

FIRST REGULAR SESSION

HOUSE BILL NO. 421

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MAYHEW.

0523H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To amend chapter 143, RSMo, by adding thereto one new section relating to an income tax exemption for certain state employees.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 143, RSMo, is amended by adding thereto one new section, to be known as section 143.024, to read as follows:

143.024. 1. For the purposes of this section, the following terms mean:

(1) "Federal poverty guidelines", the federal poverty guidelines updated annually in the Federal Register by the United States Department of Health and Human Services under the authority of 42 U.S.C. Section 9902(2), as amended;

(2) "Qualified state employee income", to the extent included in the state employee's federal adjusted gross income, the amount of any wages or salaries, including any retirement income, paid to a state employee as direct remuneration for services provided and derived from state employment that does not exceed six hundred percent of the federal poverty guidelines for an individual and calculated without regard to any other sources of income or persons in the state employee's family or household. The term "qualified state employee income" as used under this section shall not include the state employee's income from sources other than state employment, as calculated and taxed under this chapter;

(3) "State employee", any individual with an income tax liability under this chapter, excluding the withholding tax imposed by sections 143.191 to 143.265, who is employed in a full-time or part-time position by the state of Missouri and earns a salary or wage in a position normally requiring the actual performance by him or her of duties

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in bold-face type in the above bill is proposed language.

18 in such state employment, as defined under this section. The term "state employee"
19 shall not include any elected or appointed office of the state of Missouri, any contractor
20 or independent contractor, or a person whose payment is contingent on the commission
21 or performance of work on a specific, one-time basis;

22 (4) "State employment", employment by any agency, department, division,
23 office, board, bureau, commission, institution, instrumentality, or other unit of the
24 executive branch, legislative branch, judicial branch, or other governmental entity of
25 the state of Missouri, excluding municipalities, counties, institutions of higher education,
26 and any public retirement system.

27 2. Notwithstanding any other provision of law to the contrary, for all tax years
28 beginning on or after January 1, 2026, there shall be no tax imposed under this chapter
29 on the qualified state employee income of any Missouri resident who is a state employee
30 and there shall be no requirement for employer withholding of such income under
31 section 143.191. Any portion of a state employee's wages or salary derived from state
32 employment that exceeds the threshold for qualified state employee income shall be
33 subject to tax under this chapter on the remaining portion of such wages or salary. The
34 withholding of tax under section 143.191 for the remaining portion of wages and salary
35 may be performed over the course of the tax year based on the difference between the
36 qualified state employee income threshold and the employee's estimated wages or salary
37 from state employment for the year.

38 3. The exemption under this section shall be applied before all other applicable
39 exemptions, deductions, and other modifications allowed by law when calculating a state
40 employee's Missouri adjusted gross income.

41 4. The department of revenue may promulgate all necessary rules and
42 regulations for the administration of this section. Any rule or portion of a rule, as that
43 term is defined in section 536.010, that is created under the authority delegated in this
44 section shall become effective only if it complies with and is subject to all of the
45 provisions of chapter 536 and, if applicable, section 536.028. This section and chapter
46 536 are nonseverable and if any of the powers vested with the general assembly
47 pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul
48 a rule are subsequently held unconstitutional, then the grant of rulemaking authority
49 and any rule proposed or adopted after August 28, 2025, shall be invalid and void.

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