year. Therefore, the department would expect to see a loss to general revenue per fiscal year as follows:

Individual Income Tax

Fiscal Year	Loss to GR
2026*	($157,686,124.47)
2027	($111,032,460.20)
2028	($110,043,636.28)
2029	($107,677,480.02)
2030	($106,287,765.44)

*FY26 will be impacted by 100% of the subtraction for tax year 2025 and a portion of the subtraction for tax year 2026.

Additionally, this proposal allows corporations to subtract their capital gains for determining MAGI. The current corporate income tax rate is 4%. DOR used its internal Income Tax Model that contains confidential taxpayer data from both the federal and state tax returns to calculate the fiscal impact of this proposal to corporations. DOR notes the data was only able to pull information from the electronically filed returns and not those filed on paper. Therefore, DOR notes the actual impact will be larger than estimated.

This proposal will not become effective until August 2025 and taxpayers pay declaration payments on capital gains four times a year in anticipation of their final tax liability. Corporate declarations are due in April, June, September, and December. Therefore, corporations will have a limited time to adjust their declarations to account for this new subtraction. Based on this, DOR will reflect the full impact of tax year 2025 in FY26.

Based on actual collections data, DOR notes that 45% of corporate income taxes are paid during fiscal year 1 and 55% are paid during fiscal year 2. This will result in a loss to general revenue of greater than $183,626,879 in FY 2026 and of greater than $126,639,225 in FY 27 and beyond.

Summary
This proposal is estimated to impact general revenue by:

Table 3: Impact Summary

Fiscal Year	Individual Income	Corporate Income		Total	
FY26*	($157,686,124)	could exceed	($183,626,876)	could exceed	($341,313,000)
FY27	($111,032,460)	could exceed	($126,639,225)	could exceed	($237,671,685)
FY28	($110,043,636)	could exceed	($126,639,225)	could exceed	($236,682,861)
FY29	($107,677,480)	could exceed	($126,639,225)	could exceed	($234,316,705)
FY30	($106,287,765)	could exceed	($126,639,225)	could exceed	($232,926,990)

*FY26 will be impacted by 100% of the subtraction for tax year 2025 and a portion of the subtraction for tax year 2026.

This proposal will require DOR to modify the department's MO-A and MO-1040 forms at a cost of $14,654 ($7,327 apiece), the department's website at a cost of $2,200 and the department's individual income tax computer programming system at a cost of $3,664. These items are estimated to cost $20,518.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the above costs to DOR to implement this proposal in FY 2026.

Officials from the **Office of Administration - Budget and Planning (B&P)** note the following:

Individual Income Tax

B&P notes that under Section 143.011, the top individual income tax rate will be 4.7% for tax year 2025. In addition, based on current revenue forecasts and average revenue growth, B&P estimates that net general revenue growth will not be high enough to trigger another reduction until at least tax year 2028 (FY27 revenue). For the purpose of this fiscal note, B&P will assume that the remaining two 0.1% reductions will occur for tax year 2028 (4.6%) and tax year 2029 (4.5%).

Using tax year 2022 data, the most recent complete tax year available, B&P estimates that this proposal could reduce GR by $106,464,031. Once SB 3 (2022) has fully implemented, this proposal could reduce GR by $101,915,438 annually. Table 1 shows the estimated impact by tax year.

Table 1: Estimated Impact by Tax Year - Individual

Tax Year	GR Impact
2025	($106,464,031)
2026	($106,446,013)
2027	($106,438,634)
2028	($104,193,953)
2029	($101,915,438)

B&P notes that this proposal will not become effective until August 2025. B&P further notes that taxpayers pay declarations payments on capital gains four times a year in anticipation of their final tax liability. Individual declarations are due in January, April, June, and September. Therefore, individuals would only have September 2025 and January 2026 to adjust their declarations to account for this new subtraction. Based on this, B&P will reflect the full impact from the tax year 2025 subtraction as occurring during FY26.

Beginning with tax year 2026, individuals will adjust their declarations payments. Based on actual collections data, B&P estimates that 42% of individual income taxes are paid during fiscal year 1 and 58% are paid during fiscal year 2. Therefore, B&P estimates that this proposal could reduce GR by $151,171,356 in FY26. Once SB 3 (2022) has fully implemented, this proposal could reduce GR by $101,915,438 annually. Table 2 shows the estimated impact by fiscal year.

Table 2: Estimated Impact by Fiscal Year - Individual

Fiscal Year	GR Impact
FY26*	($151,171,356)
FY27	($106,442,914)
FY28	($105,495,868)
FY29	($103,249,392)
FY30	($101,915,438)

*FY26 will be impacted by 100% of the subtraction for tax year 2025 and a portion of the subtraction for tax year 2026.

Fiduciary Tax

B&P notes that trusts are allowed to take all subtractions afforded to individual taxpayers. Therefore, starting with tax year 2025 this provision would also allow a capital gains subtraction for the fiduciary tax.

Using federal and state tax data, B&P estimates that this provision could reduce GR by an amount that could exceed $34,628,318 in FY26 (for tax year 2025). Once SB 3 (2022) has fully implemented, this provision may reduce GR by an amount that could exceed $33,154,773 annually.

Corporate Income Tax

This provision would allow corporations to subtract capital gains income from their Missouri taxable income the year after the top individual income tax rate (Section 143.011) is reduced to 4.5% or lower. Based on current forecasts and average revenue growth, B&P estimates that the individual income tax rate may be 4.5% starting with tax year 2029. Therefore, this subtraction may be available for corporations starting with tax year 2030.

Using tax year 2022 data, the most recent complete tax year available, B&P estimates that this proposal could exempt at least $3,165,980,618 in capital gains from Missouri income tax. B&P notes that this number only includes electronically filed corporate tax returns; therefore, the actual amount of capital gains exempted could exceed $3,165,980,618. Using the corporate tax rate of 4.0%, B&P estimates that this proposal could reduce GR by at least $126,639,225 per year.

Beginning with tax year 2030, corporations will adjust their declarations payments. Based on actual collections data, B&P estimates that 45% of corporate income taxes are paid during fiscal year 1 and 55% are paid during fiscal year 2. Therefore, B&P estimates that this proposal could reduce GR by an amount that could exceed $56,987,651 in FY30. Beginning in FY31, this proposal could reduce GR by an amount that could exceed $126,639,225 annually.

