

IMPORTANT TAXATION CHANGES FROM 2023 LEGISLATIVE SESSION



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The following legislative changes affect the Missouri Department of Revenue's taxation processes and are effective August 28, 2023 (unless otherwise noted).

Retirement Benefits Income Tax Deduction (SB 190)

This provision removes the income limits used for calculating how much of a taxpayer's social security or public pension benefits will be subject to tax. Removing the income limits from the social security benefits will result in 100% of social security benefits no longer being taxable in Missouri. Removing the income limits from the calculation of public pension benefits taxability means less public pension benefits will be subject to tax. It is not a complete deduction of all tax for public pension benefits. These changes are effective for the tax year starting January 1, 2024. (Sections 143.124, 143.125)

Federal Broadband Grants' Income Tax Deduction (SB 25)

This provision allows taxpayers to receive a subtraction from their Federal Adjusted Gross Income of 100% of the federal grant money they receive, for the purpose of providing or expanding broadband internet to the areas of the state that are deemed to be lacking. This subtraction will begin August 28, 2023 for moneys received after that date. (Section 143.121)

Business Income Deduction Expanded to Include Farm Income (HB 202 & SB 138)

Currently businesses are allowed to subtract from their Federal Adjusted Gross Income a percentage of their business income when determining their Missouri Adjusted Gross Income for Missouri individual income tax purposes. The business income subject to this subtraction is income reported as total combined profit on the IRS Schedule C, Partnership and S Corporations income or loss reported to the IRS on Part II of Schedule E. This provision would add income reported on total combined profit by farmers on the IRS Schedule F and the IRS Form 4835 to the deduction. This subtraction is effective August 28, 2023. (Section 143.022)

MAGI Subtraction for Existing Missouri Farmland Sold to a Beginning Farmer (HB 202 & SB 138)

Under current law, when a farmer sells their farm, the increase in the value of the farm from the day they bought it to the day they sell it is considered capital gains. Capital gains are generally taxable under Missouri law. With the aging population of Missouri farmers, farms becoming larger and corporations from out-of-state buying Missouri farms, beginning farmers are having trouble purchasing farm land to start farming. This provision allows a farm owner to receive a subtraction of a set percentage of their total capital gains received from the sale or rental of their farmland as long as they sell to a beginning farmer. This subtraction is from their Missouri Adjusted Gross Income thus, lowering their tax liability. This subtraction is effective August 28, 2023. (Section 143.121)

Employee Stock Ownership Income Tax Deduction Extension (SB 20)

This provision restarts the previously sunset Employee Stock-Ownership Program (ESOP), which gave an income tax deduction for participants in an ESOP program beginning for all tax years on or after January 1, 2023. (Section 143.114)

Show MO Act Tax Credit Program (SB 94)

This provision restarts and modifies the previously sunset Film Production tax credit program. It is renamed the Show MO Act. Starting January 1, 2023, a taxpayer who produces qualified motion media production projects or series production projects may be eligible to receive a tax credit based on actual expenses toward production. The percentage amount of the credit is awarded based on the number of delineated items achieved. The cap is set at \$8 million annually for the motion medial production projects and another \$8 million annually for the series production projects. (Section 135.750)

Entertainment Industry Jobs Tax Credit Program (SB 94)

This provision creates a new tax credit program called the Entertainment Industry Jobs Act. Starting January 1, 2024, any taxpayer may qualify for a tax credit for rehearsal expenses and tour expenses incurred by the taxpayer if they meet the minimum expenditure dollar amounts. The tax credit is awarded for qualifying expenses equal to 30% of a taxpayer's base investment in Missouri. The tax credit is capped at \$8 million annually for these projects. (Section 135.753)

Intern & Apprentice Recruitment Tax Credit Program (HB 417)

This provision creates a new tax credit program starting January 1, 2024 which allows taxpayers who hire qualified interns and apprentices to receive a tax credit of \$1,500 for each intern or apprentice hired. This credit has specific qualifications for the interns and apprentices as well as requirements for the taxpayer. These credits are not refundable and cannot be carried forward or sold. The annual cap on the program is \$1 million. (Section 135.457)

Adoption Tax Credit Changes (SB 24)

