

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 2535
103RD GENERAL ASSEMBLY

4245H.06C

JOSEPH ENGLER, Chief Clerk

AN ACT

To repeal sections 149.011, 149.015, and 149.160, RSMo, and to enact in lieu thereof five new sections relating to taxation.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Sections 149.011, 149.015, and 149.160, RSMo, are repealed and five new
2 sections enacted in lieu thereof, to be known as sections 137.1077, 144.1420, 149.011,
3 149.015, and 149.160, to read as follows:

**137.1077. 1. This section shall be known and may be cited as the "Veterans and
2 Gold Star Family Property Tax Relief Act".**

3 2. As used in this section, the following terms mean:

4 (1) "Commission", the Missouri veterans' commission;

**5 (2) "Disability rating", the percentage of disability assigned to a disabled
6 veteran by the United States Department of Veterans Affairs, reflecting the degree to
7 which the veteran's disability impacts his or her ability to work and perform daily
8 activities;**

**9 (3) "Disabled veteran", a Missouri resident who has served on active duty as a
10 member of the Armed Forces of the United States, has a service-connected disability and
11 has received a disability rating of at least thirty percent as certified by the United States
12 Department of Veterans Affairs, and is an owner of record and liable for the payment of
13 property taxes on the qualified residence for which the exemption allowed under this
14 section is claimed;**

**15 (4) "Gold Star spouse", the surviving spouse of a veteran who is certified by the
16 United States Department of Veterans Affairs as a recipient of dependency and
17 indemnity compensation under federal law;**

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 **(5) "Homestead", the real property actually owned and occupied by an**
19 **individual as his or her primary residence, and not to exceed five acres of land**
20 **surrounding it as is reasonably necessary for use of the dwelling as a home;**

21 **(6) "Purple Heart recipient", any individual who has been awarded the Purple**
22 **Heart medal for wounds received in action against an enemy of the United States;**

23 **(7) "Qualified residence", real property used as a homestead by a disabled**
24 **veteran, Purple Heart recipient, or Gold Star spouse, but less any portion of that**
25 **property that is used for commercial purposes. If the property, or a portion of the**
26 **property, is rented out to another person for more than six months, it is presumed to be**
27 **used for commercial purposes. No more than one property per claimant per tax year**
28 **may be claimed as a qualified residence under this section.**

29 **3. In addition to all other exemptions authorized under Article X, Section 6 of**
30 **the Constitution of Missouri or otherwise authorized by law, and as authorized under**
31 **Article X, Section 6(a) of the Constitution of Missouri, for all tax years beginning on or**
32 **after January 1, 2027, an annual exemption is granted from the property taxes levied on**
33 **the qualified residence of a disabled veteran, Purple Heart recipient, or Gold Star**
34 **spouse, limited to the amounts set forth as follows:**

35 **(1) For disabled veterans who are Purple Heart recipients, the annual exemption**
36 **shall be up to five thousand dollars or the total amount of the property tax levied on the**
37 **qualified residence, whichever is less; and**

38 **(2) For disabled veterans with a disability rating of seventy percent or more or**
39 **Gold Star spouses, the annual exemption is equal to one hundred percent of the**
40 **property tax levied on the qualified residence.**

41 **4. The exemption under this section carries over to the benefit of the disabled**
42 **veteran's or Purple Heart recipient's surviving spouse as long as the spouse holds the**
43 **legal or beneficial title to the qualified residence and permanently resides therein. The**
44 **exemption for a surviving spouse shall remain proportional to the disabled veteran's**
45 **disability rating as of the time of the veteran's passing, except that if the surviving**
46 **spouse remarries, the exemption shall be reduced by fifty percent effective beginning in**
47 **the tax year in which the surviving spouse remarries. The provisions of this subsection**
48 **shall not apply to a Gold Star spouse.**

49 **5. The exemption and determination of eligibility under this section applies for**
50 **tax years beginning on or after January 1, 2027. The claim for an exemption shall not**
51 **be transferred or assigned, except as provided for under this section.**