Summary

B&P estimates that this proposal could reduce TSR and GR by an amount that could exceed $185,799,674 in FY26. Once fully implemented, this proposal could reduce TSR and GR by an amount that could exceed $261,709,436. Table 3 shows a summary of the estimated impacts by fiscal year.

Table 3: Capital Gains Summary

Fiscal Year	Individual Income	Fiduciary Income	Corporate Income	Total
FY26*	($151,171,356)	could exceed ($34,628,318)		could exceed ($185,799,674)
FY27	($106,442,914)	could exceed ($34,628,318)		could exceed ($141,071,232)
FY28	($105,495,868)	could exceed ($34,628,318)		could exceed ($140,124,186)
FY29	($103,236,977)	could exceed ($33,891,545)		could exceed ($137,128,522)
FY30	($101,915,438)	could exceed ($33,154,773)	could exceed ($56,987,651)	could exceed ($192,057,862)
FY31	($101,915,438)	could exceed ($33,154,773)	could exceed ($126,639,225)	could exceed ($261,709,436)

*FY26 will be impacted by 100% of the subtraction for tax year 2025 and a portion of the subtraction for tax year 2026.

Oversight notes both DOR and B&P's estimates include data from DOR's internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by DOR and B&P. Therefore, for the purpose of this fiscal note, Oversight will note B&P's estimated impact for this proposal.

Oversight notes the state individual income tax rate (4.7% in CY 2025) is to be reduced in annual increments (if certain triggers are met) until it reaches 4.5% pursuant to SB 3 (2022). Based on current revenue forecasts and average revenue growth, DOR and B&P project the next reduction(s) of the individual income tax rate occurring in consecutive years starting in tax year 2028.

Section 144.029 – Diaper and Feminine Hygiene Sales Tax Exemption

Officials from the **Department of Revenue (DOR)** note:

Sales Tax Law Changes

DOR notes Section 144.029.2(1) changes the reference from the Missouri pesticide registration law to the Missouri pesticide registration act. It also expands the sections covered by this act from 281.220 to 281.310 to 281.210 to 281.310, RSMo. These changes will not fiscally impact DOR.

Section 144.029.2(18) updates an out-of-date statutory reference. This will not fiscally impact DOR.

Section 144.029.2(25) removes the sectional reference 4091, which was repealed by Congress. This will not fiscally impact DOR.

Diaper Sales Tax Exemption

DOR notes beginning August 28, 2025, the tax levied and imposed under Chapter 144 (Section 144.029.2(47)) on all retail sales of kid's diapers and adult diapers shall be exempt from taxation. This exemption extends to the local sales tax rate as well as the state sales tax rate. The current state sales tax rate of is 4.225%. The current state tax rate is distributed as:

General Revenue is	3%	
School District Trust Fund is	1%	(Section 144.701)
Conservation Commission Fund is	.125%	(Article IV, Section 43(a))
Parks, Soil & Water Funds	.1%	(Article IV, Section 47(a))

In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live. For fiscal note purposes, the local sales tax rate will be 4.46%.

Kid Diapers

DOR notes that the average child wears diapers for three years before becoming fully toilet trained. DOR found the price of diapers vary from $0.16 per diaper for generics to $0.60 for name brand. Prices of diapers also depend on the size of the diaper. Estimates by various children's organizations indicate that an infant in the first year of life goes through 2,500 diapers. The next two years as toddlers they go through 1,500 diapers annually.

Wearing Diaper	How Many	Low Price per Diaper	High Price per Diaper	Total Cost Low	Total Cost High
First Year (Size 1)	2,500	0.16	0.31	400	775
Second Year (Size 3)	1,500	0.18	0.38	270	570
Third Year (Size 5)	1,500	0.29	0.60	435	900

Based on information from the MO Dept of Health & Senior Services, the average number of children born in the last three years was 69,167. Given that 3 years' worth of children are wearing diapers in any one year (1 set of infants and 2 sets of toddlers) the DOR estimate the following:

Births Annually	69,167
# of kids in Diapers Annually	207,500
# of Diapers Annually	
infant	172,916,667
toddler (2yrs)	207,500,000
total (kids * diapers)	380,416,667

Since this would start on August 28, 2025, and sales tax is remitted one month behind collection, this would result in 9 months collected in FY 2026. This would result in a loss to the state sales tax funds and local funds as follows:

State Funds	FY 2026 (9 months)		FY 2027+	
	Low	High	Low	High
General Revenue	($1,719,656)	($3,493,781)	($2,292,875)	($4,658,375)
School Districts	($573,219)	($1,164,594)	($764,292)	($1,552,792)
Conservation	($70,219)	($142,663)	($93,626)	($190,217)
Park, Soil & Water	($57,322)	($116,459)	($76,429)	($155,279)
Local Funds	($2,556,556)	($5,194,088)	($3,408,741)	($6,925,451)

Adult Diapers

DOR notes that approximately one third of adults aged 65 and older have moderate to severe urinary incontinence and 6 percent had moderate to severe bowl incontinence. According to the United State Census Bureau 2020 population report, 1,077,757 individuals residing in Missouri were 65 or over. The Department notes that it is estimated that people with minor to moderate incontinence wear approximately 4 diapers per day while those with those with full urinary or fecal incontinence wear 6 diapers per day. The Department estimates that approximately 290,994 individuals aged 65 and over would utilize the four adult urinary incontinence diapers while 64,665 would wear 6 adult diapers daily.

The average cost for urinary incontinence diapers is $1.33 per diaper.

