

SECOND REGULAR SESSION

HOUSE BILL NO. 2646

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE BYRNES.

6477H.011

JOSEPH ENGLER, Chief Clerk

AN ACT

To amend chapter 135, RSMo, by adding thereto one new section relating to a tax credit for certain vehicle loan interest payments.

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

Section A. Chapter 135, RSMo, is amended by adding thereto one new section, to be known as section 135.1685, to read as follows:

- 135.1685. 1. This section shall be known and may be cited as the "Missouri No Tax on Car Loan Interest Tax Credit".**
- 2. As used in this section, the following terms mean:**
- (1) "Applicable passenger vehicle", any new vehicle:**
 - (a) The original use of which commences with the taxpayer for personal use;**
 - (b) Which is manufactured primarily for use on public streets, roads, and highways, but shall not include a vehicle operated exclusively on a rail or rails;**
 - (c) Which has at least two wheels;**
 - (d) Which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle;**
 - (e) Which is treated as a motor vehicle for purposes of Title II of the Clean Air Act;**
 - (f) Which has a gross vehicle weight rating of less than fourteen thousand pounds; and**
 - (g) The final assembly of which occurred entirely within the state of Missouri and which was sold in this state on or after January 1, 2026;**

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.

17 (2) "Final assembly", the process by which a manufacturer produces an
18 applicable passenger vehicle at, or through the use of, a plant, factory, or other place
19 from which the vehicle is delivered to a dealer with all component parts necessary for
20 the mechanical operation of the vehicle included with the vehicle, whether the
21 component parts are permanently installed in or on the vehicle;

22 (3) "Qualified amount", for any qualified taxpayer in a given tax year, the total
23 amount of the qualified passenger vehicle loan interest paid or accrued during the tax
24 year, not to exceed ten thousand dollars per qualified taxpayer per tax year;

25 (4) "Qualified passenger vehicle loan interest", any interest which is paid or
26 accrued during the tax year on indebtedness incurred by the taxpayer after December
27 31, 2025, for the purchase of, and that is secured by a first lien on, an applicable
28 passenger vehicle for personal use. The term qualified passenger vehicle loan interest
29 shall include indebtedness that results from refinancing any indebtedness and that is
30 secured by a first lien on the applicable passenger vehicle with respect to which the
31 refinanced indebtedness was incurred, but only to the extent the amount of such
32 resulting indebtedness does not exceed the amount of such refinanced indebtedness.
33 Indebtedness described under this subdivision shall not include any indebtedness owned
34 to a person who is related to the taxpayer, within the meaning of such term as described
35 under 26 U.S.C. Section 267(b) or Section 707(b)(1). The term qualified passenger
36 vehicle loan interest shall not include any amount paid or incurred on a loan to finance
37 fleet sales, a loan incurred for the purchase of a commercial vehicle that is not used for
38 personal purposes, any lease financing, a loan to finance the purchase of a vehicle with a
39 salvage title, or a loan to finance the purchase of a vehicle intended to be used for scrap
40 or parts;

41 (5) "Qualified taxpayer", any individual subject to the state income tax imposed
42 under chapter 143, excluding the withholding tax imposed under sections 143.191 to
43 143.265, who purchased a new applicable passenger vehicle and paid or accrued
44 qualified passenger vehicle loan interest during the tax year for which the tax credit is
45 claimed;

46 (6) "Tax credit", a credit against the tax otherwise due under chapter 143,
47 excluding withholding tax imposed under sections 143.191 to 143.265.

48 3. For all tax years beginning on or after January 1, 2026, but on or before
49 December 31, 2029, a qualified taxpayer shall be allowed to claim a tax credit against
50 the taxpayer's state tax liability in an amount equal to the taxpayer's qualified amount,
51 subject to the income provisions under subsection 4 of this section.

52 4. The amount which is otherwise allowable as a tax credit under subsection 3 of
53 this section as qualified passenger vehicle loan interest, determined without regard to

54 this subsection and after the application of subsection 3 of this section, shall be reduced,
55 but not below zero, by two hundred dollars for each one thousand dollars, or portion
56 thereof, by which the Missouri adjusted gross income of the taxpayer, as defined in
57 section 143.121, for the tax year exceeds one hundred thousand dollars or two hundred
58 thousand dollars if filing a combined Missouri income tax return.

59 5. Interest shall not be treated as qualified passenger vehicle loan interest under
60 this section unless the taxpayer includes the vehicle identification number of the
61 applicable passenger vehicle on the return of tax for the tax year.

62 6. Tax credits issued under the provisions of this section shall not be refundable.
63 No tax credit claimed under this section shall be carried forward to any subsequent tax
64 year.

65 7. No tax credit claimed under this section shall be assigned, transferred, sold, or
66 otherwise conveyed.

67 8. The department of revenue shall promulgate all necessary rules and
68 regulations for the administration of this section including, but not limited to, rules
69 relating to the verification of a taxpayer's qualified amount. Any rule or portion of a
70 rule, as that term is defined in section 536.010, that is created under the authority
71 delegated in this section shall become effective only if it complies with and is subject to
72 all of the provisions of chapter 536 and, if applicable, section 536.028. This section and
73 chapter 536 are nonseverable and if any of the powers vested with the general assembly
74 pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul
75 a rule are subsequently held unconstitutional, then the grant of rulemaking authority
76 and any rule proposed or adopted after August 28, 2026, shall be invalid and void.

77 9. Under section 23.253 of the Missouri sunset act:

78 (1) The provisions of the new program authorized under this section shall sunset
79 four years after the effective date of this section unless reauthorized by an act of the
80 general assembly; and

81 (2) This section shall terminate on September first of the calendar year
82 immediately following the calendar year in which the program authorized under this
83 section is sunset; and

84 (3) Nothing in this subsection shall prevent a taxpayer from claiming a tax credit
85 properly issued before this program was sunset in a tax year after the program is sunset.

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