

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5303S.01I
 Bill No.: SB 1279
 Subject: Taxation and Revenue - Income
 Type: Original
 Date: February 1, 2026

Bill Summary: This proposal modifies an income tax deduction for contributions to 529 savings accounts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	\$0	(Unknown)	(Unknown)

*Oversight assumes this could result in a decrease in individual income tax revenue that will be less than 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

§166.435 - MO MOST Program

Officials from the **Department of Revenue (DOR)** note the state of Missouri allows a subtraction from federal adjusted gross income for the amount of annual contributions made to the Missouri Tuition Program (MOST), or any other qualified 529 plan. The maximum annual exempt contribution is \$8,000 for single individuals or \$16,000 for married couples filing a combined return. This proposal will remove the maximum annual exempt contribution amount allowing taxpayers to contribute more to the funds and take a larger subtraction.

Using confidential taxpayer data, DOR notes that for tax year 2023 (the last most complete year of data) the records of the department indicate the following amount was reported on MO-A forms filed with DOR.

Filing Status	Number of Filers	Amount of Contributions	Average Contribution
Single	5,436	\$19,861,809	\$3,654
Head of Household	4,030	\$12,690,386	\$3,149
Qualified Widow(er)	73	\$371,978	\$5,096
Married Filing Combined	640	\$3,767,838	\$5,887

DOR notes that the average contributions being made to these accounts is under the current limits being removed. While some taxpayer may increase their contribution, with the limits removed from statute, they can already do so if they are not contributing the full amount. Should some taxpayers decide to increase their contributions this would result in a negative impact to general revenue in an unknown amount. The impact is expected to be minimal.

DOR will need to update its MO-A form (\$2,200), the department's website and its computer program (\$7,547).

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would remove the subtraction limit for 529 plan contributions. Currently taxpayers may only subtract up to \$8,000 (\$16,000 married filing combined) each tax year.

In tax year 2023, the most recent complete year available, 81,536 individuals claimed \$400,920,667 in subtractions for 529 plan contributions.

Table 1: Current Subtractions for 529 Contributions

Filing Status	# Returns	Subtraction	Avg Subtraction
Single	5,436	\$19,861,809	\$3,654
MFJ	71,997	\$367,996,494	\$5,111
HOH	4,030	\$12,690,386	\$3,149
Widow(er)	73	\$371,978	\$5,096
Total	81,536	\$400,920,667	

B&P notes that while the average amounts subtracted are well below the current limits, there were 4,974 with subtractions at \$8,000 (\$16,000 married filing combined) limits.

Table 2: Subtractions At or Above Current Limit

Filing Status	# Returns Above	% Returns Above
Single	13	0.20%
MFJ	4,926	6.80%
HOH	17	0.40%
Widow(er)	18	24.70%
Total	4,974	

B&P is unable to determine how much extra these individuals would be able to subtract under this proposal. However, given that the total amount subtracted on 2023 tax returns is nearly identical to the amount of reported contributions in 2023 annual Treasury's report, B&P anticipates that any additional impact on GR would be minimal.

B&P notes that this proposal would begin August 28, 2026. Therefore, B&P anticipates that individuals could take any additional subtractions beginning with tax year 2026. Consequently, B&P estimates that this proposal may have an unknown, likely minimal, impact on GR beginning FY27.

Oversight notes both DOR and B&P's estimates include data from DOR and B&P's internal Income Tax Model.

Oversight notes that it does not currently have the resources and/or access to state tax data to produce a thorough independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR. Therefore, for the purpose of this fiscal note, Oversight will utilize B&P and DOR's estimated impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss</u> – (\$166,435) Removal of limit for subtraction of contributions to certain savings accounts	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	(Unknown)	(Unknown)

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

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 contributions made to a 529 savings account, with such deduction limited to \$8,000 for single filers and \$16,000 for married filing combined filers. This act removes the limits such that 100% of such contributions shall be deductible.

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



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 Director
 February 1, 2026



Jessica Harris
 Assistant Director
 February 1, 2026