

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2611S.01I  
Bill No.: SB 658  
Subject: Estates, Wills and Trusts; Taxation and Revenue - Income  
Type: Original  
Date: March 3, 2025

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Bill Summary: This proposal modifies provisions relating to the taxation of estates and trusts.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue	(\$19,527)	(Up to \$87,264,064)	(Up to \$87,264,064)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$19,527)</b>	<b>(Up to \$87,264,064)</b>	<b>(Up to \$87,264,064)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 143.341- Taxation of Estates & Trusts**

Officials from the **Department of Revenue (DOR)** note this proposal would change how resident estates and trusts are taxed. Currently a resident estate or trust is one in which the estate or trust was created at the time of the owner's death, and they were a Missouri resident at their death. The estate or trust is required to file fiduciary tax on behalf of the estate or trust. Section 143.311 requires that resident estates and trusts are taxed the same as individual when paying income tax. Additionally, the statutes specify that the fiduciary tax rate is the same rate as the individual income tax rate of 4.7% in tax year 2025.

The Missouri taxable income of a resident estate or trust means its federal taxable income with the following adjustments. The estate or trust can subtract the allowable federal personal exemption deduction and can make adjustments to their federal taxable income per Section 143.341. This proposal would add another subtraction to Section 143.341.

This will require resident estates and trusts to make a new hypothetical determination in order to calculate their Missouri taxable income. The new hypothetical determination is "the amount included in Missouri taxable income of the estate or trust that would not be included as Missouri taxable income pursuant to section 143.381, as if said estate or trust were considered a nonresident estate or trust as defined in section 143.371." Therefore, the Missouri resident trust would get a nonresident credit.

This proposal attempts to allow a resident estate or trust to include in its Missouri taxable income only items of income, gain, loss, or deduction from sources within Missouri, and additionally, receive a benefit from a credit for income tax paid to another state under section 143.081. This would allow them to limit their income to Missouri-sourced income and get a full credit for the income. This would end up treating them differently than individual filers. Individual filers must report all income regardless of its source and then get a credit for the amount of tax paid to another state.

This proposal would significantly reduce the amount of income that a resident estate or trust would pay tax on. DOR notes that in fiscal year 2024, DOR collected \$87,264,064 in fiduciary tax. DOR notes that allowing resident estates and trusts to apportion their income and then also claim a credit would provide a significant tax advantage to them. It would also significantly reduce the amount of tax owed to Missouri. DOR is unable to estimate the actual amount that could be reduced by assumes it could be up to the \$87,264,064 currently collected.

This would require DOR to create a new form at a cost of \$10,000 for the reporting of this newly created calculation and modification of the MO-1041 at a cost of \$2,200. This will also require the department's computer system to be updated at a cost of \$7,327.

**Oversight** notes the DOR requests a one-time cost for website income-tax changes and updates to comply with the proposed language; Oversight does not have any information to the contrary. Therefore, Oversight will reflect the above administrative costs to DOR in the fiscal note.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would allow Missouri estates and trusts to subtract the Missouri apportioned income from their Missouri taxable income, starting with tax year 2026.

B&P notes that this essentially allows estates and trusts to eliminate their Missouri income tax by classifying all income as earned outside of Missouri. Missouri collected \$87,264,064 in fiduciary tax during FY2. Therefore, B&P estimates that this proposal will reduce TSR and GR by up \$87,264,064 annually beginning FY27 (for tax year 2026 income).

**Oversight** notes officials from B&P and DOR both assume the proposal will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR’s and B&P’s estimated impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DOR - §143.341 - form and computer updates</u>	(\$19,527)	\$0	\$0
<u>Revenue Reduction - §143.341 - Changes to the taxation of estates and trusts</u>	\$0	(Up to \$87,264,064)	(Up to \$87,264,064)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(\$19,527)</b>	<b>(Up to \$87,264,064)</b>	<b>(Up to \$87,264,064)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

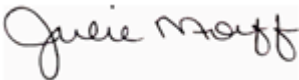
FISCAL DESCRIPTION

For all tax years beginning on or after January 1, 2026, this act provides an income tax deduction for the amount included in Missouri taxable income of a resident estate or trust that would not be included as Missouri taxable income if said estate or trust were considered a nonresident estate or trust. Such deduction shall only apply to the extent it is not a determinant of the federal distributable net income of the estate or trust.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration - Budget and Planning



Julie Morff  
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March 3, 2025



Jessica Harris  
Assistant Director  
March 3, 2025