

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4828S.01P
 Bill No.: Perfected SB 994
 Subject: Tax Credits; Taxation and Revenue - Income
 Type: Original
 Date: February 10, 2026

Bill Summary: This proposal modifies provisions relating to the filing of income tax returns.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(Unknown, could exceed \$44,275)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown, could exceed \$44,275)	(Unknown)	(Unknown)

*Oversight assume §143.621 allowing for a refund of an erroneous deficiency and any related interest, additions to tax, or penalties attributable to the deficiency could potentially reach the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- 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
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§143.511 - Income Tax Return Due Date

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this provision would allow the annual income tax due date to change from April 15th to the date required for federal income tax returns. B&P notes that there are many years where the federal annual due date falls after April 15th. B&P further notes that DOR already matches the Missouri income tax due date with the federal due date. Therefore, this provision will not impact state revenues.

Officials from the **Department of Revenue (DOR)** assume:

This proposal would require income tax return's filing deadline to be the same as the federal deadline. It appears the intent is to allow the state filing deadline to move when the federal government moves their deadline. Currently, Missouri tax returns are due on April 15th each year unless moved by the Governor Office. Sometimes, the federal filing deadline is moved to another day.

DOR notes that some income tax returns are currently due at the federal level on March 15th but in Missouri it is due on April 15th. The MO-1065 is one such example. This proposal would require Missouri to make that form and any others with different deadlines to match the Internal Revenue Service's deadlines.

DOR notes this would require the change of the Department's tax forms and instructions as well as updating the computer programs. This would result in a cost of around 10,000 per form that needs changing. These would be one-time costs.

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

§143.512 - Tax Credit Balance Due Penalty

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would waive any addition to tax, interest, and penalties on taxes due because of tax credits being apportioned, if the resulting tax due is paid within 60 days. B&P notes that this would only apply

to tax credits that are apportioned among taxpayers when redemptions are greater than the amount allowed per statute or appropriation.

B&P notes that currently taxpayers are encouraged to remit their full tax liability, calculated before a tax credit, in case their tax credit claim is denied. However, based on additional information taxpayers are not actually able to remit a payment above the balance due amount shown on their original return until that amount has been amended by DOR. Therefore, taxpayers receiving apportioned credits end up with a tax due notice, with interest and penalties currently levied on the overdue amount.

Based on information provided by DOR, this provision could reduce TSR by an unknown, likely minimal, amount.

Officials from the **Department of Revenue (DOR)** assume this proposal appears to want to allow a taxpayer who attempts to claim a tax credit, that is denied from a lack of available funds, and that denial causes a balance due notice to be generated by DOR, to pay their balance due without paying a penalty or interest for sixty days. If the balance due is not paid within sixty days, the penalty and interest would still be owed.

DOR notes that tax credits can be denied for various reasons. Many of the state tax credit programs have caps that are first come, first serve, and taxpayers can be denied if their claim is filed later than others. Additionally, a balance due can be caused from an intentional disregard of rules and regulations which result in a deficiency. This proposal would require DOR to provide a grace period even when the taxpayer is willful to file a return that results in a balance due.

If the intent is to allow for a grace period only on apportioned tax credits, DOR notes there are four such credits. They are the Biodiesel Retailers, Champion for Children, Ethanol Retailers, and Food Pantry tax credit programs. These credits became apportioned credits because the annual cap was placed on the redemptions rather than on the issuance of the credits as it practices.

Apportioned credits allow people to apply for the tax credit and then the amount of the credit is adjusted downward should the number of credits redeemed exceed the cap. This practice results in taxpayers not knowing the amount of credit they are to receive, and unless the taxpayer pays their whole tax liability without regard for the tax credit, they have the potential to get an “assessment of unpaid tax notice” from DOR for the outstanding balance not covered by the credit.

DOR notes the Champion for Children tax credit program already grants DOR the authority to notify taxpayers and to give those taxpayers a sixty-day grace period to make an additional payment should their account require it. They are allowed this grace period only if their unpaid balance is a result of the credit being applied at a lesser rate. Therefore, this proposal would not impact the Champion for Children program.

DOR notes that the Food Pantry program does not allow for such a grace period. At this time, DOR notifies the taxpayer of the adjustment and then is required to assess penalties and interest. It appears this proposal attempts to allow DOR to give them a grace period. DOR assumes this would have minimal impact of less than \$10,000 annually.

