

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4073H.011
 Bill No.: HB 2215
 Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Property; Property, Real and Personal; Department of Revenue; State Tax Commission
 Type: Original
 Date: January 19, 2026

Bill Summary: This proposal authorizes an income tax deduction for amounts paid towards tangible personal property taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0	(\$89,179,806)	(\$87,198,103)
Total Estimated Net Effect on General Revenue	\$0	(\$89,179,806)	(\$87,198,103)

*Oversight notes for the purpose of the fiscal note, Oversight assumes a top income tax rate of 4.7% in tax year 2026 (FY 2027) and future income tax rate reductions from SB 3 (2022) will trigger consecutively (4.6% in FY 2028 and 4.5% in FY 2029+).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue - DOR	0 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	0 FTE	2 FTE	2 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** did not respond to Oversight's request for fiscal impact for this proposal.

§143.135 - Income Tax Deduction for Personal Property Taxes Paid

Officials from the **Department of Revenue (DOR)** note this proposal creates a deduction from a taxpayer's Missouri adjusted gross income. The deduction would be equal to 100% of the personal property tax paid by the taxpayer. The amount of personal property tax paid cannot include any penalties, interest, fees or special assessments. Nor can a taxpayer claim this deduction if a taxpayer receives the Senior Property tax credit, any other state tax credit, exemption, subtraction or deduction.

This proposal is to begin on January 1, 2027, and therefore will not impact state revenue until January 2028 (FY 2028) when the first tax returns are filed claiming this deduction.

According to the MO State Tax Commission \$1,934,221,246 was paid by Missourians in personal property tax in 2024 (the most recent available data). Deductions do not reduce revenue on a dollar-for-dollar basis but based on the top income rate applied. SB 3 (2022) has set the individual income tax rate at 4.7% for tax year 2026 and is expected to reduce the rate to 4.5% over a series of years based on certain revenue triggers. DOR will show the loss to general revenue based on the variable future tax rates.

Tax Rate	TY27 (FY28)	TY28 (FY29)	TY29 (FY30)	TY30 (FY31)
4.70%	(\$90,908,399)	(\$90,908,399)	(\$90,908,399)	(\$90,908,399)
4.60%	\$0	(\$88,974,177)	(\$88,974,177)	(\$88,974,177)
4.50%	\$0	\$0	(\$87,039,956)	(\$87,039,956)

This proposal will require DOR to add a new line on the MO-1040, the MO-1120 and the MO-PTE (\$2,200 each). DOR would also need to update its website and individual income tax computer system (\$7,547). This would result in costs of \$14,147.

Additionally, this proposal would require DOR to have confirmation of payment made. DOR assumes the department would create a form similar to the MO-PTC form to request proof of personal property tax paid. DOR estimates the creation of the new form at \$10,000.

Due to the volume of tax returns that will be filed claiming this deduction, DOR assumes it will need 2 Associate Customer Services Representatives (\$42,395 salary plus years of service pay) to handle the errors and correspondence from this deduction. DOR assumes should the number

of errors or correspondence exceed what 2 people can handle DOR would request additional FTE through the appropriation process.

Oversight will reflect the above-mentioned 2 FTE for DOR and costs to implement the proposal in the fiscal note.

However, the first tax year in which taxpayers would qualify for the new/expanded tax deduction(s) is Tax Year 2027. Oversight notes individuals would not file their Tax Year 2027 tax returns until after January 1, 2028 (6 months after the beginning of Fiscal Year 2028). Therefore, Oversight will report DOR's FTE cost(s) beginning in Fiscal Year 2028 assuming DOR can hire and train such FTE(s) within the first six (6) months of Fiscal Year 2028; before Tax Year 2027 tax returns would begin to be filed claiming the new/expanded tax deductions.

Oversight notes DOR's estimates include data from DOR's internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by DOR. Therefore, for the purpose of this fiscal note, Oversight will utilize DOR's estimated impact for this proposal.

Oversight notes for the purpose of the fiscal note, Oversight assumes a top income tax rate of 4.7% in tax year 2026 (FY 2027) and future income tax rate reductions from SB 3 (2022) will trigger consecutively (4.6% in FY 2028 and 4.5% in FY 2029+).

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DOR (§143.135) p.3-4</u>			
Personnel Service	\$0	(\$86,890)	(\$88,628)
Fringe Benefits	\$0	(\$67,619)	(\$68,318)
Expense & Equipment	\$0	(\$51,120)	(\$1,201)
<u>Total Costs - DOR</u>	\$0	(\$205,629)	(\$158,147)
FTE Change - DOR	0 FTE	2 FTE	2 FTE
<u>Revenue Loss – (§143.135) Income tax deduction for personal property tax paid p.3-4</u>	\$0	(\$88,974,177)	(\$87,039,956)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	(\$89,179,806)	(\$87,198,103)
Estimated Net FTE Change on General Revenue	0 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	\$0	\$0	\$0

FISCAL IMPACT – Small Business

No direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2027, a qualified taxpayer will be allowed a deduction from the taxpayer's Missouri adjusted gross income in an amount equal to 100% of all tangible personal property taxes actually paid by the qualified taxpayer in a given tax year on all tangible personal property taxes owed. The taxpayer may choose, instead, to take the amount as an itemized deduction on his or her state income tax return.

Only the amounts of personal property taxes actually paid by the taxpayer qualify for the deduction and only if the amounts are paid during the tax year for which this deduction is claimed. A deduction can not be claimed for the amount of tangible personal property tax that has been or is used in obtaining a state tax credit, exemption, subtraction, or a different deduction.

This bill will sunset six years after the effective date unless reauthorized by an act of the General Assembly.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of the Secretary of State
Oversight Division
Joint Committee on Administrative Rules



Julie Morff
Director
January 19, 2026



Jessica Harris
Assistant Director
January 19, 2026