

HCS HB 798 -- INCOME TAX

SPONSOR: Warwick

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

The following is a summary of the House Committee Substitute for HB 798.

Currently, the top rate of income tax may be reduced over a period of years if certain triggers are met.

Beginning January 1, 2026, a flat rate of 4.7% will be imposed on all taxable income of Missouri residents, or the top rate of tax in effect January 1, 2026, whichever is less. Modifications to the flat rate apply only to tax years that begin on or after a modification takes effect. This bill also removes all tax deduction triggers, and removes all existing taxable income brackets.

Currently, the Missouri combined taxable income on a combined return must include all of the income and deductions of the husband and wife, and Missouri taxable income of each spouse is an amount that is the same proportion of their Missouri combined taxable income as the Missouri adjusted gross income of that spouse bears to their Missouri combined adjusted gross income.

Beginning January 1, 2026, there will be one column for the calculation of total Missouri combined adjusted gross income on a Missouri income tax return.

Beginning January 1, 2026, this bill increases the Missouri standard deduction to the allowable federal standard deduction plus \$4000.

This bill also repeals the Missouri Working Family Tax Credit Act.

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 moving to a flat tax rate will instill fairness and will streamline the process by which the State imposes and collects revenue. Supporters further say that 92% of businesses pay taxes by way of a personal tax return, and that this

bill will greatly reduce the current complicated calculations that are involved.

Testifying in person for the bill were Representative Warwick; Brad Jones, NFIB Missouri; Ray Mccarty, Associated Industries Of Missouri; and Arnie Dienoff.

OPPONENTS: Those who oppose the bill say that repealing the Missouri Working Families tax credit would hurt lower and middle class families who need the extra money for essential household goods and services. Opponents further say that staying with a more progressive tax system would allow the overall tax burden to be shared equally, whereas a flat tax would shift the tax burden to lower income taxpayers.

Testifying in person against the bill was the Missouri Budget Project.

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.