52 **6. In order to verify eligibility for the exemption allowed under this section, no**
53 **later than April first of each tax year for which an exemption is claimed, a disabled**
54 **veteran, Purple Heart recipient, Gold Star spouse, or surviving spouse shall:**

55 **(1) Pay all local property taxes as required;**

56 **(2) Submit an application for an exemption on a form provided to the**
57 **commission and any other documentation or materials required by the commission;**

58 **(3) Include documentation that verifies proof of the disability rating, including**
59 **official documentation from the United States Department of Veterans Affairs; and**

60 **(4) Include proof of ownership and occupation of the primary residence.**

61 **7. The commission shall review applications and determine eligibility of the**
62 **residential property based on the criteria set forth under this section and by the**
63 **application, visual inspection, questionnaire, or other reasonable methods. The**
64 **determination shall be made in accordance with guidelines established by the**
65 **commission and any additional rules or regulations promulgated by the commission.**

66 **8. The commission may adopt reasonable procedures and promulgate**
67 **ordinances, rules, and regulations in order to implement and administer the**
68 **provisions of this section.**

69 **9. (1) There is hereby created in the state treasury the "Veterans Property Tax**
70 **Relief Fund", which shall consist of any gifts, bequests, grants, public or private**
71 **donations, transfers, moneys collected under subsection 9 of section 149.015, or funds**
72 **appropriated by the general assembly. The state treasurer shall be the custodian of the**
73 **fund and, in accordance with sections 30.170 and 30.180, shall approve disbursements of**
74 **public moneys in accordance with distribution requirements and procedures developed**
75 **by the commission as outlined by this section. The fund shall be a dedicated fund, and**
76 **upon appropriation, moneys in this fund shall be used solely as provided under this**
77 **section.**

78 **(2) Subject to appropriation, the commission shall use the moneys in the fund**
79 **solely to provide for full or partial exemptions, as provided under this section, to**
80 **reimburse disabled veterans, Purple Heart recipients, Gold Star spouses, and surviving**
81 **spouses for verified property tax revenue paid up to the amount of an exemption**
82 **granted under this section. The commission may retain an amount not to exceed one**
83 **and one-half percent to offset the costs of administration of the provisions of this section.**

84 **(3) No exemption reimbursement payments shall be granted from the fund**
85 **before January 1, 2028.**

86 **(4) Exemption reimbursements shall be paid on a rolling first-come, first-served**
87 **basis among all qualified eligible taxpayers, subject to full verification and compliance**
88 **with the provisions of this section. If the amount of exemptions claimed in a tax year**
89 **exceeds the moneys in the fund, the commission may determine the rules and**
90 **procedures for payment of exemption reimbursements on a pro rata basis, holding**
91 **payments until sufficient funds have accumulated in the fund and have been**

92 appropriated to the commission for payment, suspension of applications and grants of
93 exemptions until sufficient funds have accumulated, and payment of unpaid claims in
94 chronological order. Any exemption reimbursement under this section that cannot be
95 paid due to a lack of funds appropriated for payment shall not constitute a claim against
96 the state.

97 (5) The commission shall submit an annual report on or before December thirty-
98 first of each year to the governor, the speaker of the house of representatives, and the
99 president pro tempore of the senate summarizing the exemptions granted,
100 disbursements, and the number of veterans assisted.

101 (6) Notwithstanding the provisions of section 33.080 to the contrary, any moneys
102 remaining in the fund at the end of the biennium shall not revert to the credit of the
103 general revenue fund.

104 (7) The state treasurer shall invest moneys in the fund in the same manner as
105 other funds are invested. Any interest and moneys earned on such investments shall be
106 credited to the fund.

107 10. The exemption granted under this section shall not affect the process of
108 setting the tax rate as required under Article X, Section 22 of the Constitution of
109 Missouri and section 137.073 in any prior, current, or subsequent tax year.

