

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 77
103RD GENERAL ASSEMBLY

0959H.05C

JOSEPH ENGLER, Chief Clerk

AN ACT

To amend chapter 135, RSMo, by adding thereto one new section relating to a tax credit for certain educational expenses.

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

Section A. Chapter 135, RSMo, is amended by adding thereto one new section, to be
2 known as section 135.721, to read as follows:

**135.721. 1. This section shall be known and may be cited as the "Missouri
2 Parental Choice Tax Credit Act".**

3 **2. As used in this section, the following terms mean:**

4 **(1) "Department", the Missouri department of revenue;**

5 **(2) "Eligible education expenses", in a given tax year the following costs a
6 qualified taxpayer incurs for the educational needs of a qualified student who is enrolled
7 in and attends a qualified school:**

8 **(a) Tuition and fees;**

9 **(b) Textbooks;**

10 **(c) Curriculum as defined under section 166.700;**

11 **(d) Other instructional materials including, but not limited to, computer
12 software, supplemental materials, or associated online instruction;**

13 **(e) Fees for nationally standardized norm-referenced achievement tests,
14 advanced placement examinations, or any examinations related to college or
15 university admission;**

16 **(f) Tutoring services;**

17 **(g) Fees for summer education programs and specialized after-school education
18 programs;**

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.

19 (h) Services provided by a qualified school including, but not limited to,
20 individual classes and extracurricular programs;

21 (i) Computer hardware or other technological devices that are used to help meet
22 the qualified student's educational needs; and

23 (j) Educational therapies or services from a licensed or accredited practitioner
24 or provider including, but not limited to, licensed or accredited paraprofessionals or
25 educational aides;

26 (3) "Public school", any public school in the state of Missouri, as such term is
27 defined under section 160.011, including, but not limited to, a charter school as defined
28 in section 160.400 or a public virtual school as described under section 161.670;

29 (4) "Qualified amount", for any qualified taxpayer in a given tax year, an
30 amount equal to one hundred percent of the total eligible education expenses incurred
31 by a qualified taxpayer in a given tax year per qualified student per tax year;

32 (5) "Qualified school", a family paced education school or FPE school as defined
33 in section 167.012, a family paced education school or FPE school as defined under
34 section 167.013, or any of the following entities that is incorporated in Missouri and that
35 does not discriminate on the basis of race, color, or national origin:

36 (a) A private school as defined under section 166.700;

37 (b) A private virtual school;

38 (c) A parochial school; or

39 (d) A parish school;

40 (6) "Qualified student", any resident individual of this state who:

41 (a) Is properly listed as a dependent of the qualified taxpayer on the qualified
42 taxpayer's state income tax return;

43 (b) Is the natural or adopted child of the qualified taxpayer or is an individual
44 for whom the qualified taxpayer has been court-appointed as a legal guardian or
45 custodian; and

46 (c) Is eligible to enroll in an elementary or secondary public school in this state,
47 but who is enrolled in or attending a qualified school as a full-time student;

48 (7) "Qualified taxpayer", any resident individual subject to the state income tax
49 imposed under chapter 143, excluding the withholding tax imposed under sections
50 143.191 to 143.265, who is not a dependent of another individual and is the biological or
51 adoptive parent, legal guardian, custodian, or other person with legal authority to act on
52 behalf of a qualified student;

53 (8) "Tax credit", a credit against the tax otherwise due under chapter 143,
54 excluding withholding tax imposed under sections 143.191 to 143.265.

55 **3. The following costs a qualified taxpayer incurs for the educational needs of a**
56 **qualified student shall not be deemed eligible education expenses under this section:**

- 57 **(1) Paper;**
58 **(2) Pens;**
59 **(3) Pencils;**
60 **(4) Markers;**
61 **(5) Erasers;**
62 **(6) Notebooks;**
63 **(7) Other similar consumable education supplies; or**
64 **(8) Costs incurred as a result of a qualified student's participation in academic,**
65 **athletic, social, or extracurricular activities provided or sponsored by:**
66 **(a) A public school as defined in section 160.011;**
67 **(b) A charter school as defined in section 160.400; or**
68 **(c) A public virtual school as described in section 161.670.**