Number of people	# of Diapers	Days per year	Total Diapers per person	Price per diaper	Total Sales
290,994	4	365	1460	1.33	565,052,907
64,665	6	365	2190	1.33	188,350,969
					753,403,875

Since this would start on August 28, 2025, and sales tax is remitted one month behind implementation, this would result in 9 months collected in FY 2026. This would result in a loss to the state sales tax funds and local funds as follows:

State Funds	FY 2026 (9 months)	FY 2027+
General Revenue	($16,951,587)	($22,602,116)
School Districts	($5,650,529)	($7,534,039)
Conservation	($706,316)	($941,755)
Park, Soil & Water	($565,053)	($753,404)
Local Funds	($25,201,360)	($33,601,813)

<u>Feminine Hygiene Sales Tax Exemption</u>

DOR notes that information from numerous sources indicates that a woman menstruates 500 times in her lifetime, usually between the ages of 12-51. The average length of a period is 3-7 days. Sources indicate that a woman uses the following:

	Number per cycle	Number per year	Number in Box	Boxes per year
Tampons	20	260	36	7.22
Pads/Panty Liners	5	65	36	1.81

Note a woman has 13 cycles a year (28-day cycle) / 352 days a year.

The price per tampons and pads varies. The DOR used a low and high price when determining the fiscal impact.

	Price Low	Price High	Total Cost Low	Total Cost High
Tampons	$7.00	$10.00	$50.56	$72.22
Pads/Panty Liners	$7.00	$10.00	$12.64	$18.06
			$63.19	$90.28

Using information from the US Census Bureau (2020), DOR calculated the number of women having a period in Missouri (those between 12-51) as 1,555,626.

	Total Cost Low	Total Cost High
Total estimated cost per year	$98,306,921	$140,438,458

This proposal begins August 28, 2025 (FY 2026). Sales tax is remitted one month behind collection and therefore, this will impact state and local revenue for only 9 months in FY 2026.

		FY 2026 (9 months)		FY 2027 +	
	Tax Rate	Low	High	Low	High
TSR	4.225%	($3,115,101)	($4,450,144)	($4,153,467)	($5,933,525)
General Revenue	3.00%	($2,211,906)	($3,159,865)	($2,949,208)	($4,213,154)
School	1.00%	($737,302)	($1,053,288)	($983,069)	($1,404,385)
Conservation	0.125%	($92,163)	($146,290)	($122,884)	($175,548)
Park, Soil & Water	0.100%	($73,730)	($105,329)	($98,307)	($140,438)
		$0	$0	$0	$0
Locals*	4.46%	($3,288,367)	($4,697,666)	($4,384,489)	($6,263,555)

<u>Summary of All Sales Tax Exemptions</u>

DOR concludes that this proposal will result in the need for DOR to do one time computer programming changes ($1,832) and form changes ($2,200). Therefore, this is estimated to cost $4,032. Notification through various means will have to occur to notify the vendors to stop collecting tax on diapers.

This will reduce state and local revenues by the following:

State Funds	FY 2026 (9 months)		FY 2027+	
	Low	High	Low	High
General Revenue	($20,883,149)	($23,605,234)	($27,844,199)	($31,473,645)
School Districts	($6,961,050)	($7,868,411)	($9,281,400)	($10,491,215)
Conservation	($868,698)	($980,640)	($1,158,264)	($1,307,520)
Park, Soil & Water	($696,105)	($786,841)	($928,140)	($1,049,122)
Local Funds	($31,046,282)	($35,093,114)	($41,395,042)	($46,790,819)

These changes will require the DOR modify forms ($2,200), website, and the DOR computer. **Oversight** notes DOR requests a one-time cost for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Officials from the **Office of Administration – Budget & Planning (B&P)** note:

B&P assumes that this proposal would exempt all sales of diapers, incontinence products, and feminine hygiene products from sales tax beginning August 28, 2025.

B&P notes that it is unclear whether the language in subdivision 144.029.2(47) is attempting to only exempt these purchases from state sales tax and not local sales tax. However, all items under subsection 144.029.2 are exempted from both local and state sales tax. Therefore, B&P will reflect both a state and local revenue loss from the proposed sales tax exemptions.

Feminine Hygiene Products

B&P assumes that tased on information from multiple sites, B&P estimates that women purchase an average of 6.8 to 7.2 boxes of tampons (average price $7 to $15) and 1.7 to 1.8 boxes (average price $6 to $15) of pads and liners per year (using the average cycle length of 28 to 30 days). B&P was also able to determine that the average age for menstruation is 12-51 and based on data provided by the United State Census 2023 population estimates (the most recent complete year available), there are approximately 1,565,677 woman between those ages residing in Missouri.

Therefore, B&P estimates total sales of $89,953,942 ($57.45 cost per year x 1,565,677 women) to $212,601,230 ($135.79 cost per year x 1,565,677 women) may be impacted by this proposal.

B&P estimates that this provision could reduce TSR by $3,800,554 to $8,982,402 annually. Using the sales location weighted average local sales tax rate of 4.46% for 2024, B&P further estimates that this provision could reduce local sales tax collections by $4,011,946 to $9,482,015 annually.

Table 1: Estimated Loss by Fund - Feminine Hygiene Products

State Fund	FY26		FY27+	
General Revenue	($2,023,964)	($4,783,528)	($2,698,618)	($6,378,037)
Education	($674,655)	($1,594,509)	($899,539)	($2,126,012)
Conservation	($84,332)	($199,314)	($112,442)	($265,752)
DNR	($67,465)	($159,451)	($89,954)	($212,601)
Total TSR Loss	($2,850,416)	($6,736,801)	($3,800,554)	($8,982,402)
Local Funds	($3,008,959)	($7,111,511)	($4,011,946)	($9,482,015)

Diaper (Child) Sales Tax Exemption

B&P assumes that based on research, B&P found that the average amount spent on diapers was $1,000 during the first year and then $500 to $900 per year until toilet trained. Based on information from the University of Michigan Hospital, the average age until children are toilet trained is 2.5 years. Based on information provided by the United State Census 2023 population estimates (the most recent complete year available), there were approximately 206,138 children living in Missouri ages 0-2 years old, with 67,996 being less than one year old.

Therefore, B&P estimates total sales of $137,067,000 [(67,996 infants x $1,000 cost per year) + (138,142 toddlers x $500 cost per year)] up to $184,035,280 [(67,996 infants x $1,000 cost per year) + (138,142 toddlers x $900 cost per year)] may be impacted by this proposal.

B&P estimates that this provision could reduce TSR by $5,791,081 to $7,775,491 annually. Using the sales location weighted average sales tax rate of 4.46% for 2024, B&P further estimates that this provision could reduce local sales tax collections by $6,113,188 to $8,207,973 annually.

