

HB 2945 -- INCOME TAX

SPONSOR: Hardwick

Currently, Sections 143.121 and 143.341, RSMo, define how a resident individual's Missouri adjusted gross income is computed by starting with Federal adjusted gross income and then applying specified additions and subtractions.

This bill revises these provisions to maintain the existing income tax structure while adding new statutory subtractions. The bill continues to define Missouri adjusted gross income based on Federal adjusted gross income with specified modifications but adds provisions that:

(1) For all tax years beginning on or after January 1, 2026, treat a capital gain as including items of ordinary income for Federal tax purposes that, but for Internal Revenue Code Sections 1245 and 1250, would have been classified as a capital gain. This authorizes a subtraction for capital gains recharacterized as ordinary income.

(2) For estates and trusts, for all tax years beginning on or after January 1, 2026, subtract 100% of all income reported as a capital gain for Federal income tax purposes and include items of ordinary income that would be capital gains absent application of Internal Revenue Code Sections 1245 and 1250.