

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4832S.01I
Bill No.: SB 1091
Subject: Children and Minors; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: January 27, 2026

Bill Summary: This proposal authorizes a child tax credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Up to (\$2,450,930,078)	Up to (\$4,959,559,720)	Up to (\$5,438,647,283)
Total Estimated Net Effect on General Revenue	Up to (\$2,450,930,078)	Up to (\$4,959,559,720)	Up to (\$5,438,647,283)

*Oversight notes the above fiscal impact represents the advanced payment amount of the refundable child tax credits and 12 FTE for the Department of Revenue along with OA-ITSD costs for the Advanced Payment System.

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
General Revenue	12 FTE	12 FTE	12 FTE
Total Estimated Net Effect on FTE	12 FTE	12 FTE	12 FTE

- ☒ 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

§135.320 - Child Tax Credit

Officials from the **Office of Administration – Budget & Planning (B&P)** assume starting tax year 2027, this proposal would grant a refundable child tax credit based on the age of a dependent child and a qualifying taxpayer's Missouri adjusted gross income (MAGI). A dependent child can only be claimed by one taxpayer per year, and each taxpayer is allowed up to six tax credits per year.

The maximum credit for each dependent age 0-6 is \$7,200 and the maximum credit for each dependent age 7-17 is \$3,600. A qualifying taxpayer must have a MAGI of \$75,000 or less (or \$150,000 married-filing combined). Beginning calendar year 2028, both the tax credit amounts and the MAGI limits are to be increased for inflation. For the purpose of this fiscal note, B&P will assume an average 2% inflation rate per year.

B&P notes that subsection 135.320 states “beginning with the 2028 calendar year”, but the tax credits are granted on a tax year. B&P further notes that tax year 2027 income tax returns are filed during calendar year 2028. Therefore, it appears the tax returns filed during 2028, for tax year 2027, should benefit from the inflation adjustment. Table 1 shows the estimated MAGI and tax credit amounts by tax year.

Table 1: Tax Credit and Income Limits

Tax Year	Not MFJ MAGI	MFJ MAGI	Age 0-6 Tax Credit	Age 7-17 Tax Credit
2027	\$75,000	\$150,000	\$7,200	\$3,600
2028	\$76,500	\$153,000	\$7,344	\$3,672
2029	\$78,030	\$156,060	\$7,491	\$3,745
2030	\$79,591	\$159,181	\$7,641	\$3,820
2031	\$81,183	\$162,365	\$7,794	\$3,896

Based on 2023 census data, B&P estimates that of children ages 0-17, 36.5% are ages 0-6 and 63.5% are ages 7-17. Using tax year 2023 data, the most recent year available, B&P estimates that this proposal could result in tax credit claims of \$4,889,340,000 for tax year 2027. By tax year 2031, this proposal could result in tax credit claims of \$5,646,092,400. Table 2 shows the estimated impact by filing status.

Table 2: Estimated Impact by Filing Status 2027

Filing Status	Age 0-6	Age 7-17	Total
Single	\$147,535,200	\$128,538,000	\$276,073,200
Head of Household	\$1,146,823,200	\$999,392,400	\$2,146,215,600
Married Filing Combined	\$1,313,143,200	\$1,144,306,800	\$2,457,450,000
Widow(er)	\$5,126,400	\$4,474,800	\$9,601,200
Total			\$4,889,340,000

Table 2: Estimated Impact by Filing Status 2028

Filing Status	Age 0-6	Age 7-17	Total
Single	\$148,629,600	\$129,484,800	\$278,114,400
Head of Household	\$1,156,802,400	\$1,008,093,600	\$2,164,896,000
Married Filing Combined	\$1,313,143,200	\$1,144,306,800	\$2,457,450,000
Widow(er)	\$5,148,000	\$4,489,200	\$9,637,200
Total			\$4,910,097,600

Table 2: Estimated Impact by Filing Status 2029

Filing Status	Age 0-6	Age 7-17	Total
Single	\$149,227,200	\$130,006,800	\$279,234,000
Head of Household	\$1,161,280,800	\$1,011,996,000	\$2,173,276,800
Married Filing Combined	\$1,686,758,400	\$1,469,887,200	\$3,156,645,600
Widow(er)	\$5,184,000	\$4,521,600	\$9,705,600
Total			\$5,618,862,000

Table 2: Estimated Impact by Filing Status 2030

Filing Status	Age 0-6	Age 7-17	Total
Single	\$150,213,600	\$130,867,200	\$281,080,800
Head of Household	\$1,170,136,800	\$1,019,714,400	\$2,189,851,200
Married Filing Combined	\$1,686,758,400	\$1,469,887,200	\$3,156,645,600
Widow(er)	\$5,227,200	\$4,550,400	\$9,777,600
Total			\$5,637,355,200