Table 2: Estimated Loss by Fund - Child Diapers

State Fund	FY26		FY27+	
General Revenue	(3,084,008)	(4,140,794)	(4,112,010)	(5,521,058)
Education	(1,028,003)	(1,380,265)	(1,370,670)	(1,840,353)
Conservation	(128,500)	(172,533)	(171,334)	(230,044)
DNR	(102,800)	(138,026)	(137,067)	(184,035)
Total TSR Loss	($4,343,311)	($5,831,618)	($5,791,081)	($7,775,491)
Local Funds	(4,584,891)	(6,155,980)	(6,113,188)	(8,207,973)

Diaper (Adult) Sales Tax Exemption

B&P assumes that according to research completed by the CDC, approximately 25% of adults age 65 and up had moderate to severe urinary incontinence and 8% had moderate to severe bowel incontinence. B&P notes that according the United State Census 2023 population (the most recent complete year available) estimates there were approximately 1,136,615 individuals residing in Missouri age 65 and over.

Based on these numbers, B&P estimates that approximately 284,154 (1,136,615 x 25%) individual age 65 and over would utilize adult urinary incontinence diapers. B&P further estimates that approximately 90,929 (1,136,615 x 8%) individuals residing in Missouri age 65 and over would utilize adult bowel incontinence diapers.

Based on information from a budgeting website, the average cost for urinary incontinence diapers is $100 to $240 per month, for a yearly cost of $1,200 to $2,880. Further information from the budgeting website lists the average monthly bowel incontinence diapers is $70 to $210 per month, for a yearly cost of $840 to $2,520.

B&P estimates that total annual sales for urinary incontinence adult diapers could be approximately $340,984,500 (284,154 people x $1,200 annual cost) up to $818,362,800 (284,154 people x $2,880 annual cost).

B&P further estimates that the total annual sales for bowel incontinence adult diapers could be $76,380,528 (90,929 people x $840 annual cost) up to $229,141,584 (90,929 people x $2,520 annual cost).

Therefore, B&P estimates total sales of $417,365,028 ($340,984,500 urinary incontinence + $76,380,528 bowl incontinence) up to $1,047,504,384 ($818,362,800 urinary incontinence + $229,141,584 bowl incontinence) may be impacted by this proposal.

B&P estimates that this provision could reduce TSR by $17,633,672 to $44,257,060 annually. Using the sales location weighted average sales tax rate of 4.46% for 2024, B&P further estimates that this provision could reduce local sales tax collections by $18,614,480 to $46,718,696 annually.

Table 3: Estimated Loss by Fund - Adult Diapers

State Fund	FY26		FY27+	
General Revenue	(9,390,713)	(23,568,849)	(12,520,951)	(31,425,132)
Education	(3,130,238)	(7,856,283)	(4,173,650)	(10,475,044)
Conservation	(391,280)	(982,035)	(521,706)	(1,309,380)
DNR	(313,024)	(785,628)	(417,365)	(1,047,504)
Total TSR Loss	($13,225,254)	($33,192,795)	($17,633,672)	($44,257,060)
Local Funds	(13,960,860)	(35,039,022)	(18,614,480)	(46,718,696)

Summary

B&P estimates that this proposal may reduce TSR by $20,418,980 to $45,761,215 during FY26. Once fully implemented in FY27, this proposal may reduce TSR by $27,225,307 to $61,014,953 annually. In addition, this proposal could reduce local sales taxes by $28,739,614 to $64,408,684 annually once fully implemented. Table 1 shows the estimated impact by provision and fund.

Table 1: Total Estimated Loss by Provision and Fund

State Fund	FY26		FY27+	
General Revenue	Low	High	Low	High
Feminine Hygiene	(2,023,964)	(4,783,528)	(2,698,618)	(6,378,037)
Diapers - Child	(3,084,008)	(4,140,794)	(4,112,010)	(5,521,058)
Diapers - Adult	(9,390,713)	(23,568,849)	(12,520,951)	(31,425,132)
Total GR Loss	(14,498,684)	(32,493,170)	(19,331,579)	(43,324,227)
Education				
Feminine Hygiene	(674,655)	(1,594,509)	(899,539)	(2,126,012)
Diapers - Child	(1,028,003)	(1,380,265)	(1,370,670)	(1,840,353)
Diapers - Adult	(3,130,238)	(7,856,283)	(4,173,650)	(10,475,044)
Total Education Loss	(4,832,895)	(10,831,057)	(6,443,860)	(14,441,409)
Conservation				
Feminine Hygiene	(84,332)	(199,314)	(112,442)	(265,752)
Diapers - Child	(128,500)	(172,533)	(171,334)	(230,044)
Diapers - Adult	(391,280)	(982,035)	(521,706)	(1,309,380)
Total Conservation Loss	(604,112)	(1,353,882)	(805,482)	(1,805,176)
DNR				
Feminine Hygiene	(67,465)	(159,451)	(89,954)	(212,601)
Diapers - Child	(102,800)	(138,026)	(137,067)	(184,035)
Diapers - Adult	(313,024)	(785,628)	(417,365)	(1,047,504)
Total DNR Loss	(483,289)	(1,083,106)	(644,386)	(1,444,141)
Total TSR Loss	(20,418,980)	(45,761,215)	(27,225,307)	(61,014,953)
Local Funds				
Feminine Hygiene	(3,008,959)	(7,111,511)	(4,011,946)	(9,482,015)
Diapers - Child	(4,584,891)	(6,155,980)	(6,113,188)	(8,207,973)
Diapers - Adult	(13,960,860)	(35,039,022)	(18,614,480)	(46,718,696)
Total Local Loss	(21,554,711)	(48,306,513)	(28,739,614)	(64,408,684)

Oversight notes officials from B&P and DOR have conducted independent research and 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 a fiscal impact that could exceed DOR's estimated impacts in the fiscal note.

Lastly, **Oversight** notes this proposal includes a sales tax exemption for incontinence products "designed specifically for hygiene matters related to urinary incontinence". Oversight assumes there could be additional exempt items aside from the diapers included in the estimates provided by DOR and B&P. Therefore, **Oversight** will show an unknown loss of sales tax revenue for the sales tax exemption of "incontinence products" for state and local funds beginning in FY 2026.

