

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6339H.02I
 Bill No.: HB 3037
 Subject: Tax Credits; Taxation and Revenue - General; Taxation and Revenue - Income;
 Department of Revenue; Education, Elementary and Secondary
 Type: Original
 Date: February 6, 2026

Bill Summary: This proposal modifies provisions of the "Missouri Empowerment Scholarship Accounts Program" tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

*Oversight notes amending the previous year's tax return to apply the credit retroactively will result in DOR needing to pay interest on the overpayments. Oversight assumes this would be less than \$250,000.

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

Section 135.713 MO Empowerment Scholarship Tax Credit Program

Officials from the **Department of Revenue (DOR)** assume this will allow the Empowerment Scholarship tax credit to be carried back one year on the recipient's tax return. Currently the Empowerment Scholarship tax credit is allowed to be carried forward up to four years if the taxpayer does not have enough state tax liability to use the full amount of the credit in the year the credit is received. This would allow the taxpayer to amend their previous year's tax return to apply the credit retroactively. This will require DOR to modify its computer program (\$1,887) and website. Note, this may result in DOR needing to pay interest on their overpayment should such overpayment be on their account.

Oversight notes DOR requests a one-time cost of \$1,887 for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Oversight notes DOR assumes that if a taxpayer files for a refund they would be required to pay interest on the potential overpayment.

Oversight notes that the refund and [refund interest rates set by DOR](#) were as follows:

Tax Year	Rate
2026	7%
2025	8%
2024	9%
2023	6%
2022	3%

Oversight notes the average refund interest rate was set at 7% from 2022-2026. And, according to the latest information from publicly available websites, around 4% of taxpayers amend their return for various reasons per year.

According to the [tax credit analysis form](#) for this program, the MO Empowerment Scholarship Account Program authorized \$27,625,000 in tax credits for FY 2025. If 4% of the total authorized tax credits were retroactively applied (\$1,105,000), the interest cost is estimated at \$77,350 (7% x \$1,105,000).

Oversight assumes that in order to reach the \$250,000 threshold roughly 15% of tax credit recipients would need to retroactively apply their tax credit. Therefore, Oversight will reflect an unknown cost to general revenue that would not likely reach \$250,000.

Officials from the **Office of the State Treasurer, Oversight Division, and Joint Committee on Administrative Rules** each 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 these respective agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DOR (§135.713) Payment of refund and interest p.3</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</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

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

FISCAL DESCRIPTION

Currently, a taxpayer who makes a qualifying contribution to an educational assistance organization can carry the tax credit forward to any of the taxpayer's four subsequent tax years. For qualifying contributions made on and after January 1, 2028, this bill allows the taxpayer to also carry the tax credit back to the taxpayer's immediately prior tax year.

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
Office of the State Treasurer
Joint Committee on Administrative Rules
Oversight Division

Julie Morff
Director

A handwritten signature in black ink, appearing to read "Jessica Harris".

Jessica Harris
Assistant Director
February 6, 2026