

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2502H.02I
Bill No.: HB 1272
Subject: Taxation and Revenue - Income; Tax Incentives; Education, Higher; Treasurer,
State; Children and Minors
Type: Original
Date: March 25, 2025

Bill Summary: This proposal modifies provisions governing contributions to qualified tuition programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue	Unknown	Unknown	Unknown

***Oversight** assumes the above fiscal impact could exceed \$250,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> 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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 166.435 - Subtraction to the Missouri Education Program

Officials from the **Department of Revenue (DOR)** note this proposal modifies the subtraction to the Missouri education program, otherwise known as a 529 plan. Currently the subtraction applies to any contribution made to any 529 plan regardless of whether the plan is a Missouri 529 plan or a non-Missouri 529 plan. This proposal would no longer allow the subtraction for contributions to non-Missouri plans. This proposal would require DOR to modify the department's forms (\$2,200) and the department's computer program (\$7,327) for this change.

DOR notes that removing a subtraction could result in increased revenue to the state. DOR was not able to determine the number of contributions claimed from Missouri and non-Missouri 529 plans but assume this could increase revenue over \$250,000 annually.

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 under current law, taxpayers can subtract contributions made to qualifying 529 plans from their gross income. This proposal modifies the subtraction to only include Missouri 529 plans. Oversight assumes this proposal will decrease the amount of revenue eligible for the subtraction, therefore resulting in savings to general revenue.

Oversight is unable to determine the number of contributions and subsequent subtractions of income are made from non-Missouri 529 plans. Therefore, Oversight will reflect an unknown positive fiscal impact to general revenue. Oversight assumes this impact could exceed \$250,000.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Savings - §166.435 - Modification of MO 529 Plan subtractions</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Under this bill, annual contributions made only to the deposit program, or the Missouri education program established under Sections 166.400 to 166.455, RSMo, or both, can be subtracted for determining the Missouri adjusted gross income, up to \$8,000 per taxpayer, and up to \$16,000 for married individuals filing a joint tax return.

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



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March 25, 2025



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March 25, 2025