

# IMPORTANT TAXATION CHANGES FROM 2025 LEGISLATIVE SESSION



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The following legislative changes affect the Missouri Department of Revenue's taxation processes and are effective August 28, 2025 (unless otherwise noted).

## **Capital Gains Income Tax Deduction (HB's 594 & 508)**

This legislation states that one hundred percent (100%) of the income reported as capital gain for federal tax purposes can be subtracted in determining Missouri adjusted gross income. This subtraction is effective for individuals starting January 1, 2025. This subtraction will be effective for corporations starting January 1<sup>st</sup> of the tax year following the reduction of the individual income tax to 4.5%. The individual income tax rate for tax year 2025 is 4.7%. (Section 143.121)

## **Capital Gains on Specie Legal Tender (HB 754)**

This legislation states that the portion of capital gain on the sale or exchange of specie that is included in the taxpayer's federal adjusted gross income can be subtracted in determining the Missouri adjusted gross income. This subtraction is effective for tax years beginning on or after January 1, 2026. (Section 143.121)

## **Calculation of Taxable Income of Estates and Trusts (SB 98 & HB 754)**

SB 98 & HB 754 contained identical language changing how resident estates and trusts calculate their Missouri taxable income and receive a tax credit for income tax liability owed to another state. These changes will apply for tax years beginning on or after January 1, 2026. (Sections 143.081 & 143.341)

## **Senior Property Tax Credit (HB's 594 & 508)**

This legislation makes numerous changes to the Senior Property Tax Credit (PTC), which is claimed with the department. Those changes include increases in the income limits that qualify for the credit, increased credit awarded amounts, inflation adjustments to the income limits and credit amounts, and changes to the formula calculating the credit awarded. This legislation becomes effective January 1, 2026. (Sections 135.010, 135.025 & 135.030)

## **Diapers and Feminine Hygiene Products Sales Tax Exemption (HB's 594 & 508)**

This legislation grants a state and local sales and use tax exemption for the purchase of diapers, incontinence products, and feminine hygiene products starting August 28, 2025. (Section 144.029)

## **Broadband Sales Tax Exemption (HB's 594 & 508)**

This legislation grants a state and local sales and use tax exemption for all machinery and equipment used to provide broadband communication services. This exemption will become effective for all purchases starting January 1, 2026. (Section 144.812)

## **Local Political Subdivision's Sales and Use Taxes (HB 594 & 508, HB 199, SB 271, HB 225)**

Several local political subdivisions were given permission to take to their voters for approval local sales and/or use taxes to fund specific items in their districts. They include:

Ozark County – law enforcement sales tax (Sections 67.547 & 67.582)

Joplin, Hannibal, Sikeston, Moberly, Nevada, Lamar Heights, Lake Lotawana and Sunrise Beach – public safety sales tax (Section 94.900)

Fire and ambulance districts – sales and use taxes (Sections 321.552, 321.554, 321.556, 144.757)

Lamar Heights- changes the purpose of their current sales tax (Section 94.838)

Bates County- sales tax to fund their hospital (67.597)

Regional Jail Districts – changes the purpose of their current sales tax and allows the existing tax to be increased up to 1%. (221.402 & 221.407)

### **Financial Statement Penalties for Failure to File (HB 199 & SB 2)**

This legislation will change how the Department of Revenue assesses the fines against local political subdivisions that fail to file their required annual financial statements with the State Auditor's Office. This gives the Director of Revenue the authority to grant a one-time reduction of any outstanding fines due to late submission of annual financial statements due to the State Auditor's Office after August 28, 2025. (Section 105.145)

### **Champion for Children Tax Credit (SB 43)**

Effective January 1, 2025, legislation increased the amount of tax credit a taxpayer can receive from 50% of a qualified contribution to 70% of a qualified contribution, but also limited the total amount of tax credits a taxpayer can receive to \$50,000 annually. Starting July 1, 2025, the annual cap on the tax credit increased from \$1.5 million to \$2.5 million annually. (Section 135.341)

### **Youth Opportunities tax credit (SB 43)**

Effective August 28, 2025, legislation will increase the amount of tax credit a taxpayer can receive from 50% of a qualified monetary contribution to 70% of a qualified monetary contribution. (Section 135.460)

### **Diaper Bank Tax Credit (SB 43 & HB 121)**

This legislation extends the sunset clause on the diaper bank tax credit program until August 28, 2031. This also clarifies that a national diaper bank can participate in the program. (Section 135.621)

### **Maternity Home Tax Credit (HB 121)**

This legislation increases the limit on the total amount of tax credit a taxpayer can receive from \$50,000 to \$100,000 annually. (Section 135.600)

### **Zero-Cost Adoption Tax Credit Act (HB 121)**

Effective January 1, 2026, this legislation creates a new tax credit program. Eligible taxpayers who make qualified contributions can receive a tax credit equal to 100% of their qualified contribution. This program has a \$5 million annual cap and is administered by the State Treasurer's Office, the Department of Social Services, and the Department of Revenue. (Section 135.315)

### **Homestead Disaster Tax Credit (SB 3, Special Session)**

For tax years beginning on or after January 1, 2025, an individual taxpayer in a presidential disaster declaration area that incurred an insurance deductible during 2025 could be eligible to receive a tax credit up to \$5,000. The credit is not refundable but can be carried forward up to twenty-nine years. The amount allowed to be redeemed in the first year is \$90 million, with a limit of \$45 million thereafter for all taxpayers claiming the credit. (Section 135.445)

### **Sporting Event Tax Credit Programs (SB 3, Special Session)**

This legislation modifies the caps and sunset date of the two Sporting Event Tax Credit programs. Additionally, it changes how a credit is calculated and claimed beginning July 1, 2026. (Section 67.3000 & 67.3005)

### **Missouri Development Finance Board (MDFB) Infrastructure Tax Credit (SB 3, Special Session)**

This legislation expands the current Infrastructure tax credit program to allow a taxpayer who contributes to the infrastructure development fund to receive a tax credit equal to fifty (50%) of the amount of the contribution up to the lesser of \$50 million or 10% of the amount of private investment in an athletic and entertainment facility project. (Section 100.240)

### **Office of Public Counsel Special Assessment (SB 4)**

This legislation grants the Office of Public Counsel the authority to assess certain utility companies a special assessment. The assessment will be paid to the Department of Revenue for deposit into a special fund subject to jurisdiction of the Public Service Commission. Questions about the assessment should be addressed to the Office of Public Counsel. (Section 386.720)

**Signing Bonuses for the National Guard included in Military Income Deduction (SB 912, from the 2024 legislative session)**

This legislation expands the Inactive Duty Military income deduction to include signing bonuses received by members of the National Guard or a reserve component of the United States Armed Forces. This change will be effective for tax years beginning on or after January 1, 2025. (Section 143.175)

**Electronic Specie Currency (HB 754)**

This legislation requires the Department of Revenue to accept “electronic specie currency” in payment of public debts, but a custody agent or other entity responsible for transmitting the payment must transmit the funds to the Department in United States dollars. (Section 408.010)