69 **4. For all tax years beginning on or after January 1, 2026, a qualified taxpayer**
70 **shall be allowed to claim a tax credit against the qualified taxpayer's state tax liability**
71 **for a qualified student's eligible education expenses. The amount of each tax credit shall**
72 **not exceed the lesser of:**

- 73 **(1) The qualified taxpayer's qualified amount; or**
74 **(2) The state adequacy target, as defined under section 163.011.**

75 **5. If a qualified student was enrolled in a public school for part of a tax year, the**
76 **amount of the tax credit allowed under this section shall be prorated, based upon that**
77 **proportion of which the total number of school days the qualified student was enrolled**
78 **in or attending the qualified school for the tax year the credit is claimed. The**
79 **department may promulgate rules governing the calculation and proration under this**
80 **subsection.**

81 **6. (1) The department shall prescribe forms for the purpose of applying for and**
82 **claiming the credit authorized by this section. Beginning in January 2026, and each**
83 **year thereafter, the application period shall open on January fifteenth and shall remain**
84 **open for a period of sixty days. The department shall notify parents whether they will**
85 **receive a credit award within thirty days of the close of the application period.**

86 **(2) The department shall calculate the total amount of credits claimed in**
87 **completed applications. If the total amount does not exceed the annual maximum limit,**
88 **the department shall re-open the application period to receive new applications on a**
89 **rolling basis. The department shall continue to accept until the annual maximum limit**
90 **is reached and then shall maintain a waitlist to maximize program participation.**

91 (3) Credits shall be issued on a yearly basis. For applications received in 2026,
92 the department shall give priority to qualified taxpayers whose modified adjusted gross
93 income as indicated on their most recently filed income tax return does not exceed three
94 hundred percent of the federal poverty level. For all application periods beginning on
95 or after January 15, 2027, the department shall give priority status to applications from
96 qualified taxpayers who received a credit in the prior year, followed by qualified
97 taxpayers whose taxable income as indicated on the taxpayer's most recently filed
98 income tax return does not exceed three hundred percent of the federal poverty level.

99 (4) The department may select and contract with third-party vendors to
100 administer the program application process or administer specific functions,
101 maintenance, and monitoring of the program application process as required under
102 the provisions of this subsection. Such vendor selection shall be based on qualifying
103 criteria established by the department and the department shall promulgate rules and
104 regulations applicable to selected third-party vendors addressing program access,
105 application information, data collection and retention, data privacy, and any other
106 provisions necessary to effectuate the implementation of the program under this section.

107 (5) A qualified taxpayer claiming the credit authorized by this section with a
108 qualified student attending a qualified school that is a private school as defined under
109 section 166.700, a family paced education school or FPE school as defined under section
110 167.013, a private virtual school, a parochial school, or a parish school may submit to
111 the department an enrollment verification form from the qualified school in which the
112 qualified student is enrolled or is expected to enroll with the tuition and fees to be
113 charged to the qualified taxpayer for the applicable school year for the purpose of
114 receiving an advance payment of the refundable tax credit.

115 (a) For qualified students enrolled in the full school year who submit an
116 enrollment verification form, an advanced payment of the full credit amount authorized
117 for the school year shall be paid by July thirtieth each year.

118 (b) No later than June fifteenth of each year, each such participating qualified
119 school shall electronically provide information to confirm student enrollment and
120 tuition information for the fall and spring semesters of the preceding school year and
121 any other information requested by the department. Failure to provide this information
122 may result in denial of such school's participation in and qualification for the program
123 under this section in subsequent school years.

124 (6) The department shall deliver an annual report to the general assembly of the
125 number of applications denied or otherwise not accepted. The report shall include the
126 demographic and socioeconomic data and the geographical distribution of the
127 applicants. In reporting the information required by this subdivision, the department

128 shall protect and may not display any personally identifiable information of applicants,
129 qualified taxpayers, qualified students, or the taxpayers' or students' families or legal
130 guardians.