Officials from the **Department of Health and Senior Services** and the **Department of Social Services** both 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 organizations.

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact on the City of Kansas City.

Oversight notes the above local political subdivisions stated this proposal would have a negative fiscal impact on their respective city/county of an indeterminate amount. Therefore, Oversight will note the DOR's estimates for all local political subdivisions on the fiscal note.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. Oversight notes the proposed sales tax exemption would decrease the amount of sales tax revenue distributed to the Conservation Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

Officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight notes the proposed sales tax exemption would decrease the amount of sales tax revenue distributed to the Park, Soil, and Water Sales Tax Fund. Therefore, Oversight will reflect the DOR's fiscal impact estimates for DNR's funds.

Section 144.812 - Sales and Use Tax Exemption for Certain Broadband Equipment

Officials from the **Office of Administration - Budget and Planning (B&P)** note beginning tax year 2026, this proposal would exempt all machinery and equipment used to provide broadband from state and local sales/use tax. B&P notes that this proposal would include equipment used at the broadband service provider (such as software and hub equipment), equipment used outside (such as fiber and poles), and equipment used within a customer's house (such as modems).

B&P is unable to determine exactly how much is spent each year to provide broadband internet service. However, B&P does have data on the amount of federal grants received by broadband providers since 2019. Based on industry research, labor accounts for approximately 60% of broadband production costs.

For the purpose of this fiscal note, B&P will use federal grant data to estimate the potential sales tax loss. However, B&P notes that this is only partial data and does not account for continuing costs faced by service providers running networks. Therefore, it is likely that the actual impact will exceed (maybe significantly) the impacts estimated below.

Based on multiple sources, B&P was able to determine the following federal grants were awarded to Missouri broadband providers. B&P then split the grants between labor (60%) and equipment (40%).

Table 1: Estimated Broadband Grants

Tax Year	Federal Grants	Est. Labor	Est. Equipment
2019	$30,301,421	$18,180,853	$12,120,568
2020	$137,577,527	$82,546,516	$55,031,011
2021	$39,629,766	$23,777,860	$15,851,906
2022	$94,975,079	$56,985,047	$37,990,032
2023	$364,829,766	$218,897,860	$145,931,906
2024	$457,790,308	$274,674,185	$183,116,123
2025	$421,776,466	$253,065,880	$168,710,586
2026	$395,565,663	$237,339,398	$158,226,265

B&P notes that total investment amounts for 2026 and later are not yet known. Therefore, for tax year 2026, B&P will reflect the potential loss as the range between current known grants and the highest amount awarded (TY 2024). For tax years 2027 and later, B&P will reflect a range between the lowest (TY 2019) and highest (TY 2024) grant years.

Using only the portion of the federal grants used on the purchase of equipment (i.e. 40%), B&P estimates that this proposal could exempt between $158,226,265 and $183,116,123 in taxable sales during calendar year 2026. For calendar years 2027 and beyond, B&P estimates that this proposal could exempt $12,120,568 to $183,116,123 from taxable sales annually. Table 2 shows the estimated impact by calendar year.

Table 2: Estimated Sales Tax Loss by Calendar Year

	CY 2026		CY 2027 +	
State Funds	Low	High	Low	High
General Revenue	($4,746,788)	($5,493,484)	($363,617)	($5,493,484)
Education	($1,582,263)	($1,831,161)	($121,206)	($1,831,161)
Conservation	($197,783)	($228,895)	($15,151)	($228,895)
DNR	($158,226)	($183,116)	($12,121)	($183,116)
Total State Revenues	($6,685,060)	($7,736,656)	($512,095)	($7,736,656)
Local Funds				
Local Sales Tax	($7,056,891)	($8,166,979)	($540,577)	($8,166,979)

Based on historical sales tax data, sales tax collections in a calendar year are split 50/50 between fiscal years, with revenue distributions running one month behind collections. Therefore, B&P estimates that this proposal could reduce TSR by and amount that could exceed $2,785,442 to $3,223,607 in FY26. In future years, this proposal could reduce TSR by an amount that may exceed $512,095 to $7,736,656 annually. Table 3 shows the estimated impact by fiscal year.

Table 3: Estimated Sales Tax Loss by Fiscal Year

	FY 2026		FY 2027	
State Funds	Low	High	Low	High
General Revenue	($1,977,828)	($2,288,952)	($363,617)	($5,493,484)
Education	($659,276)	($762,984)	($121,206)	($1,831,161)
Conservation	($82,410)	($95,373)	($15,151)	($228,895)
DNR	($65,928)	($76,298)	($12,121)	($183,116)
Total State Revenues	**($2,785,442)**	**($3,223,607)**	**($512,095)**	**($7,736,656)**
Local Funds				
Local Sales Tax	($2,940,371)	($3,402,908)	($540,577)	($8,166,979)

Officials from the **Department of Revenue (DOR)** note This will provide a sales tax exemption for all machinery and equipment used to provide broadband communication services. DOR is unable to determine how much of the product outlined in this proposal is sold annually in Missouri.

DOR, however, can find data on the amount of federal grants received by broadband providers. Below is a chart of the federal grants received in Missouri and split between labor costs and estimated equipment costs. Based on additional research DOR knows that about 60% of broadband production costs is labor. Therefore, the department assumes the grants are split as follows:

Table 1: Estimated Broadband Grants

Tax Year	Federal Grants	Est. Labor	Est. Equipment
2019	$30,301,421	$18,180,853	$12,120,568
2020	$137,577,527	$82,546,516	$55,031,011
2021	$39,629,766	$23,777,860	$15,851,906
2022	$94,975,079	$56,985,047	$37,990,032
2023	$364,851,264	$218,910,758	$145,940,506
2024	$457,790,308	$274,674,185	$183,116,123
2025	$421,776,466	$253,065,880	$168,710,586
2026	$395,565,663	$237,339,398	$158,226,265

DOR notes that these grants are given to install and create a broadband network. It should be noted that these networks will take ongoing maintenance in future years. Therefore, any impact projected estimate could be exceeded.

