HCS SCS SB 163 -- TAXATION

SPONSOR: Schnelting

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Ways and Means by a vote of 5 to 3. Voted "Do Pass" by the Standing Committee on Rules-Administrative by a vote of 6 to 3.

The following is a summary of the House Committee Substitute for SB 163.

This bill amends statutes related to senior citizen property tax relief, also known as the Circuit Breaker tax credit.

The bill modifies the definition of "income" to increase the amount deducted from Missouri adjusted gross income, beginning January 1, 2026, from $2,000 to $5,000, or, for claimants who owned and occupied the residence for the entire year, such amount is increased from $4,000 to $5,000 (Section 135.010, RSMo).

Additionally, current law limits the tax credit to qualifying taxpayers with an income of $27,500 or less, or $30,000 in the case of a homestead owned and occupied by a claimant for the entire year. This bill increases such maximum income, beginning January 1, 2026, to $32,500, or $40,000 in the case of a homestead owned and occupied by a claimant for the entire year.

This bill modifies the provisions related to the maximum upper limit, which varies depending on the circumstances of the individual claiming the tax credit. The bill increases the maximum income in the following manner, beginning January 1, 2026:

For homeowners: from $30,000, to $40,000;
Unmarried homeowner can currently subtract $2,000, and married homeowners $4,000, from their adjusted gross income in establishing their income for the purpose of this tax credit. That amount will change to $5,000 under this bill;

For renters: from $27,500, to $32,500;
Renters can currently subtract $2,000 from their adjusted gross income in establishing their income for the purpose of this tax credit. That amount will change to $5,000 under this bill (Section 135.030).

This bill provides that any ballot measure seeking approval to modify a tax on real property must state the effect of the proposed change within the ballot language (Section 137.067).

The bill also modifies the manner in which a political subdivision can revise each tax levy to allow for inflationary assessment growth for all subclasses of real and personal property.

This bill limits the inflationary growth factor for any subclass of real or personal property to the actual assessment growth, exclusive of new construction and improvements, but not to exceed the lower of the following:

(1) The Consumer Price Index (CPI); or

(2) The following percentages:

(a) For tax levy revisions before January 1, 2026, 5%; or

(b) For tax levy revisions on or after January 1, 2026, 3%

The bill also provides that, beginning January 1, 2027, any increase in the aggregate valuation of personal property for the current year over that of the previous year will not be counted as new construction (Section 137.073).

Currently, personal property is assessed at 33.3% of its true value in money as of January 1st of each calendar year. Beginning January 1, 2026, personal property must be assessed at 32% of its true value in money.

Currently, local County Assessors use the trade-in value published in the October issue of the National Automobile Dealers' Association Official Used Car Guide (NADA) to determine the true value of motor vehicles for the purposes of personal property tax assessments. This bill requires the State Tax Commission to choose a nationally recognized publication, such as the NADA, Kelley Blue Book, Edmunds, or any other similar publication, and allows the Assessor to use the current or any of the three immediately previous years' October issue of such publication (Section 137.115).

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 (Section 143.011).

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 (Section 143.031).

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, the bill increases the Missouri standard deduction to the allowable Federal standard deduction plus $4,000 (Section 143.121).

Current law authorizes an income tax deduction for salary earned as compensation for certain duties performed for the National Guard. For all tax years beginning on or after January 1, 2026, this bill adds performance of state-funded military orders of the National Guard, commonly known as state active duty (SAD) or state emergency duty (SED), to such eligible duties (Section 143.175).

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 (Section 143.512).

This bill also repeals the Missouri Working Family Tax Credit Act (Section 143.177).

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

PROPONENTS: Supporters say that this bill ensures National Guard members and their families receive a tax deduction for their State emergency duties.

Testifying in person for the bill was Senator Schnelting.

OPPONENTS: There was no opposition voiced to the committee.

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.