131 (7) The qualified taxpayer shall submit with the qualified taxpayer's return an
132 itemized list of eligible education expenses incurred, identification or other legal
133 documents relating to a qualified student's dependency status, as well as any other
134 information required by the department, on a form to be developed by the department.
135 The qualified taxpayer shall retain all receipts of eligible education expenses as proof of
136 the amounts paid each tax year the credit is claimed and shall submit them to the
137 department upon request.

138 7. Qualified taxpayers claiming the credit shall:

139 (1) Claim the credit for only eligible education expenses as defined under this
140 section to provide an education for a qualified student;

141 (2) Ensure no other person is claiming a credit for the qualified student;

142 (3) Not claim the credit for a qualified student who enrolls as a full-time student
143 in a public school as defined under this section; and

144 (4) Comply with provisions of this section and the rules and requirements
145 established by the department for the administration of the tax credit.

146 8. A qualified taxpayer shall not be eligible to receive a tax credit under this
147 section if such qualified taxpayer is a participant in the Missouri empowerment
148 scholarship accounts program under sections 135.712 to 135.719 and sections 166.700 to
149 166.720 for the same qualified student. Before issuing the tax credit under this section,
150 the department shall verify with the state treasurer that the taxpayer is not a participant
151 in and does not have a pending application for the Missouri empowerment scholarship
152 accounts program for the same qualified student.

153 9. No tax credit claimed under this section shall be assigned, transferred, sold, or
154 otherwise conveyed.

155 10. (1) Tax credits issued under the provisions of this section shall be refundable.
156 No tax credit claimed under this section shall be carried forward to any subsequent tax
157 year.

158 (2) Any refunds issued from this tax credit shall be offset against a qualified
159 taxpayer's outstanding state tax liabilities or certain other debts as described under
160 section 143.611 and sections 143.781 to 143.790.

161 (3) The department shall have the authority to conduct an audit or contract for
162 the auditing of receipts for eligible education expenses submitted under this section.

163 (4) The department is authorized to recapture the tax credits otherwise
164 authorized under this section on a prorated basis if an audit conducted under the

provisions of this section finds that the qualified taxpayer claimed a student who no longer attends a qualified school, has enrolled in a public school on a full-time basis, or for other reasons that would make the qualified taxpayer no longer eligible for the tax credit authorized under this section.

(5) The department may promulgate rules addressing recapture, reconciliation, clerical errors, and any other provisions necessary to effectuate the program under this section.

(6) The refundable tax credit provided under this section, including the advance payment, shall not constitute Missouri taxable income.

(7) Tax credits claimed by a qualified taxpayer under the provisions of this section shall not be used to offset or pay the following:

(a) Delinquent tax liability;

(b) Accrued penalties or interest from the failure to file a report or return;

(c) Accrued penalties or interest from the failure to pay a state tax within the statutory period allowed for its payment;

(d) The tax liability of the qualified taxpayer from any prior tax year; or

(e) Any debt, unpaid fine, final judgment, or claim filed with the department by a qualified entity.

11. Notwithstanding any provision of section 105.1500 to the contrary, any requirement to provide information, documents, or records under this section, and any requirement established by the department to provide information, documents, or records for the purpose of administering and enforcing this section, shall be exempt from section 105.1500.

12. The department, in conjunction with the state treasurer, shall promulgate all necessary rules and regulations for the administration of this section including, but not limited to, rules relating to the verification of a taxpayer's qualified amount. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2025, shall be invalid and void.

13. Under section 23.253 of the Missouri sunset act:

200 (1) The provisions of the new program authorized under this section shall
201 automatically sunset December thirty-first six years after the effective date of this
202 section unless reauthorized by an act of the general assembly;

203 (2) If such program is reauthorized, the program authorized under this section
204 shall automatically sunset December thirty-first twelve years after the effective date of
205 the reauthorization of this section;

206 (3) This section shall terminate on September first of the calendar year
207 immediately following the calendar year in which the program authorized under this
208 section is sunset; and

209 (4) The provisions of this subsection shall not be construed to limit or in any way
210 impair a qualified taxpayer's ability to redeem tax credits authorized on or before the
211 date the program authorized under this section expires.

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