Table 2: Estimated Impact by Filing Status 2031

Filing Status	Age 0-6	Age 7-17	Total
Single	\$150,753,600	\$131,342,400	\$282,096,000
Head of Household	\$1,174,197,600	\$1,023,256,800	\$2,197,454,400
Married Filing Combined	\$1,686,758,400	\$1,469,887,200	\$3,156,645,600
Widow(er)	\$5,292,000	\$4,604,400	\$9,896,400
Total			\$5,646,092,400

B&P notes that typically tax credits are claimed at the time that a taxpayer files their annual income tax return. However, this proposal would allow taxpayers to request a pre-payment of their anticipated child tax credit during the tax year. Such pre-payments shall be in equal installments throughout the tax year. B&P further notes that while the pre-payment of credits could have a cash flow impact between fiscal years, the overall amount of tax credits claimed would not be impacted. Table 3 shows the estimated impact by fiscal year.

Table 3: Estimated Impact by Fiscal Year

Fiscal Year	All Credits Annual	All Credits Pre-Pay
FY 2027	\$0	(\$2,444,670,000)
FY 2028	(\$4,889,340,000)	(\$4,899,718,800)
FY 2029	(\$4,910,097,600)	(\$5,264,479,800)
FY 2030	(\$5,618,862,000)	(\$5,628,108,600)
FY 2031	(\$5,637,355,200)	(\$5,641,723,800)
FY 2032	(\$5,646,092,400)	(\$5,646,092,400)

Therefore, B&P estimates that this proposal could reduce TSR and GR by \$0 to \$2,444,670,000 in FY27, depending on how many taxpayers opt for the pre-payment of their child tax credit. This proposal could then reduce TSR and GR by \$4,889,340,000 to \$4,889,718,800 in FY28, depending on how many taxpayers opt for the pre-payment of their child tax credit. By FY 2032, this proposal could reduce TSR and GR by \$5,646,092,400.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a MO Child Tax Credit program in Missouri similar to the federal program. Starting January 1, 2027, a qualified taxpayer may be eligible to receive a child tax credit for a qualified child. These tax credits are refundable, but cannot be carried forward or back, sold, transferred or assigned. This tax credit has a sunset clause.

This proposal defines a “qualified taxpayer” as a person with the filing status of “single, head of household, widowed or married filing combined.” This proposal exempts taxpayers who file as married filing separate.

This proposal establishes the tax credit amount based on the age of the child. If the child is under the age of 7 (0-6), the tax credit is \$7,200. If the child is over the age of 7 but younger than 18 (7-17) then the credit is \$3,600. This proposal states that a taxpayer shall be allowed to claim a cumulative amount of up to six tax credits total.

This proposal goes on to limit this tax credit to parents with certain income limits. Single, head of household and qualified widow(er) cannot have an adjusted gross income exceeding \$75,000. While the married filing combined cannot exceed \$150,000 of adjusted gross income. Starting in tax year 2028, this proposal would require DOR to adjust the income limits and credit amount based on the Consumer Price Index. DOR notes for fiscal note purposes, a 2% inflation rate is used for each year. Therefore, the new annual amounts are:

Tax Credit and Income Limits

Tax Year	Not MFJ MAGI	MFJ MAGI	Age 0-6 Tax Credit	Age 7-17 Tax Credit
2027	\$75,000	\$150,000	\$7,200	\$3,600
2028	\$76,500	\$153,000	\$7,344	\$3,672
2029	\$78,030	\$156,060	\$7,491	\$3,745
2030	\$79,591	\$159,181	\$7,641	\$3,820

This proposal only allows the qualified taxpayer to receive the credit for a child “listed as a dependent”. For determining an impact for the fiscal note, we will assume if a child is listed on the federal return, it could be claimed by the taxpayer. MO taxpayers do not submit information on the MO-1040 regarding the number or age of their children as we have no deductions or credits that need the data. What information we receive on children comes from the IRS, is limited and does not encompass all children. Therefore, providing an accurate estimate of this proposal is not possible.

Based on 2024 published census data, DOR notes that of the children ages 0-17, 36.73% are ages 0-6 and 63.27% are ages 7-17. When calculating the fiscal impact on tax proposals, the Department uses its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact. Currently we are using tax year 2023 data (the most recent year available) and found this proposal could result in tax credit claims of \$4,898,959,200 for tax year 2027. By tax year 2030, this proposal could result in tax credit claims of \$5,994,054,942. The following tables show the estimated impact by filing status.

