

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6750S.02I
 Bill No.: SJR 115
 Subject: Constitutional Amendments; Taxation and Revenue - Income; Taxation and Revenue - Sales and Use
 Type: Original
 Date: February 18, 2026

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0 or (More than \$9,000,000)*	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (More than \$9,000,000)*	\$0	\$0

*The potential fiscal impact of “(More than \$9,000,000)” would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

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

*The potential fiscal impact to local election authorities (reimbursed by the state) would be realized only if a special election were called by the Governor to submit this joint resolution to voters.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this is a constitutional amendment that would go to the people at the November 2026 general election. Should the amendment fail to be adopted, this would have no fiscal impact. Should it be adopted it does the following.

Article X Section 4(d)

Section 4(d).1 currently allows the General Assembly to establish an income tax. The income tax can be an individual income tax and/or a corporate income tax. Currently, Missouri has both.

This proposal would add a Section 4(d).2 which would provide language to allow the General Assembly to start decreasing the individual income tax. The section says that should the individual income tax rate decrease below 1.4% then no individual income tax would be imposed. This Section also requires that the reduction and elimination of the individual income tax would be reduced only after applying revenue triggers. This provision does not allow the elimination of the tax until some point after January 1, 2031 (FY 2031).

DOR notes that tax returns for a tax year are generally filed four months after the tax year ends. For most individuals, their tax year 2030 return will be filed from January 1st to April 15th of 2031. DOR notes that stopping the income tax on the first available day of January 1, 2031, would still result in people filing returns and paying their tax for tax year 2030 in FY 2031. It would just result in no new tax being imposed for tax years 2031 and beyond.

The General Assembly in SB 3 adopted in 2022, set the current individual income tax rate top bracket at 4.95% in TY 2023 and set it at 4.8% in TY 2024 and based on certain revenue triggers allowed the tax rate to continue to fall 0.1% until it hits 4.5%. The tax rate for tax year 2025 and 2026 is 4.7%. Based on the current revenue forecasts the rate is estimated to be 4.7% in 2027 and 2028. For fiscal note purposes only, DOR shows the final two SB 3 rate reductions occurring in tax year 2029 (4.6%) and 2030 (4.5%).

DOR notes that elimination of the individual income tax rate would not in itself eliminate any tax credit. Current tax credits are redeemed against multiple tax types. Specifically, any taxpayer who receives a refundable tax credit would still be able to claim their tax credit. DOR currently pays the refundable tax credits from income tax received. The potential elimination of income tax could result in DOR needing an appropriation to cover the refundable credits. The current refundable credits and their caps/redemption are listed.

MO Works	\$126 million
Enterprise Zone	\$500,000
BUILD	\$16.5 million
Sporting Event	\$6 million
Peace Officer Surviving Spouse	\$85,000

Senior Property Tax Credit	<u>\$65 million</u>
Total Appropriation Needed	\$214,085,000

Article X Section 26

Section 26.1 currently prohibits the General Assembly from expanding sales tax to any service or transaction that was not subject to sales tax as of January 1, 2015.

Section 26.2

This amendment adds a Section 26.2 that allows the General Assembly to pass legislation stating their intent is to reduce or eliminate individual income tax then they are authorized to expand the state and local sales and use tax by taxing services and any transactions not currently taxed.

Section 26.3

This proposal adds a Section 26.3 which would require local political subdivisions to adjust any existing sales tax, earnings tax and/or property tax to reduce the amount of revenue they would receive from the expansion of the sales tax allowed in Section 26.2. This language limits the local political subdivision, so they only receive the same amount of tax revenue they do under current law.

However, Section 26.3 does not require the local political subdivisions to adjust the additional revenue that schools will receive under this expansion of the sales tax. Therefore, if a school district receives additional revenue from the sales tax, they would be allowed to retain it.

Section 26.4

This proposal adds a Section 26.4 that says starting January 1, 2029, the Constitutionally created sales taxes (Conservation Commission and Park, Soil & Water) shall be adjusted in order to produce the same amount of revenue as the amount of the three previous fiscal years and adjusted for inflation. It appears the legislation's intent is to hold steady their revenue as opposed to allowing it to be impacted by the expansion of the sales tax.

DOR notes that expansion of the sales tax would require enabling legislation however, this language says this provision would go into effect July 1, 2029, regardless of such expansion. This amendment requires the State Auditor to calculate the rate that would go into effect on July 1, 2028, and for it to become effective January 1, 2029. Conflicting language in this provision has the new tax rate beginning on both January 1, 2029, and July 1, 2029. This will only be a problem, should a new tax rate be necessary per the calculation.

Section 26.5

This proposal adds a Section 26.5 which says that if the sales tax expansion legislation is adopted within three years of the passage of this constitutional amendment then the expanded sales tax revenue would not be subject to the Article X, Section 18 and 18(e) (the Hancock Amendment) nor would the revenue be subject to the motor fuel sales tax distribution rules established in Article IV, Sections 30(a), 30 (b), 30(c) and 30(d).

