HCS SB 994 -- INCOME TAX

SPONSOR: Henderson

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Ways and Means by a vote of 8 to 0. Voted "Do Pass" by the Standing Committee on Rules-Administrative by a vote of 9 to 0.

The following is a summary of the House Committee Substitute for SB 994.

MILITARY INCOME TAX EXEMPTION (Section 143.121)

Currently, for purposes of calculating the Missouri taxable income, 100% of the income received by any person as salary or compensation in any form as a member of the active duty component of the Armed Forces of the United States, and to the extent that such income is included in the Federal adjusted gross income, may be deducted from the taxpayer's Missouri adjusted gross income to determine the taxpayer's Missouri taxable income. The taxpayer's retirement benefits are automatically subtracted from the taxpayer's Federal adjusted gross income.

Beginning January 1, 2027, this bill specifies that all taxable pay, benefits, and allowances paid to or received by a member or former member of the uniformed services as salary, retirement benefits, or compensation in any form for military service in the uniformed services including, but not limited to, basic pay, drill pay, annual training pay, active duty pay, active duty training pay, special and incentive pay, bonuses, inactive duty training (IDT) pay, annual training pay, and any other form of military income is subtracted from a taxpayer's Federal adjusted gross income for the purpose of calculating the taxpayer's Missouri adjusted gross income.

BEGINNING FARMER INCOME TAX DEDUCTION (Section 143.121)

Current law authorizes an income tax deduction for certain income received for the sale or lease of farmland to beginning farmers. This bill adds a definition of "taxpayer" to such deduction.

TAX RETURNS (Sections 143.511, 143.591, and 143.971)

Current law provides that the date for filing income tax returns must be the 15th day of the fourth month following the close of the taxpayer's taxable year. This bill provides that such date

must be the date prescribed for the filing of federal tax returns (Section 143.511).

Currently, an employer with at least 250 employees must electronically submit a tax return that indicates the amount of taxes withheld on wages in the previous tax year by January 31. Beginning January 1, 2027, the bill changes the number of employees to at least 10.

This bill provides that tax return forms for all tax years beginning on or after January 1, 2026, must indicate the name of the public school district in which the taxpayer resides.

TAX DEFICIENCIES (Sections 143.512 and 143.621)

This bill provides that, if a taxpayer has an income tax balance due because of a full or partial denial of a tax credit, the taxpayer must not be held liable for any addition to tax, penalty, or interest on that amount of the balance due. The bill applies if the only reason for the denial is due to the tax credit reaching it's maximum amount for the relevant year, as specified in the bill.

This bill provides that a taxpayer that has paid a deficiency and any interest, additions to tax, or penalties attributable to such deficiency that is subsequently found to be erroneous, regardless of whether the taxpayer has timely filed a protest with the Director of Revenue, must be entitled to a refund in the amount of the deficiency and any interest, additions to tax, or penalties attributable to such deficiency that were paid by the taxpayer. The refund must be paid as provided in current law.

There is a delayed effective date for certain sections in the bill.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this bill offers taxpayer protections. Those in support of the bill state that, currently, if a person who claimed a tax credit is denied that credit because the credit hit its cap, the person would have to pay penalties and interest on their outstanding taxes. Supporters say this bill addresses this issue and provides that, if a person who claimed a tax credit is denied solely because the credit hit its cap, the person would not have to pay such penalties and

interest. Those in support of the bill state it allows farmers who have trusts and LLCs to benefit from the Beginning Farmer Income Tax Deduction program.

Testifying in person for the bill were Senator Henderson; Missouri Bankers Association; Missouri Soybean Association; Missouri Farm Bureau; Missouri Corn Growers Association; Arnie C. Dienoff; and Feeding Missouri.

OPPONENTS: There was no opposition voiced to the committee.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.