Table 2: Estimated Impact by Filing Status 2027

Filing Status	Age 0-6	Age 7-17	Total
Single	\$148,615,200	\$127,998,000	\$276,613,200
Head of Household	\$1,155,283,200	\$995,162,400	\$2,150,445,600
Married Filing Combined	\$1,322,805,600	\$1,139,475,600	\$2,462,281,200
Widow(er)	\$5,162,400	\$4,456,800	\$9,619,200
Total			\$4,898,959,200

Table 2: Estimated Impact by Filing Status 2028

Filing Status	Age 0-6	Age 7-17	Total
Single	\$152,703,792	\$131,523,696	\$284,227,488
Head of Household	\$1,188,648,432	\$1,023,900,480	\$2,212,548,912
Married Filing Combined	\$1,349,261,712	\$1,162,265,112	\$2,511,526,824
Widow(er)	\$5,287,680	\$4,560,624	\$9,848,304
Total			\$5,018,151,528

Table 2: Estimated Impact by Filing Status 2029

Filing Status	Age 0-6	Age 7-17	Total
Single	\$156,389,607	\$134,677,690	\$291,067,297
Head of Household	\$1,217,137,680	\$1,048,296,655	\$2,265,434,335
Married Filing Combined	\$1,767,853,527	\$1,522,630,865	\$3,290,484,392
Widow(er)	\$5,430,975	\$4,684,995	\$10,115,970
Total			\$5,857,101,994

Table 2: Estimated Impact by Filing Status 2030

Filing Status	Age 0-6	Age 7-17	Total
Single	\$160,575,615	\$138,284,000	\$298,859,615
Head of Household	\$1,250,976,879	\$1,077,446,280	\$2,328,423,159
Married Filing Combined	\$1,803,253,077	\$1,553,124,140	\$3,356,377,217
Widow(er)	\$5,585,571	\$4,809,380	\$10,394,951
Total			\$5,994,054,942

This results in an estimated loss per tax year:

Tax Year	GR Impact
TY 2027	(\$4,898,959,200)
TY 2028	(\$5,018,151,528)
TY 2029	(\$5,857,101,994)
TY 2030	(\$5,994,054,942)

This is a refundable credit and therefore, DOR assumes all these credits will be claimed.

This proposal is creating a new tax credit which would need to be added to our MO-TC form, MO-1040 form, (\$2,200 each form) website and updates to various individual income tax computer system (\$7,547). These changes are estimated at \$11,947. In order to provide proof of dependent status DOR would need to create a new form which is estimated at \$10,000.

Verifying where a child lives is outside the normal course of business for DOR. It would more appropriately be done by DESE or DSS who has access to the records needed to handle this quicker for the taxpayer. Since this bill is requiring DOR to administer this program, we will need additional FTE to verify the qualification of the credits.

DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed we are not able to use temporary staff to help with processing these returns. DOR will need one Associate Customer Service Representative (\$42,953 salary plus years of service pay) for every 5,000 returns to handle the verification, authorization and issuance of the credit. DOR will start with 10 Associate Customer Service Representatives and seek further appropriation if necessary. Given the number of participants expected in this program of we will need one Auditor for (\$83,530 salary plus years of service pay) and one Lead Customer Service Representative (\$50,767 salary plus years of service pay) to supervise all the new FTE.

Advancement of the Tax Credit

This proposal does not limit the claiming of the credit, to when the taxpayer files their individual income tax return (usually Jan-April following the tax year). This allows them to choose claiming it when filing the return or to apply for advanced payments prior to the filing of the return. To apply for advanced payment, they must complete a form created by DOR providing required information. If approved, they would receive their tax credit in advance of their filing their tax return. Creating this form is estimated to cost \$10,000.

The advanced payment is to be disbursed in equal monthly disbursements (prorated based on the remaining months in a calendar year.) If any additional payment remains at the end of the period, it can be applied to their return.

This proposal starts with tax year 2027. These tax returns are ordinarily filed January 1 –April 15, 2028 (FY 2028). Tax returns are filed the year after the tax year ends. If all taxpayers chose

to receive their tax credit on their return, it would result in the 4,898,959,200 loss to general revenue starting in fiscal year 2028.

To start the advance payment portion of this program, this proposal allows a taxpayer to apply for the credit on or before October 1, 2026, and for the advanced payments to begin on January 1, 2027. DOR notes this would result in 6 months of advanced payments going out (January 1-June 30, 2027).

According to this proposal, if a person were entitled to the \$7,200, they would receive \$600 a month (\$7,200/12) and if they were entitled to \$3,600, they would receive \$300 a month. The Department is unable to determine the number of people who would request the advanced payments vs. those that would wait. DOR notes that while the pre-payment of credits could have a cash flow impact between fiscal years, the overall amount of tax credits claimed would remain the same. The following chart shows the impact depending on whether the credits are filed on the return or receive advanced payments.