110 11. The commission is authorized to coordinate with or negotiate a
111 memorandum of understanding with the state tax commission in order to effectuate
112 the provisions of this section and may promulgate all necessary rules and regulations for
113 the administration of this section. Any rule or portion of a rule, as that term is defined
114 in section 536.010, that is created under the authority delegated in this section shall
115 become effective only if it complies with and is subject to all of the provisions of chapter
116 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable
117 and if any of the powers vested with the general assembly pursuant to chapter 536 to
118 review, to delay the effective date, or to disapprove and annul a rule are subsequently
119 held unconstitutional, then the grant of rulemaking authority and any rule proposed or
120 adopted after August 28, 2026, shall be invalid and void.

121 12. No rule promulgated by the commission shall in any way adversely impact,
122 interrupt, or interfere with the performance of the required statutory duties of any
123 elected county official when performing such duties as deemed necessary for the
124 purposes of this section and the distribution of all other real and personal property
125 taxes.

126 13. This section shall not be subject to the provisions of the Missouri sunset act
127 under sections 23.250 to 23.298.

144.1420. 1. As used in this section, the term "hemp-derived consumable product" shall mean any product intended for human consumption, ingestion, absorption, inhalation, or topical administration that is manufactured from hemp or hemp extract and contains cannabinoids including, but not limited to, delta-8 tetrahydrocannabinol, delta-9 tetrahydrocannabinol, delta-10 tetrahydrocannabinol, hexahydrocannabinol (HHC), tetrahydrocannabiphoral (THCP), or any other intoxicating cannabinoid or isomer, regardless of whether the product meets the federal definition of hemp. The term shall include consumable hemp products in the form of beverages, shots, drink mixes, edibles, tinctures, oils, vapes, inhalation products, or other ingestible or inhalable forms but shall not include industrial hemp fiber, seed, textiles, animal bedding, hempcrete, rope, nonconsumable hemp products, or any product regulated as a drug by the United States Food and Drug Administration.

2. For all tax years beginning on or after January 1, 2027, a tax is levied and imposed upon the first sale of hemp-derived consumable products within this state at a rate of ten percent of the manufacturer's or distributor's invoice price and shall be in addition to any tax imposed under any other provision of federal, state, or local law.

3. The tax imposed under this section shall be reported and remitted monthly by the person making the first sale within this state. The department of revenue shall administer and enforce this section in the same manner as tobacco and vapor product taxes under chapter 149.

4. All moneys collected under this section shall be deposited in the state treasury to the credit of the veterans property tax relief fund created under section 137.1077.

5. Notwithstanding any provision of law to the contrary, hemp-derived consumable products shall not be considered marijuana for the purposes of taxation under Article XIV of the Constitution of Missouri, and such products shall be subject to the excise tax imposed under this section.

6. The department of revenue may promulgate all necessary rules and regulations for the administration of this section. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2026, shall be invalid and void.

149.011. As used in this chapter, unless the context requires otherwise, the following terms mean:

3 (1) **"Alternative nicotine product", the same meaning as such term is defined**
4 **under section 407.925;**

5 (2) "Cigar", any roll for smoking, except cigarettes, made chiefly of tobacco or any
6 substitute therefor;

7 ~~[(2)]~~ (3) "Cigarette", an item manufactured of tobacco or any substitute therefor,
8 wrapped in paper or any substitute therefor, weighing not to exceed three pounds per one
9 thousand cigarettes and which is commonly classified, labeled or advertised as a cigarette;

10 ~~[(3)]~~ (4) "Common carrier", any person, association, company, or corporation
11 engaged in the business of operating, for public use, an agency for the transportation of
12 persons or property within the state;

13 ~~[(4)]~~ (5) "Director", the director of Missouri department of revenue;

14 ~~[(5)]~~ (6) "First sale within the state", the first sale of a tobacco product by a
15 manufacturer, wholesaler or other person to a person who intends to sell such tobacco
16 products at retail or to a person at retail within the state of Missouri;

17 ~~[(6)]~~ (7) "Manufacturer", any person engaged in the manufacture or production of
18 cigarettes;

19 ~~[(7)]~~ (8) "Manufacturer's invoice price", the original net invoice price for which a
20 manufacturer sells a tobacco product to a distributor, wholesaler or first seller in the state as
21 shown by the manufacturer's original invoice;

