

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2709H.02P
 Bill No.: Perfected HCS for HB 1259
 Subject: Taxation and Revenue - Income; Taxation and Revenue - General; Tax Incentives;
 Estates, Wills and Trusts; Department of Revenue
 Type: Original
 Date: March 12, 2025

Bill Summary: This proposal modifies provisions relating to the taxation of estates and trusts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$700,259)	Up to (\$88,110,146)	Up to (\$88,126,755)
Total Estimated Net Effect on General Revenue	(\$700,259)	Up to (\$88,110,146)	Up to (\$88,126,755)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Inmate Incarceration Reimbursement Act Revolving Fund (0828)	(\$920,305)	(\$920,305)	(\$920,305)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$920,305)	(\$920,305)	(\$920,305)

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
General Revenue - OSCA	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 FTE

- 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

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

Sections 143.081 & 143.341- Taxation of Estates & Trusts

Officials from the **Department of Revenue (DOR)** noted this proposal would change how resident estates and trusts are taxed. Currently a resident estate or trust is one in which the estate or trust was created at the time of the owner's death, and they were a Missouri resident at their death. The estate or trust is required to file fiduciary tax on behalf of the estate or trust. Section 143.311 requires that resident estates and trusts are taxed the same as individuals when paying income tax. Additionally, the statutes specify that the fiduciary tax rate is the same rate as the individual income tax rate of 4.7% in tax year 2025.

The Missouri taxable income of a resident estate or trust means its federal taxable income with the following adjustments. The estate or trust can subtract the allowable federal personal exemption deduction and can make adjustments to their federal taxable income per Section 143.341. This proposal would add another subtraction to Section 143.341.

This will require resident estates and trusts to make a new hypothetical determination in order to calculate their Missouri taxable income. The new hypothetical determination is "the amount included in Missouri taxable income of the estate or trust that would not be included as Missouri taxable income pursuant to section 143.381, as if said estate or trust were considered a nonresident estate or trust as defined in section 143.371." Therefore, the Missouri resident trust would get a nonresident credit.

This proposal attempts to allow a resident estate or trust to include in its Missouri taxable income only items of income, gain, loss, or deduction from sources within Missouri, and additionally, receive a benefit from a credit for income tax paid to another state under section 143.081. This would allow them to limit their income to Missouri-sourced income and get a full credit for the income. This would end up treating all estates as if they are nonresident estates.

This proposal may reduce the amount of income that a resident estate or trust could owe in tax. DOR notes that in fiscal year 2024, DOR collected \$87,264,064 in fiduciary tax. DOR is unable to estimate the actual amount that could be reduced by assumes it could be up to the \$87,264,064 currently collected.

This would require DOR to modify the department's MO-1041 at a cost of \$2,200. This will also require the department's computer system to be updated at a cost of \$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.

Officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would allow Missouri estates and trusts to subtract the Missouri apportioned income from their Missouri taxable income, starting with tax year 2026.

B&P notes that this essentially allows estates and trusts to eliminate their Missouri income tax by classifying all income as earned outside of Missouri. Missouri collected \$87,264,064 in fiduciary tax during FY2. Therefore, B&P estimates that this proposal will reduce TSR and GR by up \$87,264,064 annually beginning FY27 (for tax year 2026 income).

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

HA 2 Section 456.008 - Requirement of Title Search to Create Trust

In response to a similar proposal, HB 1215 (2023), officials from the **Department of Commerce and Insurance** and the **State Tax Commission** each assumed 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.

HA 4 Sections 456.1-108, 456.10-1005, 474.540, 474.542, 474.544, 474.546, 474.548, 474.550, 474.552, 474.554, 474.556, 474.558, 474.560, 474.562, 474.564 & 474.600 - Estate Planning

In response to a similar proposal, HCS for HB 176 (2025), officials from the **Department of Commerce and Insurance, Department of Health and Senior Services, Department of Mental Health, Department of Economic Development, Office of the State Courts Administrator** and the **Department of Social Services** 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.

In response to a similar proposal, HCS for HB 176 (2025), officials from the **Office of Attorney General (AGO)** assume any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight does not have any information to the contrary. Therefore, Oversight assumes the AGO will be able to perform any additional duties required by this proposal with current staff and resources and will reflect no fiscal impact to the AGO for fiscal note purposes.

