AN ACT

To repeal section 144.701, RSMo, and to enact in lieu thereof two new sections relating to a tax credit for certain educational expenses.

135.721. 1. For the purposes of this section, the following terms shall mean:

(1) "Department", the Missouri department of revenue;

(2) "Home school", the same meaning as provided in section 167.031;

(3) "Private school", a school that is not a part of the public school system of the state of Missouri and that charges tuition for the rendering of elementary or secondary educational services;

(4) "Qualified expenses":

(a) Tuition or fees at a private school or home school;

(b) Textbooks required by a private school or home school;

(c) Educational therapies or services from a licensed or accredited practitioner or provider including, but not limited to, licensed or accredited paraprofessionals or educational aides;

(d) Tutoring services;
(e) Curriculum;
(f) Tuition or fees for a private virtual school;
(g) Fees for a nationally standardized norm-referenced achievement test, advanced placement examinations, international baccalaureate examinations, or any examinations related to college or university admission;
(h) Services provided by a public school including, but not limited to, individual classes and extracurricular programs;
(i) Computer hardware or other technological devices that are used to help meet the qualified student's educational needs;
(j) Fees for summer education programs and specialized after-school education programs; and
(k) Transportation costs for mileage to and from a private school or home school;

"Qualified expenses" shall not include consumable educational supplies including, but not limited to, paper, pens, pencils, or markers; tuition at a private school located outside of the state of Missouri; or payments or reimbursements to any person related within the third degree of consanguinity or affinity to a qualified student;

(5) "Qualified student", a child who is required to be educated pursuant to section 167.031;
(6) "Resident school district", the school district in which a taxpayer's residence is located;
(7) "Tax credit", a credit against the tax otherwise due under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265;
(8) "Taxpayer", any individual subject to the state income tax imposed under chapter 143, excluding the
withholding tax imposed under sections 143.191 to 143.265, and who did not enroll a qualified student in the resident school district during the tax year for which the taxpayer is claiming a tax credit pursuant to this section.

2. (1) For all tax years beginning on or after January 1, 2025, a taxpayer shall be authorized to claim a tax credit against the taxpayer's state tax liability in an amount equal to one hundred percent of qualified expenses incurred for educating a qualified student at a private school or home school, provided that no tax credit authorized pursuant to this section shall exceed the state adequacy target, as defined in section 163.011.

(2) Tax credits authorized pursuant to this section shall not be transferred, sold, or assigned.

(3) Any amount of tax credit that exceeds the taxpayer's state tax liability shall be considered an overpayment of taxes and shall be refunded.

3. Tax credits authorized pursuant to this section shall be claimed by the taxpayer at the time such taxpayer files a return. The taxpayer shall submit to the department certification obtained after November fifteenth from the department of elementary and secondary education that the taxpayer did not enroll a qualified student in the taxpayer's resident school district during the tax year for which the taxpayer is claiming a tax credit pursuant to this section.

4. Notwithstanding any provision of law to the contrary, the amount of revenue distributed to a school district pursuant to section 144.701 shall be reduced by an amount equal to the aggregate amount of tax credits claimed pursuant to this section by taxpayers residing in the school district. Notwithstanding the provisions of section 32.057
to the contrary, the department shall provide to the department of elementary and secondary education any information required to allow the department of elementary and secondary education to make reductions as required by this subsection.

5. The department shall promulgate rules to implement the provisions 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, 2024, shall be invalid and void.

6. The provisions of section 23.253 shall not apply to

144.701. 1. The revenue derived from the rate of one cent on the dollar of the tax imposed by sections 144.010 to 144.430 and sections 144.600 to 144.745 which shall be deemed to be local tax revenue, shall be deposited by the state treasurer in a special trust fund, which is hereby created, to be known as the "School District Trust Fund". The money in the fund shall be distributed to the public school districts of the state in the manner provided in sections 163.031 and 163.087 and shall be appropriated and used for no other purpose; except that, of all refunds made of taxes collected under the provisions of sections 144.010 to 144.430 and sections 144.600 to 144.745, the appropriate
percentage of any refund shall be paid from the school district trust fund, and except that the state may retain a fee as a charge for collecting and disbursing moneys so deposited, and transfers may be made from the fund as provided in section 164.013. The state collection fee shall not exceed two and one-half million dollars or one percent of the amount deposited in the fund, whichever is less. The fee shall be negotiated annually through the appropriation process. Any balance remaining in the fund at the end of an appropriation period shall not be transferred to general revenue, and the provisions of section 33.080 shall not apply to the fund. Moneys in the trust fund shall be invested by the state treasurer in the same deposits and obligations in which state funds are authorized by law to be invested, except that the deposits and obligations shall mature and become payable in time for distribution of the funds as provided in sections 163.031 and 163.087.

2. Notwithstanding any provision of law to the contrary, the amount of revenue distributed to a school district pursuant to this section shall be reduced by an amount equal to the aggregate amount of tax credits claimed pursuant to section 135.721 by taxpayers residing in the school district, as provided in subsection 4 of section 135.721.