DOR notes that the amount of funding spent on broadband in the future is unknown. As shown above the amount of funding can vary widely year over year. For the fiscal note, DOR will show the impact for each year as the lowest year (2019) to the highest year (2024) of grants received in Missouri.

The exemption will begin on January 1, 2026. Using the data above DOR estimates the impact as follows:

Estimated Sales Tax Loss by Tax Year

		TY 2026 +	
		Low	High
	Est. Investment	$12,120,568	$183,116,123
General Revenue	3%	($363,617)	($5,493,484)
School District	1%	($121,206)	($1,831,161)
Conservation	0.125%	($15,151)	($228,895)
Park, Soil & Water	0.10%	($12,121)	($183,116)
TSR		($512,095)	($7,736,656)
Local Sales Tax	4.46%	($540,577)	($8,166,979)

It should be noted that sales tax is remitted one month behind collection and therefore this will impact state revenue for only 5 months in FY 2026. When converting from tax year to fiscal year DOR uses a 50% in the first year and 50% in the second fiscal year.

Estimated Sales Tax Loss by Fiscal Year

	FY 2026 (5 months)		FY 2027+	
State Funds	Low	High	Low	High
General Revenue	($151,507)	($2,288,952)	($363,617)	($5,493,484)
School District	($50,503)	($762,984)	($121,206)	($1,831,161)
Conservation	($6,313)	($95,373)	($15,151)	($228,895)
Park, Soil & Water	($5,050)	($76,298)	($12,121)	($183,116)
Total State Revenues	**($213,373)**	**($3,223,607)**	**($512,095)**	**($7,736,656)**
Local Funds				
Local Sales Tax	($225,240)	($3,402,908)	($540,577)	($8,166,979)

This will require DOR to update the department's forms ($2,200), DOR's website and its computer programs ($7,327).

Oversight notes the DOR requests one-time cost for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Oversight notes using the data provided by Office of Administration - Budget and Planning, the average amount of federal grants used on the purchase of equipment from 2023-2025 was $165,919,538. For purposes of this fiscal note, Oversight assumes this proposal could exempt at least $165,919,538 in taxable sales each year. Oversight notes the following estimated impact by fund/fiscal year:

Fund	FY 2026 (5 months)	FY 2027+
General Revenue	($2,073,994)	($4,977,586)
School District Trust Fund	($691,331)	($1,659,195)
Conservation	($86,416)	($207,399)
Parks & Soils	($69,133)	($165,920)
Locals	($3,083,338)	($7,400,011)

Oversight is unable to determine the amount of qualifying items sold in the future, therefore, Oversight will show a fiscal impact that could exceed the figures estimated above.

Officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight assumes the proposed sales tax exemption may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect the fiscal impact estimated above for DNR's funds.

Officials from the **Missouri Department of Conservation** assume an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC�s sales taxes are constitutional mandates. Oversight assumes the proposed sales tax exemption may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect the fiscal impact estimated above for MDC's funds.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Oversight notes the above local political subdivision stated this proposal would have a negative fiscal impact on their respective city of an indeterminate amount. Oversight assumes the proposed sales tax exemption may decrease the amount of sales tax revenue distributed to various local political subdivisions. Therefore, Oversight will note the fiscal impact estimated above for all local political subdivisions on the fiscal note.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>Section 321.552 & 321.554 & 321.556 Sales Tax for Fire & Ambulance Districts</u>

In response to a similar proposal from this year, (HCS for HB 1268) officials from the **Department of Revenue (DOR)** assume this proposal would allow any governing body of an ambulance or fire protection district to impose a sales tax in an amount up to one-half of one percent on all retail sales made in such district. In order to have the sales tax, the district would be required to hold an election and notify the Department of the increase. The first available election would be April 2026, so the tax would not be collected until October 2026 (FY 2027) and remitted starting November 2026.

DOR notes that DOR is able to retain 1% of all sales tax collected as reimbursement of DOR's collection costs. The amount retained is deposited into general revenue.

DOR notes that some districts already have a sales tax that varies from 0.375% to 0.5%. DOR is unable to predict how many ambulance and fire districts that don't have this sales tax will adopt one. This will not have a fiscal impact on the DOR to administer unless a political subdivision adopts the sales tax rate. At that time, it would cost $7,327 to update DOR's computer system per political subdivision rate change.

This proposal also requires that if a district passes a sales tax, they must adjust their levy to account for this additional funding. Additionally, this proposal establishes procedures that allow citizens to repeal this sales tax in the future. These provisions will not impact DOR.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this provision would increase the allowable sales tax rate from 0.5% to 1.0%. To the extent that this provision results in additional sales tax collections, this provision may impact TSR through the 2% DOR cost of collection Fee.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR for the potential increase in revenue from the 1% administration fee and the cost for computer updates to DOR's system for each political subdivision. Oversight notes in order for the updates to DOR's computer system to reach the $250,000 threshold, 34 ($250,000/$7,327) political subdivisions would need to adopt a new sales tax rate. Those cost would also be offset by the 1% administration fee. Oversight does not have enough information at this time to determine the amount of revenue that would be generated from these political subdivisions if a new sales tax on emergency services is adopted. Therefore, until more information is available, Oversight will assume the unknown impact to GR will not meet the $250,000 threshold.

Oversight notes the provisions of this proposal would only impact the local political subdivisions' (LPS) emergency services within Clay County and St. Louis County since the original exception language was repealed in this version of the bill. Oversight is unclear how many additional governing bodies of these counties would impose a sales tax. Therefore, Oversight will reflect a $0 (no sales tax adopted) or unknown revenue to these LPS for this proposal.

Officials from the **Kansas City Election Board** state that depending on when the election is held, costs could range up to $800,000. The state would pay their pro-rata share based on registered voters.

