

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5953H.011
 Bill No.: HB 2457
 Subject: Tax Credits; Taxation and Revenue - General; Department of Revenue; Food; Charities
 Type: Original
 Date: March 16, 2026

Bill Summary: This proposal modifies provisions related to the "Donated Food" Food Pantry Tax Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Up to (\$2,333,157)	Up to (\$4,078,358)	Up to (\$4,079,598)
Total Estimated Net Effect on General Revenue	Up to (\$2,333,157)	Up to (\$4,078,358)	Up to (\$4,079,598)

*Oversight reflects an increase in the cap beginning in FY 27 and the extension of sunset date for contributions to local food pantries, local soup kitchens, and local homeless shelters beginning FY 28; a new Food Bank Tax Credit maximum cap \$1.25 million, beginning in FY 2027; and (1) DOR FTE.

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	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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

§135.647 - Food Pantry Donation Tax Credit

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would expand the food pantry tax credit to include food banks, starting August 28, 2026. However, this proposal retroactively allows tax credits for donations made to food banks between January 1, 2026, and August 28, 2026.

This proposal also increases the tax credit value from 50% of donations to 70% of donations and increases the annual redemption limit from \$1.75 million to \$2.75 million for donations made to qualifying locations other than food banks. For donations to food banks, the annual redemption limit will be \$1.25 million starting tax year 2026. In addition, it clarifies that taxpayers may not receive both an income tax deduction, for charitable donations, and this tax credit for the same donation.

This proposal extends the sunset date to December 2032.

This proposal would waive additions to tax, interest, and penalties on tax liabilities resulting solely from a tax credit limit-denial, if the resulting tax due is paid within 60 days. B&P notes that this would only apply to tax credits that are apportioned among taxpayers if redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Food pantry tax credit redemptions averaged \$1,732,588 from FY23-FY25. Increasing the donation value from 50% to 70% would have resulted in average redemptions of \$2,425,623 in FY23-FY25, an increase of \$693,035.

However, this proposal raises the limit for current donations and creates a new limit for food bank donations. The existing limit is increased by \$1.0 million (from \$1.75 million to \$2.75 million) starting with tax year 2026 and the new limit for food banks will be \$1.25 million starting with tax year 2026. Therefore, this proposal would increase total allowable tax credits under this program by \$2.25 million annually. Therefore, B&P estimates that this proposal could reduce GR by \$2.25 million annually starting in FY27 (when tax year 2026 returns are filed).

Officials from the **Department of Revenue (DOR)** assume this proposal makes numerous changes to the food pantry tax credit program including increasing its cap, extending its sunset date and creating a new food bank tax credit.

Starting January 1, 2026, this proposal would increase the amount of tax credit a person would qualify for from 50% to 70% of a donation made to a food pantry, local soup kitchen or local homeless shelter. Additionally, this proposal increases the cap on the food pantry program from \$1,750,000 to \$2,750,000. This is expected to result in a loss of revenue of \$1,000,000 annually starting in FY 2027, the first year the returns are filed redeeming the credit.

This proposal also creates a new tax credit for donations made to a food bank. Starting January 1, 2026, taxpayers would be eligible for a credit equal to 70% of their donation to a food bank. This proposal sets an annual cap of \$1,250,000 for the food bank credit. This credit would result in a loss of revenue of \$1,250,000 annually starting in FY 2027, the first year the returns are filed redeeming the credit.

Fiscal Year	Loss to General Revenue
2027	(\$2,250,000)
2028	(\$2,250,000)
2029	(\$2,250,000)

DOR notes that the food pantry tax credit program is an apportioned credit and has been apportioned the last several years. This would also make the food bank credit an apportioned credit.

Currently, with the apportionment of the credit some taxpayers end up with a balance due. When that happens, DOR notifies the taxpayer and penalties, and interest are owed. This proposal adds language that would allow DOR to not assess penalties and interest if the balance due deficiency is paid within 60 days of notification of the apportionment.

This proposal also extends the sunset on the tax credit another year to 2032.

For informational purposes, the Department notes the Food Pantry tax credit program was created in 2007 and it had a sunset. In 2013, the sunset was extended, and the cap was lowered to \$1,250,000. Then in 2014, the cap was increased to its current \$1,750,000. In 2018, the sunset was extended until 2026. Below is information on the redemptions of the credits over the last few years.

