

HCS HB 425 -- CORPORATE INCOME TAXES

SPONSOR: Verneti

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Special Committee on Tax Reform by a vote of 7 to 3.

The following is a summary of the House Committee Substitute for HB 425.

Currently, the taxable income of corporations is equal to 4% of Missouri taxable income.

This bill phases out the Missouri state corporate income tax over a period of years using the following timetable:

(1) Beginning January 1, 2026, the taxable income of corporations will equal 3% of Missouri taxable income;

(2) Beginning January 1, 2027, the taxable income of corporations will equal 2% of Missouri taxable income;.

(3) Beginning January 1, 2028, the taxable income of corporations will equal 1% of Missouri taxable income; and

(4) For all tax years beginning on or after January 1, 2029, there shall be no tax imposed upon the Missouri taxable income of corporations.

Once the corporate tax is fully reduced and eliminated, no corporate income tax credits will be claimed. However, a corporate taxpayer may redeem a refundable tax credit properly claimed and issued before the corporate tax is eliminated.

This bill is similar to HB 2274 (2024) and similar to HB 660 (2023).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that over 80% of all business entities in the state of Missouri have 10 employees or less. These smaller corporate entities drive a great deal of the state's economic growth, and their goods and services help to drive down costs. It is the smaller corporate businesses who suffer the most under the Missouri corporate income tax, which ends up disproportionately punishing small businesses.

Testifying in person for the bill were Representative Verneti; NFIB Missouri; Americans For Prosperity; and Associated Industries of Missouri.

OPPONENTS: Those who oppose the bill say that the decrease and eventual elimination of the corporate income tax will remove a massive amount of revenue from the state that is currently used to provide much needed services for citizens. Opponents further say that removing such a tax does nothing to attract new businesses, or to retain existing in-state businesses. If the corporate income tax is removed, the overall tax burden will shift to lower income Missourians.

Testifying in person against the bill were Missouri Budget Project; and Arnie Dienoff.

OTHERS: Others testifying on the bill say that banks pay corporate income tax and financial institution tax. If the corporate income tax is removed, there could be a similar reduction in the financial institution tax.

Testifying in person on the bill was the Missouri Bankers Association.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.