Oversight assumes the timing for an election to adopt a sales tax for emergency services would take place during a regular election cycle (April or November) to streamline any election costs that would be impacted. Therefore, Oversight will assume no direct fiscal impact from this proposal.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
Potential Revenue Gain - §67.547 & §67.582 - DOR 1% Collection Fee, **if** approved by voters - p. (3)	$0 or Unknown	$0 or Unknown	$0 or Unknown
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Sunrise Beach, **if** approved by voters - p. (6)	$0	$0 or up to $1,950	$0 or up to $2,984
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Hannibal, **if** approved by voters - p. (7)	$0	$0 or up to $14,449	$0 or up to $22,108
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Sikeston, **if** approved by voters - p. (8)	$0	$0 or up to $14,358	$0 or up to $21,967
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Moberly, **if** approved by voters - p. (9)	$0	$0 or up to $10,921	$0 or up to $16,710
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Joplin, **if** approved by voters - p. (10)	$0	$0 or up to $61,755	$0 or up to $94,485
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Nevada, **if** approved by voters - p. (11)		$0 or up to $7,596	$0 or up to $11,622
Potential Costs - §94.900 - DOR - System updates, sales/use map changes, and website updates, **if** approved by voters	$0	$0 or up to ($43,968)	$0
Cost – Property Tax Credit – Sections 135.010, 135.025 & 135.030 p. (28)	More or Less than ($72,061,901)	More or Less than ($77,895,120)	More or Less than ($84,243,356)
Costs - §143.121 - DOR - Income Tax Subtraction for Capital Gains - p. (49)	($20,518)	$0	$0

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
Revenue Reduction **-** §143.121 - Individual Income Tax - Income Tax Subtraction for Capital Gains - p. (50)	($151,171,356)*	($106,442,914)	($105,495,868)
Revenue Reduction **-** §143.121 - Corporate Income Tax - Income Tax Deduction for Capital Gains - pp. (51-52)	Could exceed ($183,626,876)*	Could exceed ($126,639,225)	Could exceed ($126,639,225)
Revenue Reduction - §144.029 Exemption on child diapers - p. (54)	Could Exceed ($1,719,656)	Could Exceed ($2,292,875)	Could Exceed ($2,292,875)
Revenue Reduction - §144.029 Exemption on adult diapers - p. (54)	Could Exceed ($16,951,587)	Could Exceed ($22,602,116)	Could Exceed ($22,602,116)
Revenue Reduction - §144.029 Exemption on adult incontinent products - p. (60)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.029 Exemption on feminine hygiene products - p. (55)	Could Exceed ($2,211,906)	Could Exceed ($2,949,208)	Could Exceed ($2,949,208)
Revenue Reduction - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment - p. (64)	Could exceed ($2,073,994)	Could exceed ($4,977,586)	Could exceed ($4,977,586)
Potential Revenue Gain - §321.552 - DOR - potential collection of 1% administration fee on the adoption of a sales tax for emergency services, **if** approved by voters - p. (66)	$0	$0 or Unknown	$0 or Unknown
Cost – DOR – updates to computer system per local political subdivision's rate change	$0	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Could exceed ($429,837,794)**	**Could exceed ($342,776,824**	**Could exceed ($347,663,571**

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
		to **($343,843,012)**	**to** **$349,200,234)**
SCHOOL DISTRICT TRUST FUND			
Revenue Reduction - §144.029 Exemption on child diapers - p. (54)	Could Exceed (573,219)	Could Exceed ($764,292)	Could Exceed ($764,292)
Revenue Reduction - §144.029 Exemption on adult diapers - p. (54)	Could Exceed ($5,650,529)	Could Exceed ($7,534,039)	Could Exceed ($7,534,039)
Revenue Reduction - §144.029 Exemption on adult incontinent products - p. (60)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.029 Exemption on feminine hygiene products - p. (55)	Could Exceed ($737,302)	Could Exceed ($983,069)	Could Exceed ($983,069)
Revenue Reduction - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment - p. (64)	Could exceed ($691,331)	Could exceed ($1,659,195)	Could exceed ($1,659,195)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**Could exceed ($7,652,381)**	**Could exceed ($10,940,595)**	**Could exceed ($10,940,595)**
PARKS AND SOILS STATE SALES TAX FUNDS			
Revenue Reduction - §144.029 Exemption on child diapers - p. (54)	Could Exceed ($57,322)	Could Exceed ($76,429)	Could Exceed ($76,429)
Revenue Reduction - §144.029 Exemption on adult diapers - p. (54)	Could Exceed ($565,053)	Could Exceed ($753,404)	Could Exceed ($753,404)
Revenue Reduction - §144.029 Exemption on adult incontinent products - p. (60)	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
Revenue Reduction - §144.029 Exemption on feminine hygiene products - p. (55)	Could Exceed ($73,730)	Could Exceed ($98,307)	Could Exceed ($98,307)
Revenue Reduction - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment - p. (64)	Could exceed ($69,133)	Could exceed ($165,920)	Could exceed ($165,920)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**Could Exceed ($765,238)**	**Could Exceed ($1,094,060)**	**Could Exceed ($1,094,060)**
CONSERVATION COMMISSION FUND			
Revenue Reduction - §144.029 Exemption on child diapers - p. (54)	Could Exceed ($70,219)	Could Exceed ($93,626)	Could Exceed ($93,626)
Revenue Reduction - §144.029 Exemption on adult diapers - p. (54)	Could Exceed ($706,316)	Could Exceed ($941,755)	Could Exceed ($941,755)
Revenue Reduction - §144.029 Exemption on adult incontinent products - p. (60)	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.029 Exemption on feminine hygiene products - p. (55)	Could Exceed ($92,163)	Could Exceed ($122,884)	Could Exceed ($122,884)
Revenue Reduction - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment - p. (64)	Could exceed ($86,416)	Could exceed ($207,399)	Could exceed ($207,399)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**Could Exceed ($955,114)**	**Could Exceed ($1,365,664)**	**Could Exceed ($1,365,664)**