22 ~~[(8)]~~ (9) "Meter machine", a type of device manufactured for the use of printing or
23 imprinting an inked impression indicating that the cigarette tax has been paid on an individual
24 package of cigarettes;

25 ~~[(9)]~~ (10) "Package of cigarettes", a container of any type composition in which is
26 normally contained twenty individual cigarettes, except as in special instances when the
27 number may be more or less than twenty;

28 ~~[(10)]~~ (11) "Person", any individual, corporation, firm, partnership, incorporated or
29 unincorporated association, or any other legal or commercial entity;

30 ~~[(11)]~~ (12) "Retailer", any person who sells to a consumer or to any person for any
31 purpose other than resale;

32 ~~[(12)]~~ (13) "Sale" in this instance is defined to be and declared to include sales,
33 barter, exchanges and every other manner, method and form of transferring the ownership of
34 personal property from one person to another. "Sale" also means the possession of cigarettes
35 or tobacco products by any person other than a manufacturer, wholesaler or retailer and shall
36 be prima facie evidence of possession for consumption;

37 ~~[(13)]~~ (14) "Smokeless tobacco", chewing tobacco, including, but not limited to,
38 twist, moist plug, loose leaf and firm plug, and all types of snuff, including, but not limited to,
39 moist and dry;

40 ~~[(14)]~~ **(15)** "Stamped cigarettes", an individual package, containing twenty individual
41 cigarettes, more or less, on which appears or is affixed or imprinted thereon a Missouri state
42 cigarette tax stamp or Missouri state meter machine impression;

43 ~~[(15)]~~ **(16)** "Tax stamp", an item manufactured of a paper product or substitute thereof
44 on which is printed, imprinted, or engraved lettering, numerals or symbols indicating that the
45 cigarette tax has been paid on each individual package of cigarettes;

46 **(17) "Tobacco paraphernalia", any equipment, product, or material of any kind**
47 **that is intended or designed for use in consuming, inhaling, or otherwise introducing**
48 **tobacco or a tobacco product into the human body including, but not limited to, pipes,**
49 **water pipes, hookahs, rolling papers, blunt wraps, cigar rollers, cigar cutters, cigarette**
50 **rolling machines, and any device or accessory designed for use in the combustion,**
51 **vaporization, or consumption of tobacco or a tobacco product, but shall not include**
52 **matches, lighters, or any product that is itself defined as a tobacco product under this**
53 **chapter;**

54 ~~[(16)]~~ **(18)** "Tobacco product", cigarettes, cigarette papers, clove cigarettes, cigars,
55 smokeless tobacco, smoking tobacco, or other form of tobacco products or products made
56 with tobacco substitute containing nicotine. **The term "tobacco product" shall include**
57 **alternative nicotine products and vapor products for the purposes of taxation, licensing,**
58 **enforcement, and regulatory authority under this chapter;**

59 ~~[(17)]~~ **(19)** "Unstamped cigarettes", an individual package containing cigarettes on
60 which does not appear a Missouri state cigarette tax stamp or Missouri state meter machine
61 impression;

62 **(20) "Vapor product", the same meaning as such term is defined under section**
63 **407.925;**

64 ~~[(18)]~~ **(21)** "Wholesaler", any person, firm or corporation organized and existing, or
65 doing business, primarily to sell cigarettes or tobacco products to, and render service to,
66 retailers in the territory the person, firm or corporation chooses to serve; that purchases
67 cigarettes or tobacco products directly from the manufacturer; that carries at all times at ~~his~~
68 ~~or its~~ **the person's, firm's, or corporation's** principal place of business a representative
69 stock of cigarettes or tobacco products for sale; and that comes into the possession of
70 cigarettes or tobacco products for the purpose of selling them to retailers or to persons outside
71 or within the state who might resell or retail the cigarettes or tobacco products to consumers.
72 This shall include any manufacturer, jobber, broker, agent or other person, whether or not
73 enumerated in this chapter, who so sells or so distributes cigarettes or tobacco products.