Section 26.6

This provision would give the department of revenue rulemaking authority to help clarify terms used in the expansion of the sales tax.

Summary

This constitutional amendment will not have any fiscal impact on state or local revenue or on the DOR. This amendment requires enabling language to implement an individual income tax reduction or elimination mentioned in the amendment and would need enabling legislation to expand the sales tax. At the time of filing this fiscal note, DOR has not been provided any such enabling language. DOR will provide any revenue estimates in the enabling language.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal will not impact:

- TSR
- The calculation under Article X, Section 18(e)
- B&P

Officials from the **Department of Social Services** defer to the **Office of Administration - Budget and Planning** for the potential fiscal impact of this proposal.

Officials from the **Department of Natural Resources** defer to the Department of Revenue for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight assumes if state and local sales and use taxes would be expanded by legislation to impose taxes on transactions involving any goods or services for the purpose of reducing and eliminating the state resident individual income tax, the proposal may increase the amount of sales tax revenue distributed to this fund. Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

Officials from the **Missouri Department of Conservation** assume an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal. Budget also defers to Legal for other non-tax related proposed changes.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. Oversight assumes if state and local sales and use taxes would be expanded by legislation to impose taxes on transactions involving any goods or services for the purpose of reducing and eliminating the state resident individual income tax, the proposal may increase the

amount of sales tax revenue distributed to this fund. Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

Officials from the **City of Columbia** assume a fiscal impact but did not provide any additional information.

Officials from the **City of Kansas City** assume the proposed legislation will have an indeterminate fiscal impact on the City.

Officials from the **Eastern Clay Ambulance District** assume a fiscal impact but did not provide any additional information.

Officials from the **County Employees Retirement Fund (CERF)** assume Section 26.3 would likely have a negative fiscal impact to the County Employees' Retirement Fund. CERF assumes that the General Assembly would enact legislation to expand the sales and use tax base under section 26.2. Section 26.3 would likely result in a reduction of the moneys that fund CERF by requiring any political subdivision that imposes a sales and use tax to annually adjust the rate of such sales or use tax, the levy of personal property tax, the levy for residential real property tax, or the rate of any earnings tax. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. CERF notes that the amount of these revenues fluctuates from year to year.

There is insufficient information to quantify the exact impact on CERF's revenues but CERF assumes the impact would be negative if a political subdivision chooses to reduce a property tax levy. This portion of SJR 115 presents serious implications for CERF's funding because a significant portion of the current contribution stream could ultimately be materially reduced or lost entirely. Unless the revenues are replaced with other sources of revenue, there would be severe implications for CERF's sustainability including a deterioration of CERF's funding over time and the possibility that the plan assets might be depleted, which would impair the ability of the plan to pay benefits when due to retirees and beneficiaries.

Officials from the **Joint Committee On Public Employee Retirement (JCPER)** assume this resolution may constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10). It is impossible to accurately determine the fiscal impact of this legislation without an actuarial cost statement prepared in accordance with section 105.665. Pursuant to section 105.670, an actuarial cost statement must be filed with the Chief Clerk of the House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information for at least five legislative days prior to final passage.

Officials from the **Sedalia 200 School District** assume this would essentially wipe out 75% of general revenues for the State generated by state income taxes. Since 68% of State revenue comes from these taxes this would be a 51% reduction to State revenues.

Officials from **Boone County SB 40 (Boone County Family Resources)** assume a reduction in funding from personal property and real property taxes would have profound consequences for individuals with intellectual and developmental disabilities (IDD), limiting access to the essential supports they depend on. County Boards—also known as Senate Bill 40 organizations—such as Boone County Family Resources (BCFR) play a vital role in assessing local needs and cultivating a strong network of high-quality services for more than 2,400 Boone County residents with developmental disabilities and their families.

In Boone County alone, BCFR receives approximately \$4.5 million annually from personal property taxes, representing 28% of the board's operating budget. Eliminating this revenue source would immediately and substantially reduce the funding available for critical services, creating a significant negative impact on Boone Countians with developmental disabilities.

Officials from the **Rolling Hills Consolidated Library** assume the elimination of the state income tax will have an initial fiscal impact on its public library budget, in that the district would no longer have to collect and remit income taxes to the state which reduces the library's payroll cost burden by a small amount.

Oversight assumes this resolution states if all revenue triggers established by law to reduce and eliminate the current individual income tax are met and the top individual income tax rate is reduced below 1.4%, no state individual income tax will be imposed beginning January 1, 2031.

Oversight notes this resolution also authorizes state and local sales and use taxes to be expanded by legislation to impose taxes on transactions involving any goods or services for the purpose of reducing and eliminating the state resident individual income tax.