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITCAL SUBDIVISIONS			
Potential Revenue Gain - §67.547 - County Sales Tax Rate Limit Increase, **if** approved by voters - p. (3)	$0 or Unknown	$0 or Unknown	$0 or Unknown
Potential Revenue Gain - §67.582 - Law Enforcement County Sales Tax Rate Limit Increase, **if** approved by voters - p. (4)	$0 or Unknown	$0 or Unknown	$0 or Unknown
Revenue – §67.1367 - potential income from transient guest tax, **if** approved by voters - p. (5)	$0 or Unknown	$0 or Unknown	$0 or Unknown
Potential Revenue Gain - §67. 1367- Ste. Genevieve County - Potential income from transient guest tax, **if** approved by voters - p. (5)	$0	$0 or Unknown	$0 or Unknown
Potential Revenue Gain - §67.1367 - Perry County - Potential income from transient guest tax, **if** approved by voters p. (5)	$0	$0 or Unknown	$0 or Unknown
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Sunrise Beach, **if** approved by voters - p. (6)	$0	$0 or up to $193,088	$0 or up to $295,424
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Hannibal, **if** approved by voters - p. (7)	$0	$0 or up to $1,430,489	$0 or up to $2,188,649
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Sikeston, **if** approved by voters - p. (8)	$0	$0 or up to $1,421,410	$0 or up to $2,174,757
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Moberly, **if** approved by voters - p. (9)	$0	$0 or up to $1,081,226	$0 or up to $1,654,277

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Joplin, **if** approved by voters - p. (10)	$0	$0 or up to $6,113,733	$0 or up to $9,354,011
Potential Revenue Gain - §94.900 - DOR 1% Collection Fee - Nevada, **if** approved by voters - p. (11)	$0	$0 or up to $752,017	$0 or up to $1,150,586
Revenue Reduction - §144.029 Exemption on adult incontinent products - p. (62)	(Unknown)	(Unknown)	(Unknown)
Revenue Loss - §144.029 Diaper & Feminine Hygiene Product Sales Tax Exemption* - p. (56)	Could Exceed ($31,046,283)	Could Exceed ($41,395,043)	Could Exceed ($41,395,043)
Potential Revenue - §321.552 - Revenue on new sales taxes adopted for emergency services **if** approved by voters - p. (66)	$0	$0 or Unknown	$0 or Unknown
ESTIMATED NET EFFECT ON LOCAL POLITCAL SUBDIVISIONS	**More or Less than ($31,046,283)**	**More or Less than ($30,403,080)**	**More or Less than ($24,577,399)**

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

LAW ENFORCEMENT SALES TAXES

Current law limits the aggregate amount of sales tax levied by a county pursuant to the County Sales Tax Act to 1%. This act increases such limit to 1.5% for Ozark County, provided that any tax in excess of 1% is levied for the purpose of providing law enforcement services, and provides that any sales tax levy approved during the November 8, 2022, general election shall be deemed to be in compliance with state law if the aggregate amount of sales tax levied pursuant to the County Sales Tax Act is not in excess of 1.5%. (Section 67.547)

Current law authorizes certain counties to levy a sales tax for the purpose of providing law enforcement services to such county, with the rate not to exceed 0.5%. This act authorizes such levy not to exceed 1%. (Section 67.582)

TRANSIENT GUEST TAXES

Current law authorizes certain cities to impose a transient guest tax for the purpose of funding the promotion, operation, and development of tourism. This act also allows the proceeds from such tax to be used for the operating costs of a community center. (Section 67.1366)

This act adds the counties of Ste. Genevieve and Perry to the list of counties authorized to impose a transient guest tax for the promotion of tourism. (Section 67.1367)

PUBLIC SAFETY SALES TAXES

This act adds the village of Sunrise Beach and the cities of Hannibal, Moberly, Nevada, and Joplin to the list of cities authorized to impose a sales tax for the purposes of public safety. (Section 94.900)

SENIOR CITIZENS PROPERTY TAX CREDIT

Current law authorizes an income tax credit for certain senior citizens and disabled veterans in amount equal to a portion of such taxpayer's property tax liabilities, with the amount of the credit dependent on the taxpayer's income and property tax liability. This act modifies the definition of "income" to increase the amount deducted from Missouri adjusted gross income from $2,000 to $2,800, or, for claimants who owned and occupied the residence for the entire year, such amount is increased from $4,000 to $5,800. (Section 135.010)

The maximum allowable credit under current law is limited to $750 in rent constituting property taxes actually paid or $1,100 in actual property tax paid. This act increases such amounts to $1,055 and $1,550, respectively, and annually adjusts such maximum amounts for inflation. (Section 135.025)

Additionally, current law limits the tax credit to qualifying taxpayers with an income of $27,500 or less, or $30,000 in the case of a homestead owned and occupied by a claimant for the entire year. This act increases such maximum income to $38,200 for claimants with a filing status of single, $42,200 for claimants with a filing status of single and who owned and occupied a homestead for the entire year, $41,000 for claimants with a filing status of married filing combined, and $48,000 for claimants with a filing status of married filing combined and who owned and occupied a homestead for the entire year, and annually adjusts such amounts for inflation. (Section 135.030)

CAPITAL GAINS DEDUCTION

For all tax years beginning on or after January 1, 2025, this act authorizes an income tax deduction for one hundred percent of all income reported as a capital gain for federal income tax purposes by an individual subject to individual income tax.

For all tax years beginning on January 1 of the tax year immediately following the tax year in which the top rate of income tax is equal to or less than 4.5%, this act authorizes an income tax deduction for one hundred percent of all income reported as a capital gain for federal income tax purposes by entities subject to corporate income tax. (Section 143.121)

HYGIENE PRODUCTS SALES TAX EXEMPTION

This act authorizes a state sales tax exemption for retail sales of diapers, feminine hygiene products, and incontinence products. (Section 144.029)

BROADBAND SALES TAX EXEMPTION

For all tax years beginning on or after January 1, 2026, this act authorizes a state and local sales tax exemption for machinery and equipment used to provide broadband communications service by a broadband communications service provider, as such terms are defined in the act. (Section 144.812)

EMERGENCY SERVICES SALES TAXES

Current law authorizes counties to provide a credit for the property tax liabilities of certain seniors. This act provides that the calculation of such credit shall not include any reduction in emergency services property tax levies. (Section 137.1050)

Current law authorizes ambulance and fire protection districts in certain counties to propose a sales tax at a rate of up to 0.5%. This act allows such districts to propose a sales tax of up to 1.0%, and repeals a prohibition on certain counties imposing such tax. (Section 321.552)

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

Department of Revenue
Office of Administration - Budget and Planning
Department of Natural Resources
Missouri Department of Conservation
City of Kansas City

Julie Morff
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April 6, 2025

Jessica Harris
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April 6, 2025