This provision removes the cap off of the Adoption Tax Credit program starting July 1, 2024. It additionally will allow the \$10,000 per taxpayer cap to be adjusted annually for inflation starting January 1, 2024. This provision will allow the credit to be refundable starting January 1, 2024. (Sections 135.327, 135.331, 135.333)

Ethanol Tax Credit Changes (SB 138)

This provision attempts to clarify that ethanol retailers with a tax year that does not begin on or after January 1, 2023 could still qualify for the tax credit for the qualifying ethanol fuel they sell after January 1, 2023. (Section 135.772)

Biodiesel Retailer's Tax Credit Changes (HB 202 & SB 138)

Both bills attempt to clarify that biodiesel retailers with a tax year that does not begin on or after January 1, 2023 could still qualify for the tax credit for the qualifying biodiesel fuel they sell after January 1, 2023. SB 138 removes the provision that allows any remaining amount of the retailer's credit to be shared with the producer's credit. (Section 135.775)

Biodiesel Producer's Tax Credit Changes (HB 202 & SB 138)

Both bills attempt to clarify that biodiesel producers with a tax year that does not begin on or after January 1, 2023 could still qualify for the tax credit for the qualifying biodiesel fuel produced after January 1, 2023. Additionally, both proposals increase the annual cap to \$5.5 million and remove the language requiring apportionment of the credit. SB 138 also removes the provision that any remaining credits not claimed by the producers could be transferred to the biodiesel retailer's credit for distribution. (Section 135.778)

DSS' SNAP & TAFP Renewal Eligibility Forms Can Be Filed with Your Tax Return (SB 45 & SB 106)

This provision requires the Department of Revenue (DOR) to place the Department of Social Services' (DSS) eligibility renewal forms for the Supplemental Nutrition Assistance program (SNAP), the Temporary Assistance for Needy Families program (TANF), the child care assistance program, and the MOHealthNet program on DOR's website.

Expansion of the Cities Eligible for a Sales Tax for Funding Public Safety (SB 186)

This proposal allows the delineated political subdivisions to take before their voters a proposal to assess a one-half of one percent sales tax for the sole purpose of funding public safety. If adopted, the Department of Revenue (DOR) will collect these taxes on the political subdivision's behalf and the DOR will retain a 1% fee to reimburse us for our collection costs. The following political subdivisions may be impacted by this proposal. (Sections 94.900, 94.902)

Cities of Smithville, Kearney and Excelsior Springs

Cities of Odessa and Marshall

Cities of Cole Camp, Lincoln, Branson West and Clinton

Repealed the County Local Sales Tax Prohibition in Statutes (SB 24 & SB 186)

On July 9, 2019, SB 291 signed into law, which prohibited a delineated county from having a sales tax greater than one quarter of one percent for 911 services. SB 291 delineated only one county as prohibited from having a sales tax greater than one-quarter of one percent. This provision would remove this prohibited language from statutes and allow all counties to be given the opportunity to have the same sales tax. (Section 190.327)

Prepaid Emergency Phone Service Charges (SB 24 & SB 186)

As of January 1, 2019, the law allows for the collection of a prepaid wireless emergency telephone service charge on each retail transaction. At the time of the passage of that service charge, a county or city could choose to adopt an ordinance and stop the collection of this wireless emergency charge in their political subdivision. Statute at that time provided a limited amount of time for the political subdivision to have a change of heart and start collecting the fee again. That deadline has passed. This provision removes that date for a political subdivision to change their decision about the service charge. (Section 190.460)

Tire and Battery Fee Extension (SB 109)

This provision extends the fee collected from customers who purchase a lead-acid battery from December 31, 2023 to December 31, 2029. This provision also extends the fee collected from customers who purchase tires from December 31, 2025 to December 31, 2031. (Sections 260.262, 260.273)

Marijuana Facilities Can Have DOR Share Information (SB 63)

This provision allows DOR to share some information received from a marijuana facility with their financial or banking institution. It requires the marijuana facility to complete a form granting permission for the information to be shared. (Section 362.034)

Judicial Office Privacy Act (SB 103)

This provision prohibits the Department of Revenue from publicly posting personal information of Judicial Officers and their family upon their written request.