Oversight notes this resolution also states beginning July 1, 2029, any political subdivision that imposes a sales or use tax is required to annually adjust certain taxes levied to reduce the amount of revenue generated to a level described in the bill.

However, this proposal itself does not eliminate, impose, or reduce taxes (it would take additional action by governing bodies); therefore, Oversight assumes there is no direct fiscal impact to General Revenue or local political subdivisions as a result of this joint resolution. Oversight will address fiscal impacts in fiscal notes for such enabling legislation.

Officials from the **Jackson County Election Board, Platte County Board of Elections, St. Louis City Board of Elections, St. Louis County Board of Elections, Newton County Health Department, Branson Police Department, St. Louis County Police Department, Kansas City Police Department**, and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Office of the Secretary of the State (SOS)** assume, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that

would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, joint resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a joint resolution to a vote of the people, Section 115.063.2, RSMo., requires the state to pay the costs. The cost of a special election has been estimated to be \$9 million based on the cost of past primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY27 publication cycle, the SOS estimates publication costs at \$515,000 per ballot measure. This amount is an average and will be subject to change based on the number of petitions received, length of those petitions, and rates charged by newspaper publishers. In a year where many lengthy measures must be published, the Secretary of State's Office may need to budget up to \$10,000,000 to ensure sufficient funding is available to meet its constitutional obligations for the election cycle.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected, in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2027. This reflects the decision made by the Joint Committee on Legislative Research that the cost of the elections should be shown in the fiscal note. Per the SOS, the cost is estimated at \$9 million based on past costs as well as the anticipation of significant increases in future election-related expenses. The next scheduled statewide general election is in November 2026 (FY 2027). It is assumed the subject within this proposal could be on this ballot; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2027.

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>Transfer Out - SOS</u>			
Reimbursement of local election authority election costs if a special election is called by the Governor p.8	\$0 or (More than <u>\$9,000,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than <u>\$9,000,000</u>)	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - Local Election Authorities Reimbursement of election costs by the State for a special election p.8	\$0 or More than \$9,000,000	\$0	\$0
<u>Cost</u> - Local Election Authorities Cost of a special election if called for by the Governor p.8	\$0 or (More than \$9,000,000)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<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

This constitutional amendment, if approved by the voters, modifies provisions relating to taxation.

INCOME TAX

This amendment provides that, if all revenue triggers established by the General Assembly for the elimination of the individual income tax are met such that the top rate of tax is reduced below 1.4%, then for any tax year beginning on or after the later of January 1, 2031, or January 1 of the year in which the top rate of tax is reduced below 1.4%, no individual income tax shall be imposed by the state, provided that this provision shall not apply to any earnings tax imposed by a political subdivision or to the income tax imposed on the income of trusts, estates, or fiduciaries thereof, corporations, partnerships, limited liability companies, or any other entity other than real persons.

SALES AND USE TAX

This amendment authorizes the General Assembly to expand the sales and use tax base to include the ability to tax any goods and services. Beginning January 1, 2029, any county, city, town, or village imposing a sales or use tax at a rate greater than 1%, and any other political subdivision imposing a sales and use tax at a rate greater than 0.5% shall annually adjust one or more of several tax levies imposed by such political subdivision for the purpose of offsetting any additional revenue received from the expansion of the sales and use tax base. The levies that

shall be adjusted are the sales and use tax rate, personal property tax levy, residential real property tax levy, or earnings tax rate. Notwithstanding such provision, no adjustment made pursuant to this provision shall result in a reduction in funding to the public schools within or serving such political subdivision.

Beginning January 1, 2029, each constitutionally-imposed sales and use tax rate shall be adjusted in a manner provided by law in order to produce substantially the same amount of revenue as the median annual revenue that such tax produced for the three fiscal years ending prior to the preceding calendar year, as adjusted for inflation. The State Auditor shall determine any such adjustments.

Any tax or revenue increase resulting from any general law enacted by the General Assembly for the purpose of eliminating the individual income tax, provided that such general law is enacted within three years of the effective date of this amendment, shall be exempt from Hancock limitations and from constitutional provisions relating to motor fuel tax.

The Director of Revenue may promulgate rules for the purpose of clarifying and prohibiting the circumvention of the expansion of the sales and use tax base, as well as to define any terms left undefined by general law.

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
Department of Natural Resources
Missouri Department of Conservation
City of Columbia
City of Kansas City
Eastern Clay Ambulance District
County Employees Retirement Fund (CERF)
Joint Committee On Public Employee Retirement (JCPER)
Sedalia 200 School District
Boone County SB 40 (Boone County Family Resources)
Rolling Hills Consolidated Library
Jackson County Election Board
Platte County Board of Elections
St. Louis City Board of Elections
St. Louis County Board of Elections
Newton County Health Department
Branson Police Department
St. Louis County Police Department
Kansas City Police Department

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State Tax Commission
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
February 18, 2026



Jessica Harris
Assistant Director
February 18, 2026