149.015. 1. **Except as provided in subsection 9 of this section,** a tax shall be levied
2 upon the sale of cigarettes at an amount equal to eight and one-half mills per cigarette, until
3 such time as the general assembly appropriates an amount equal to twenty-five percent of the

4 net federal reimbursement allowance to the health initiatives fund, then the tax shall be six
5 and one-half mills per cigarette beginning July first of the fiscal year immediately after such
6 appropriation. As used in this section, "net federal reimbursement allowance" shall mean that
7 amount of the federal reimbursement allowance in excess of the amount of state matching
8 funds necessary for the state to make payments required by subsection 1 of section 208.471
9 or, if the payments exceed the amount so required, the actual payments made for the purposes
10 specified in subsection 1 of section 208.471.

11 2. The tax shall be evidenced by stamps which shall be furnished by and purchased
12 from the director or by an impression of the tax by the use of a metering machine when
13 authorized by the director as provided in this chapter, and the stamps or impression shall be
14 securely affixed to one end of each package in which cigarettes are contained. All cigarettes
15 must be stamped before being sold in this state.

16 3. Cigarette tax stamps shall be purchased only from the director. All stamps shall be
17 purchased by the director in proper denominations, shall contain such appropriate wording as
18 the director may prescribe, and shall be of such design, character, color combinations, color
19 changes, sizes and material as the director may, by rules and regulations, determine to afford
20 the greatest security to the state. It shall be the duty of the director to manufacture or contract
21 for revenue stamps required by this chapter; provided that if the stamps are contracted for, the
22 manufacturer thereof shall be within the jurisdiction of the criminal and civil courts of this
23 state, unless the stamps cannot be obtained in this state at a fair price or of acceptable quality.
24 If stamps are manufactured outside of the state, the director shall take any precautions which
25 he deems necessary to safeguard the state against forgery and misdelivery of any stamps. The
26 director may require of the manufacturer from whom stamps are purchased a bond in an
27 amount to be determined by him commensurate with the monetary value of the stamps,
28 containing such conditions as he may deem necessary in order to protect the state against loss.

29 4. It shall be the intent of this chapter that the impact of the tax levied hereunder be
30 absorbed by the consumer or user and when the tax is paid by any other person, the payment
31 shall be considered as an advance payment and shall thereafter be added to the price of the
32 cigarettes and recovered from the ultimate consumer or user with the person first selling the
33 cigarettes acting as an agent of the state for the payment and collection of the tax to the state,
34 except that in furtherance of the intent of this chapter no refund of any tax collected and
35 remitted by a retailer upon gross receipts from a sale of cigarettes subject to tax pursuant to
36 this chapter shall be claimed pursuant to chapter 144 for any amount illegally or erroneously
37 overcharged or overcollected as a result of imposition of sales tax by the retailer upon
38 amounts representing the tax imposed pursuant to this chapter and any such tax shall either be
39 refunded to the person who paid such tax or paid to the director. The director may recoup

40 from any retailer any tax illegally or erroneously overcharged or overcollected unless such tax
41 has been refunded to the person who paid such tax.

42 5. In making sales of cigarettes in the state, a wholesaler shall keep a record of the
43 amount of tax on his gross sales. The tax shall be evidenced by appropriate stamps attached
44 to each package of cigarettes sold. Notwithstanding any other law to the contrary, no tax
45 stamp need be attached to a package of cigarettes transported in the state between wholesalers
46 or distributors unless and until such package is sold to a retailer or consumer.

47 6. The tax on any cigarettes contained in packages of four, ten, twenty or similar
48 quantities to be used solely for distribution as samples shall be computed on a per cigarette
49 basis at the rate set forth in this section, and payment of the tax shall be remitted to the
50 director at such time and in such manner as he may prescribe.

51 7. The revenue generated by the additional two mills tax imposed effective August
52 13, 1982, less any three percent reduction allowed pursuant to the provisions of section
53 149.021, shall be placed in a separate fund entitled "The Fair Share Fund". Such moneys in
54 the fair share fund shall be transferred monthly to the state school moneys fund and
55 distributed to the school districts in this state as provided in section 163.031.