Upon brief review, **Oversight** notes that electronic wills are only accepted in a few states currently. Some states have updated their statutes to allow e-wills. Electronic wills are now legal in Nevada, Florida, Indiana, and Arizona. Utah and Colorado have also recently adopted the Uniform Electronic Wills Act, which is a model law created by the Uniform Laws Commission. In other instances, some state courts have accepted e-wills on a case-by-case basis. COVID-19 also caused some courts to temporarily allow remote witnessing as an emergency measure.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other counties and county circuit clerks 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.

HA 2 Section 478.700 - Adds Circuit Judge to the 25th Judicial Circuit

In response to a similar proposal, HB 435 (2025), officials from the **Office of the State Courts Administrator (OSCA)** stated §478.700 adds one additional circuit judge to the Twenty-Fifth Judicial circuit to be elected in 2028. The FY26 salary of a circuit judge is projected to be \$180,602 plus E&E of \$2,978 (\$2,117 one-time; \$861 on-going).

The addition of a circuit judge includes a court reporter for the circuit judge. The FY25 starting salary of a court reporter is \$72,516 plus E &E of \$2,978 (\$2,117 one-time; \$861 on-going).

Therefore, the cost of the proposed legislation for the addition of a circuit judge and a court reporter is estimated to be approximately \$259,074 (salaries + E&E) annually, starting in FY28.

Oversight has no information to the contrary. However, Oversight assumes the judge will be appointed by the Governor before the election and will present the fiscal impact of this proposal beginning in FY26.

In response to a similar proposal, HB 435 (2025), officials from the **Office of the Governor (GOV)** stated this bill adds to the Governor's current load of appointment duties. Individually, additional requirements should not fiscally impact the GOV. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the GOV.

Oversight has no information to the contrary. Therefore, Oversight will present no fiscal impact for this proposal for the GOV.

In response to a similar proposal, HB 435 (2025), officials from the **Office of the Secretary of State** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not

have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

HA 2 Section 478.705 - Adds Associate Circuit Judge to the 26th Judicial Circuit, Miller County

In response to a similar proposal, SB 288 (2025), officials from the **Office of the State Courts Administrator (OSCA)** stated §478.690 adds one additional associate circuit judge to the Twenty-fourth Judicial circuit to be elected in 2026. The FY26 salary of an associate circuit judge is projected to be \$166,154 plus E&E of \$2,978 (\$2,117 one-time; \$861 on-going).

The addition of an associate circuit judge includes a senior court clerk for the associate circuit judge. The FY25 starting salary of a senior court clerk is \$46,057 plus E &E of \$2,978 (\$2,117 one-time; \$861 on-going).

Therefore, the cost of the proposed legislation for the addition of an associate circuit judge and a senior court clerk is estimated to be approximately \$218,167 (salaries + E&E) annually, starting in FY28.

Oversight has no information to the contrary. Oversight assumes the judge will be appointed by the Governor before the election and will present the fiscal impact of this proposal beginning in FY26. Oversight calculated fringe benefits for the FTE based on information provided by OSCA.

In response to a similar proposal, SB 288 (2025), officials from the **Office of the Governor (GOV)** stated this bill adds to the Governor's current load of appointment duties. Individually, additional requirements should not fiscally impact the GOV. However, the cumulative impact of additional appointment duties across all enacted legislation may require additional resources for the GOV.

Oversight has no information to the contrary. Therefore, Oversight will present no fiscal impact for this proposal for the GOV.

HA 3 A.A Section 632.305 - Notarization Requirements for Certain Mental Health Detentions

In response to a similar proposal, HB 543 (2025), officials from the **Department of Commerce and Insurance**, the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Public Safety - Missouri Highway Patrol**, the **Missouri Office of Prosecution Services**, the **Office of the State Public Defender**, the **University of Missouri System**, the **Phelps County Sheriff's Department**, the **Kansas City Police Department**, **Office of the State Courts Administrator**, and the **St. Louis County Police Department** 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.

HA 3 A.A. Repeals Sections 217.825 to 217.841 and implements Section 650.058 - Missouri Incarceration Reimbursement Act

Officials from the Department of Corrections (DOC) stated the proposed legislation appears to repeal MIRA. The Missouri Incarceration Reimbursement Act (MIRA) is the recovery of the cost of incarceration from assets of prisoners that meet the threshold pursuant to Section 217.831. The department is appropriated \$750,000 for institutional EE from the MIRA fund each year. These funds are utilized for the operations of state correctional facilities. Should the MIRA funds go away, the department will require a GR pickup to continue the operational services these funds currently provide.

