

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6234H.011
Bill No.: HB 3405
Subject: Taxation and Revenue - Income; Taxation and Revenue - General
Type: Original
Date: March 9, 2026

Bill Summary: This proposal modifies provisions of the "Salt Parity Act".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> 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
Total Estimated Net Effect on FTE	0	0	0

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

§143.436 - SALT Parity Act

Officials from the **Department of Revenue (DOR)** assume the SALT Parity Act (ACT) allows pass-through entities to file their tax return and pay taxes at the entity level rather than each member filing. The ACT ensures the state receives the full amount of tax owed from the entity. This proposal modifies the language to provide more clarity of the opt-out process, to change this from a tax credit to a deduction, to simplify the calculation of the tax, and to clean up outdated language.

Section 143.436.3 and 143.436.4 simplify the process of calculating and claiming the new deduction. DOR notes this should negate the need for the PTE-BD form, which should lower the administrative costs to businesses and DOR. This is not expected to have a fiscal impact.

Section 143.436.5(4) adds language to clarify the opt-out provisions established. The ACT does allow members to opt-out of the reporting requirements of the ACT and therefore opting out of its benefits. This is clarifying language that expressly explains that if you opt-out of the reporting requirements you also do not get the benefits from it. This proposal also clarifies when the opt-out paperwork must be filed. These changes are not expected to have a fiscal impact.

Sections 143.436.8 and 143.436.10 are modifying the language that originally allowed a tax credit. Taxpayers are allowed a tax credit to remove their portion of the income from the calculation of the tax. Statutes require the taxpayer to report the income they receive from the pass-through entity to ensure that all income is accounted for. The credit then allowed them to remove the income when calculating tax so that they did not pay tax on what the business already did.

Having this identified as a tax credit has caused concern during the budget process. The appropriation committees regularly receive updates on the amount of state tax credits authorized, issued and redeemed. The information comes from programs that are established as tax credit programs in statute. When the ACT was established, they referenced it as a tax credit requiring it to be reported with the rest of the tax credits. Modifying the ACT's language and making this a deduction will no longer require this to be reported as a tax credit. It will reduce the amount of the confusion surrounding this issue. This is not expected to result in a fiscal impact.

Section 143.436.14 is removing outdated language from the ACT. This is not expected to have a fiscal impact.

Officials from the **Office of Administration - Budget and Planning** and the **Department of Commerce and Insurance** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above-mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<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

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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
Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
March 9, 2026



Jessica Harris
Assistant Director
March 9, 2026