56 8. The revenue generated by the additional two mills tax imposed effective October 1,
57 1993, less any three percent reduction allowed pursuant to the provisions of section 149.021,
58 shall be deposited in the health initiatives fund created in section 191.831. When the general
59 assembly appropriates an amount equal to twenty-five percent of the net federal
60 reimbursement allowance to the health initiatives fund, this subsection shall expire. The
61 additional two mills tax levied pursuant to this section shall not apply to an amount of
62 stamped cigarettes in the possession of licensed wholesalers on October 1, 1993, up to thirty-
63 five percent of the total cigarette sales made by such licensed wholesaler during the six
64 months immediately preceding October 1, 1993.

65 **9. (1) Beginning January 1, 2027, in addition to the tax levied on the sale of**
66 **cigarettes in subsection 1 of this section, a tax shall be levied upon the sale of cigarettes**
67 **at an amount equal to five mills per cigarette.**

68 **(2) The revenue generated by the additional tax imposed under this subsection,**
69 **less any three-percent reduction allowed under the provisions of section 149.021, shall**
70 **be deposited to the credit of the veterans property tax relief fund created under section**
71 **137.1077.**

72 **(3) For a period of up to six months prior to the effective date of a tax**
73 **modification under this subsection, licensees shall not be allowed to purchase stamps in**
74 **a number greater than one hundred ten percent of the number that were purchased by**
75 **such licensee during the same period in the preceding year.**

149.160. 1. A tax is levied upon the first sale of tobacco products, other than
2 cigarettes, within the state. The tax on tobacco products shall be at the rate of ten percent of
3 the manufacturer's invoice price before discounts and deals, and shall be paid by the person
4 making the first sale within the state. Licensed persons making first sales within the state
5 shall be allowed approved credit for returned merchandise provided the tax was paid on the
6 returned merchandise and the purchaser was given a refund or credit. Such licensed person
7 shall take such approved credit on the return for the month in which the purchaser was given
8 the refund or credit.

9 2. The tax shall not apply to tobacco products when the first sale within the state has
10 occurred on such tobacco products prior to October 1, 1993.

11 3. Amounts generated by the tax levied in this section shall be deposited in the health
12 initiatives fund created by section 191.831.

13 4. When the general assembly appropriates an amount equal to twenty-five percent of
14 the net federal reimbursement allowance to the health initiatives fund, this section shall
15 expire. As used in this section, "net federal reimbursement allowance" shall mean that
16 amount of the federal reimbursement allowance in excess of the amount of state matching
17 funds necessary for the state to make payments required by subsection 1 of section 208.471
18 or, if the payments exceed the amount so required, the actual payments made for the purposes
19 specified in subsection 1 of section 208.471.

20 **5. (1) Beginning January 1, 2027, in addition to all other taxes imposed under**
21 **this chapter, a tax is hereby levied upon the first sale of vapor products, alternative**
22 **nicotine products, and tobacco paraphernalia within this state at a rate of ten percent of**
23 **the manufacturer's or distributor's invoice price before discounts and deals. The tax**
24 **imposed under this subsection shall be reported and remitted in the same manner as**
25 **taxes imposed under this section.**

26 **(2) All moneys collected under this subsection shall be deposited in the state**
27 **treasury to the credit of the veterans property tax relief fund created under section**
28 **137.1077.**

29 **6. (1) Beginning January 1, 2027, in addition to the tax imposed under**
30 **subsection 1 of this section, a tax is hereby levied upon the first sale of tobacco products,**
31 **other than cigarettes, within this state an additional tax at a rate of two percent of the**
32 **manufacturer's or distributor's invoice price before discounts and deals. The additional**
33 **tax imposed under this subsection shall be reported and remitted in the same manner as**
34 **the tax imposed under subsection 1 of this section.**

35 **(2) All moneys collected under this subsection shall be deposited in the state**
36 **treasury to the credit of the veterans property tax relief fund created under section**
37 **137.1077.**

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