Estimated Impact by Fiscal Year

Fiscal Year	All Credits Annual	All Credits Pre-Pay
FY 2027	\$0	(\$2,449,479,600)
FY 2028	(\$4,898,959,200)	(\$4,958,555,364)
FY 2029	(\$5,018,151,528)	(\$5,437,626,761)
FY 2030	(\$5,857,101,994)	(\$5,925,578,468)
FY 2031	(\$5,994,054,942)	(\$5,994,054,942)

DOR notes the creation of the advanced payment system and updates to our individual income tax system is expected to cost \$460,000.

DOR has several concerns with the advanced tax credit requirement that make the fiscal impact of administering this credit unknown. Those concerns are discussed below:

- Short implementation period.
- Child requirement to live with qualified taxpayer.
- No penalties for false, misleading, or fraudulent data.
- No appropriation authority to make the payment.

Short implementation period

This proposal would go into effect on August 28, 2026, and would require DOR to accept the advanced applications starting October 1, 2026. This proposal will require the creation of new forms, and updates to our individual income tax computer systems. Additionally, instructions and agency procedures would need to be created, and staff trained to handle these credit requests. This proposal only gives about 5 weeks to get this all done. It should be noted the routine year end updates and form changes that DOR must do each year on average take 3 months. In order

to prepare this program, additional overtime in an unknown amount will be required to get this all accomplished.

Child requirement to live with taxpayer minimum six months

This proposal requires the child to live with the qualified taxpayer a minimum of six months of the tax year to be eligible for the credit. It is unclear how this provision could be implemented in regard to the advanced payments. The requirement to live for at least 6 months in the tax year (Jan-June) would not allow the taxpayer to apply for the advanced payments until the end of June of the tax year. However, this proposal provides that advanced payments cannot be requested after June of the tax year. This appears to potentially negate the advanced payment provision.

Additionally, DOR has no way to verify where a child is living. This could result in taxpayer's attempting to claim a child they are not entitled to.

No penalties for false, misleading, or fraudulent data

This proposal does not establish any penalties for taxpayers who provide false, misleading or fraudulent data when applying for the advanced payments. By allowing the advanced payments prior to the tax year ending this opens up the possibility of fraud to occur. Without penalties, DOR assumes an unknown impact from possible fraudulent payments being made.

DOR is also unable to determine the full administrative impact of this proposal due to challenges with the language.

Oversight notes that officials from the DOR assume the proposal will have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR's estimated impact of 10 Associate Customer Service Representative (\$42,593), 1 Auditor (\$83,530), and 1 Lead Customer Service Representative (\$50,767) with a one-time advanced payment system and equipment cost with ongoing expense impact in the fiscal note.

Oversight notes that B&P and DOR both assume this legislation will have a direct impact on the general revenues. Therefore, Oversight will reflect the estimated impact for this legislation in the fiscal note as full amount given as an advanced (monthly payment to all taxpayers) beginning in FY 2027, as half of the estimated amount and full impact in FY 2028 and thereafter.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DOR (§135.320) Child Tax Credit p.4</u>	Up to (\$2,449,479,600)	Up to (\$4,958,555,364)	Up to (\$5,437,626,761)
<u>Cost – (§135.320) DOR p.4</u>			
Personnel Service	(\$466,856)	(\$571,432)	(\$582,860)
Fringe Benefits	(\$351,129)	(\$425,862)	(\$430,458)
Expense & Equipment	(\$172,493)	(\$7,062)	(\$7,204)
<u>Total Costs – DOR</u>	<u>(\$990,478)</u>	<u>(\$1,004,356)</u>	<u>(\$1,020,522)</u>
FTE Change - DOR	12 FTE	12 FTE	12 FTE
<u>Cost – DOR- ITSD (§135.640) Advance Payment System p.4</u>	<u>(\$460,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Up to <u>(\$2,450,930,078)</u>	Up to <u>(\$4,959,559,720)</u>	Up to <u>(\$5,438,647,283)</u>
Estimated Net FTE Change on General Revenue	12 FTE	12 FTE	12 FTE

<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

For all tax years beginning on or after January 1, 2027, this act authorizes a taxpayer to claim a tax credit for each qualified child, defined as a dependent of the taxpayer for federal tax purposes who is under 18 years of age, did not provide more than half of the costs of his or her own support, and lived with the taxpayer for more than half of the taxpayer. In order to qualify for a tax credit, a taxpayer shall have a Missouri adjusted gross income of \$75,000 or less if filing single, or \$150,000 if filing combined.

The amount of the tax credit shall be equal to \$7,200 for each qualified child under the age of seven, and \$3,600 for each qualified child aged seven or older, provided that a taxpayer shall not claim more than six tax credits in a tax year. Tax credits shall not be carried forward or transferred, but are refundable.

The Department of Revenue shall establish a program for making monthly advance payments of the tax credit to taxpayers, as described in the act.

This act shall sunset on August 28, 2032, unless reauthorized by the General Assembly.

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 & Planning
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division



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January 27, 2026



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