Oversight does not have any information contrary to that provided by DOC. Therefore, Oversight will reflect DOC's impact for fiscal note purposes.

In response to a similar proposal, HB 723 (2025) officials from the **Office of Attorney General (AGO)** assumed any potential litigation costs arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in litigation or investigation costs.

Oversight notes the AGO is also appropriated money from the Inmate Incarceration Reimbursement Act Revolving Fund. In FY 2025, the AGO received \$170,305. For purposes of this fiscal note, Oversight will reflect this amount in addition to the loss provided by the DOC, for an anticipated annual loss of \$920,305 (\$750,000 + \$170,305).

Oversight notes the Inmate Incarceration Reimbursement Act Revolving Fund (0828) had a fund balance of \$492,699 on December 31, 2024.

In response to a similar proposal, HB 723 (2025) officials from the **Department of Labor and Industrial Relations**, the **Department of Public Safety – (Office of the Director and Missouri Highway Patrol)**, the **Department of Revenue**, the **Department of Social Services**, the **Missouri Office of Prosecution Services**, the **Office of Administration**, the **Office of the Secretary of State**, the **Office of the State Courts Administrator**, the **Office of the State Treasurer**, the **City of Kansas City**, and the **Phelps County Sheriff's Department** each assumed 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.

Responses regarding the proposed legislation as a whole

Officials from the **Office of the State Treasurer**, **City of Kansas City**, **Kansas City Police Dept.**, **Missouri Office of Prosecution Services**, 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Loss</u> - §143.341 - Changes to the taxation of estates and trusts - p. (4)	\$0	(Up to \$87,264,064)	(Up to \$87,264,064)
<u>Costs</u> - HA 2 - §478.700 - OSCA - p. (5)			
Personal service	(\$210,932)	(\$258,180)	(\$263,344)
Fringe benefits	(\$159,004)	(\$194,621)	(\$198,513)
Equipment and expense	(\$5,956)	(\$1,756)	(\$1,792)
<u>Total Costs</u> - OSCA	<u>(\$375,892)</u>	<u>(\$454,557)</u>	<u>(\$463,649)</u>
FTE Change - OSCA	2 FTE	2 FTE	2 FTE
<u>Costs</u> - HA 2 - §478.705 - OSCA - p. (6)			
Personal service	(\$176,843)	(\$216,455)	(\$220,784)
Fringe benefits	(\$141,855)	(\$173,314)	(\$176,466)
Equipment and expense	(\$5,669)	(\$1,756)	(\$1,792)
<u>Total Costs</u> – OSCA	<u>(\$324,367)</u>	<u>(\$391,525)</u>	<u>(\$399,042)</u>
FTE Change – OSCA	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$700,259)</u>	<u>Up to (\$88,110,146)</u>	<u>Up to (\$88,126,755)</u>
Estimated Net FTE Change on General Revenue	4 FTE	4 FTE	4 FTE
INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND (0828)			
<u>Loss</u> - HA 3 A.A. §§217.825 to 217.841 - DOC -Loss of funding - p. (7)	(\$750,000)	(\$750,000)	(\$750,000)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
Loss - HA 3 A.A. §§217.825 to 217.841 - AGO - Loss of funding - p. (7)	<u>(\$170,305)</u>	<u>(\$170,305)</u>	<u>(\$170,305)</u>
ESTIMATED NET EFFECT ON THE INMATE INCARCERATION REIMBURSEMENT ACT REVOLVING FUND	<u>(\$920,305)</u>	<u>(\$920,305)</u>	<u>(\$920,305)</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

The proposed legislation modifies provisions relating to civil jurisprudence.

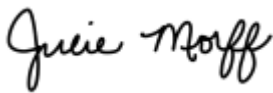
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
 Office of Administration - Budget and Planning
 Department of Commerce and Insurance
 State Tax Commission
 Department of Health and Senior Services
 Department of Mental Health
 Department of Economic Development
 Office of the State Courts Administrator
 Department of Social Services
 Attorney General’s Office
 Office of the Governor
 Office of the Secretary of State
 Department of Commerce and Insurance
 Department of Mental Health

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Department of Public Safety -
Missouri Highway Patrol
Office of the Director
Missouri Office of Prosecution Services
Office of the State Public Defender
University of Missouri System
Phelps County Sheriff's Department
Kansas City Police Department
St. Louis County Police Department
Department of Corrections
Department of Labor and Industrial Relations
Office of the State Treasurer
City of Kansas City



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March 12, 2025



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