

HCS HB 798 -- TAXATION (Warwick)

COMMITTEE OF ORIGIN: Special Committee on Tax Reform

Currently, a qualified taxpayer, as described in the bill, who contributes to a qualifying maternity home can receive a tax credit equal to 70% of his or her contribution. This bill increases the tax credit to equal 100% of the contribution.

Currently, a qualified taxpayer, as described in the bill, who contributes to a qualified diaper bank, as described in the bill, can receive a tax credit equal to 50% of his or her contribution. This bill increases the tax credit to equal 100% of the contribution. This bill also extends the sunset of this tax credit to December 31, 2031.

Currently, a qualified taxpayer, as described in the bill, who contributes to a pregnancy resource center can receive a tax credit equal to 70% of his or her contribution. This bill increases the tax credit to equal 100% of the contribution.

Currently, the top rate of income tax can 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 removes all existing taxable income brackets. This also allows for certain triggered reductions to the 4.7% flat rate by one-tenth of one percent, with no more than 10 such reductions.

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.

Currently, a tax rate of 4% is imposed on taxable corporate income. This bill reduces this rate to 3.75%.

Currently, taxpayers can subtract certain types of income from their Federal adjusted gross income. This bill allows taxpayers to subtract 100% of all income reported as a capital gain for Federal income taxes beginning on or after January 1, 2025.

Beginning January 1, 2026, this bill increases the Missouri standard deduction to the allowable federal standard deduction plus \$4,000.

Currently, a taxpayer is liable for interest on repayment of a tax credit for which he or she qualified, but was subsequently denied due to lack of available funds. This bill holds that such a taxpayer will not be held liable for any penalty or interest on any amount that is to be repaid, provided that the balance due is paid within 60 days from the notice of denial or payment arrangements have been approved.

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