

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4319S.01I  
Bill No.: SB 1291  
Subject: Agriculture; Taxation and Revenue - Income  
Type: Original  
Date: February 4, 2026

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Bill Summary: This proposal modifies provisions relating to an income tax deduction for certain farmers.

**FISCAL SUMMARY**

**ESTIMATED NET EFFECT ON GENERAL REVENUE FUND**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(Unknown, could exceed \$30,188)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown, could exceed \$30,188)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Given the few number of potential qualifiers of this deduction, (applicable to income received through a rental, lease, or crop-sharing agreements.) Oversight assumes the unknown loss of revenue will be under the \$250,000 threshold.

**ESTIMATED NET EFFECT ON OTHER STATE FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<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.

**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<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.

**ESTIMATED NET EFFECT ON LOCAL FUNDS**

FUND AFFECTED	FY 2027	FY 2028	FY 2029
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§143.121 - Farmer Deduction**

Officials from the **Office of Administration - Budget and Planning (B&P)** note B&P's estimated cost for HB 202/SB 138 was based on the definition of beginning farmer. B&P was unable then (and now) to separate sales by owner type. Therefore, the estimated costs reflected in the TAFP fiscal notes included all potential owners. This proposal will not impact TSR or the calculation under Article X, Section 18(e) beyond what was already estimated during the 2023 session.

Officials from the **Department of Revenue (DOR)** note this proposal modifies section 143.121.10 regarding the beginning farmer deduction. It starts by changing the definition of "Farm owner" from "an individual" to "a taxpayer". It then adds a definition of "Taxpayer".

It appears the intent of the definition of "Taxpayer" is to include pass-through entities and corporations. However, the deduction must be subtracted from a taxpayer's Missouri adjusted gross income to the extent included in federal adjusted gross income. The deduction would still only be able to be claimed on an Individual Income Tax Return MO-1040. The returns for fiduciary, corporations, and pass-through entities do not include Missouri adjusted gross income.

DOR notes that beginning with tax year 2025, capital gains can be subtracted on the Individual Income Tax Return, MO-1040. This modification to the statute would only be applicable to income received through a rental, lease, or crop-sharing agreements. DOR is unable to estimate a fiscal note for increasing the number of taxpayers that can claim this deduction as it is unknown annually how many farmers may be in this situation.

DOR will need to update its MO-1040, MO-1040A, MO-1120 & MO-PTE form at a cost of \$2,200 per form. For a total of \$8,800. Additionally, this would require programming changes to the department's Revenue Premier system for each of these forms at a cost of \$7,547 per form change. For a total of \$30,188.

**Oversight** will reflect the costs for form and programming changes as provided by the Department of Revenue.

Oversight notes the Department of Revenue assumes this proposal could increase the number of taxpayers that can claim this deduction. Oversight does not have information to the contrary and therefore, Oversight will reflect an unknown loss to general revenue for the potential increase in deductions claimed. Given the few number of potential qualifiers of this deduction, (applicable to income received through a rental, lease, or crop-sharing agreements.) Oversight assumes the unknown loss of revenue will be under the \$250,000 threshold.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
<b>GENERAL REVENUE</b>			
<u>Cost – DOR (§143.121) Form and programming updates p.3</u>	(\$30,188)	\$0	\$0
<u>Revenue Loss – (§143.121) Increased number of taxpayers claiming deduction p.3</u>	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(Unknown, could exceed <u>\$30,188</u>)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

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

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

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SOURCES OF INFORMATION

Department of Revenue

Office of Administration - Budget and Planning

Julie Morff  
Director

A handwritten signature in black ink, appearing to read "Jessica Harris".

Jessica Harris  
Assistant Director  
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