Year	Total Redeemed
FY 2025	\$1,697,778.00
FY 2024	\$1,749,996.00
FY 2023	\$1,749,990.00
FY 2022	\$1,749,992.00
FY 2021	\$1,749,992.00
FY 2020	\$1,131,882.00
FY 2019	\$1,380,894.00
FY 2018	\$1,679,924.00
FY 2017	\$1,584,566.00
FY 2016	\$1,155,480.00
FY 2015	\$1,118,866.00
FY 2014	\$840,234.00
FY 2013	\$72,822.00
FY 2012	\$796,156.10

The food pantry program is an existing tax credit and therefore DOR already has the forms and procedures in place to handle the changes to the credit. DOR will just need to update the computer programming for the new cap, percent of credit change and sunset extension which is estimated at \$1,887.

The creation of the new food bank tax credit program will require updates to the Department's website, a new line being added to the form MO-TC (\$2,200), and changes to the individual income tax computer system (\$1,887). These changes are estimated to cost \$4,087. DOR's existing tax credit redemption staff is no longer able to take on any additional tax credits without additional resources, especially the handling of refundable credits. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of \$42,953 (salary with years of service pay included) to handle the redemptions.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR.

Oversight notes the proposal, Section 135.647.3, allows for an increase in the contribution to local food pantries, local soup kitchens, and local homeless shelters authorization cap for up to \$2,750,000 (from current \$1,750,000) annually. Therefore, Oversight will reflect potential impact of up to \$1,000,000 in the fiscal note as of FY 2027.

Oversight notes that the taxpayer redemption in last three years is at full capacity of the program, full amount of the cap \$1.75 million.

Oversight notes this section currently allows this tax credit to sunset as of December 31, 2026; however, this proposal extends it to December 31, 2032 (FY 2033). Therefore, Oversight will reflect the potential full impact of the tax credit cap in FY 2028 (\$2.75 million) in continued costs to general revenue.

Oversight notes that this legislation also creates a new Food Bank program that begins on January 1, 2026. Oversight assumes this program will begin as of FY 2027, upon taxpayers filing returns for TY 2026. Therefore, Oversight will reflect additional \$1.25 million effective FY 2027.

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

Officials from the **Department of Social Services (DSS)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

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.

In response to similar legislation, HB 2461 (2026), officials from the **Office of the Secretary of State (SOS)** noted 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</u> – (\$135.647) Contributions to local food pantries, local soup kitchens, and local homeless shelters p.4-6	Up to (\$1,000,000)	Up to (\$2,750,000)	Up to (\$2,750,000)
<u>Cost</u> – (\$135.647) Contributions to Food Banks p.4-6	Up to (\$1,250,000)	Up to (\$1,250,000)	Up to (\$1,250,000)
<u>Cost</u> – DOR (\$135.463) p.4-6			
Personnel Service	(\$35,794)	(\$43,812)	(\$44,688)
Fringe Benefits	(\$28,010)	(\$33,957)	(\$34,310)
Expense & Equipment	(\$19,353)	(\$589)	(\$600)
<u>Total Costs – DOR</u>	<u>(\$83,157)</u>	<u>(\$78,358)</u>	<u>(\$79,598)</u>
FTE Change - DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to <u>(\$2,333,157)</u>	Up to <u>(\$4,078,358)</u>	Up to <u>(\$4,079,598)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

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

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill adds food donated to a food bank, as defined in the bill, on or after January 1, 2026, to the list of donations qualifying for a donated food tax credit.

Currently, any taxpayer who makes a donation to a local food bank that is eligible for a tax credit must be allowed a credit against their state income tax liability in an amount equal to 50% of the

value of the donations. Beginning January 1, 2026, the credit will be allowed in an amount equal to 70% of the value of the donations.

Currently, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to a local food pantry, local soup kitchen, or local homeless shelter is \$1.75 million. Beginning January 1, 2026, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to local food pantries, local soup kitchens, and local homeless shelters in one fiscal year must not exceed \$2.75 million. Beginning January 1, 2026, the cumulative amount of tax credits which may be allocated to all taxpayers contributing to food banks in one fiscal year must not exceed \$1.25 million.

If the tax credits claimed under one category do not total the allocated amount, the unused portion for that category must be available to the other category. If the total amount of tax credits claimed for any one category is greater than the amount available, the amount of credits redeemed must be apportioned equally to all eligible taxpayers claiming the credit.

The bill also specifies that a taxpayer will not be liable for any penalty or interest if the taxpayer is denied full or partial credit because the cumulative maximum has been reached, as long as the taxpayer pays his or her balance or has made related arrangements within 60 days of the notice of denial.

Currently, the tax credits provided expire December 31, 2026. This bill extends the tax credits to December 31, 2032.

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 Administration – Budget & Planning
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division
Department of Social Services



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