DOR notes that the Ethanol and Biodiesel Retailers credits have not been apportioned as the number of credits claimed is currently less than the cap amount. However, this proposal could impact them in the near future.

Oversight notes that B&P and DOR both assume the fiscal impact stemming from §143.511 would be minimal. Therefore, Oversight will reflect a zero impact in the fiscal note.

§143.121 (SA 1) Farmer Deduction

Officials from **Department of Revenue (DOR)** assumed this proposal modifies §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.

In response to the similar legislation, SB 1291 (2026), officials from **Office of Administration – Budget & Planning (B&P)** assumed 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.

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.

§143.971 (SA 2) Tax Returns

Officials from the **Department of Revenue (DOR)** assume this amendment would require DOR to add a line to the income tax return asking people to name the school district in which they reside. DOR notes that adding a line to the return would cost \$2,200, changes to their website, instructions and computer programming at a cost of \$1,887.

DOR notes they do not need this information to process the return, and this proposal does not require us to do anything with the information. DOR notes that the collection of information on the tax return is confidential and can not be shared with any person, organization or agency outside their department. This proposal does not institute a punishment for failing to provide this information and therefore, DOR would process the return even if a taxpayer chooses to leave the line blank.

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

§143.621 (SA 3) Tax Deficiencies

Officials from **Department of Revenue (DOR)** note this bill amends §143.621 to add a new subsection. This subsection allows for a taxpayer who has paid a deficiency and any interest, additions, or penalties attributable to this deficiency, which is later found to be erroneous, to be entitled to a refund of such amounts paid regardless of whether the taxpayer timely filed a protest with the Director.

DOR is unable to determine a fiscal impact from this proposal as it is predicated on taxpayers not paying the correct amount of tax when filing the return.

Oversight is unable to determine how many tax deficiencies paid by taxpayers have the potential to be erroneous. Oversight assumes any potential refunds would be paid to the taxpayer and potentially impact general revenue. Therefore, Oversight will reflect a \$0 or unknown cost to general revenue to account for any potential refunds sought by the taxpayer from this proposal.

Oversight notes the following according to the Department of Revenue’s 2024 Annual [Report](#):

Fiscal Year	Individual Income Tax Collected	Individual Income Tax Refunds
FY 2024	\$9,066,281,176	\$1,176,324,865

Oversight assumes the amount of tax, interest, additions, and penalties potentially refunded under this proposal could exceed (\$250,000).

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost</u> – DOR §143.511 Updating the forms	Could exceed (\$10,000)	\$0	\$0
<u>Cost</u> – DOR (§143.121) Form and programming updates p.5-6	(\$30,188)	\$0	\$0
<u>Revenue Loss</u> – (§143.121) Increased number of taxpayers claiming deduction p.5	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> – DOR (§143.971) Form and programming updates p.5-6	(\$4,087)	\$0	\$0
<u>Costs</u> – DOR (§143.621) Refunds for Erroneous Income Tax Deficiencies p.6	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Unknown, could exceed \$44,275)	(Unknown)	(Unknown)

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

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

BEGINNING FARMER INCOME TAX DEDUCTION

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. (Section 143.121)

TAX RETURNS

Current law provides that the date for filing income tax returns shall be the fifteenth day of the fourth month following the close of the taxpayer's taxable year. This act provides that such date shall be the date prescribed for the filing of federal tax returns. The act provides that if such date is changed for any reason, the date for filing state income tax returns shall also be changed to such date. (Section 143.511)

This act provides that tax return forms for all tax years beginning on or after January 1, 2026, shall indicate the name of the public school district in which the taxpayer resides. (Section 143.971)

TAX DEFICIENCIES

This act provides that a taxpayer shall not be liable for penalties or interest on an income tax balance due if such taxpayer is denied part or all of a tax credit to which the taxpayer has qualified pursuant to any provision of law due to lack of available funds, and such denial causes a balance-due notice to be generated by the Department of Revenue or any other redeeming agency. Such taxpayer shall pay the balance due within sixty days or be subject to penalties and interest pursuant to current law. (Section 143.512)

This act 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 such taxpayer has timely filed a protest with the Director of Revenue, shall 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. Such refund shall be paid as provided in current law. (Section 143.621)

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

Office of Administration – Budget & Planning
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