

MISSOURI GROWTH ASSOCIATION

CAPITOL REPORT



WEEK FIFTEEN

It was a defining week at the Capitol, as lawmakers delivered final approval on one of the most consequential fiscal proposals in Missouri history—sending Governor Kehoe’s plan to eliminate the state income tax to the voters. The move positions Missouri at the center of a national tax policy debate and marks a major milestone in the state’s long-term economic strategy. Meanwhile, the Senate reached another critical benchmark by advancing its version of the FY27 budget after nearly eight hours of floor debate, setting the stage for final negotiations with the House.

Budget Update | The full Senate spent nearly eight hours Wednesday debating the roughly \$52 billion FY27 budget, ultimately rejecting all proposed amendments and advancing the Appropriations Chairman’s version unchanged to conference committee. The plan includes roughly \$4.28 billion for the foundation formula and about \$4.69 billion total for public schools, falling short of full formula funding by roughly \$300 million. This reflects a shift from prior years when the formula was fully funded, a point raised repeatedly during floor debate, with several senators highlighting concerns about adequacy and the impact on districts. Debate also included discussion around student attendance and enrollment trends, particularly how fluctuations may affect future funding distributions and district stability. Higher education funding, totaling roughly \$1.3 billion for core operations, also drew attention—particularly in light of earlier proposals to tie funding more closely to enrollment, which could significantly shift funding among institutions—though the Senate ultimately maintained a more stable funding structure in its version.

Debate also touched on broader themes of budget sustainability, agency flexibility, and legislative oversight. Notably, there was extended discussion involving the State Treasurer, with senators raising questions related to fiscal management, transparency, and the handling of state funds—underscoring ongoing interest in stronger oversight and accountability measures. Additional discussion included lottery revenues and their role in

supporting education funding, particularly concerns around volatility and reliance on non-general revenue sources, as well as MODOT funding—totaling roughly \$3 billion across state and federal funds—with discussion focused on revenue projections, project prioritization, and long-term sustainability of transportation funding. Some members also raised broader questions about oversight of dedicated funding streams, including conservation-related funds, reflecting continued legislative interest in transparency and accountability.

Outside of education, the budget includes over \$1 billion for public safety and emergency response. It also makes continued investments in systems that help determine eligibility for programs like Medicaid and food assistance, improving how families access services. The budget maintains ongoing support for childcare assistance programs, though funding was not expanded, and includes more than \$100 million for economic development initiatives. With the Senate holding firm and making no changes on the floor, the budget now heads to conference committee, where differences with the House—particularly around education funding—will be negotiated ahead of the May 8 constitutional deadline to pass the budget.

Eliminating the State Income Tax | The House dedicated time Tuesday morning to revisit HJR 173 and consider the Senate adopted changes that would place the measure before Missouri voters in the November 2026 election. The measure seeks to eliminate the state’s individual income tax by 2032, tying incremental rate reductions to growth in net general revenue collections. To make up for the loss in income tax revenue, the proposal would allow lawmakers to expand sales and use taxes to additional goods and services, while requiring corresponding reductions in certain local taxes to prevent an overall increase in tax burden. The resolution also includes safeguards intended to protect funding for public schools and would prohibit the state from reinstating an individual income tax once it has been fully eliminated. The Senate adopted substitute changes the original approach by requiring the General Assembly to enact legislation to gradually reduce the top income tax rate over time, rather than relying on automatic, formula-driven triggers and a fixed 2032 deadline, and replaces ongoing adjustment mechanisms with a more flexible, legislature-driven framework while shifting local tax offsets to a one-time reduction tied to new revenue. After considerable debate, the House ultimately adopted the Senate changes and passed the bill by a 95–59 vote, sending it to Missouri voters for consideration on the November 2026 ballot.

Reforming Property Tax Assessment Procedures | Representative Chad Perkins (R-Bowling Green) presented HB 2178 Wednesday morning to the Senate Select Committee on Property Taxes and the State Tax Commission. The bill makes broad changes to Missouri’s property tax system aimed at increasing transparency, limiting tax spikes, and strengthening taxpayer protections. The bill requires physical inspections before certain real property assessment increases exceeding 15 percent, places the burden of proof on

assessors in specified appeals, removes the presumption that an assessor's valuation is correct, limits certain motor vehicle assessment increases, and phases in large equalization increases ordered by the State Tax Commission. It also caps real property tax increases from general reassessments at 15 percent per two-year cycle by spreading larger increases over time and applying a credit to limit taxpayer liability. Additionally, the bill clarifies taxation of short-term rentals, establishes standardized labeling and disclosure requirements for property tax ballot measures, and expands inspection timelines, notice requirements, appeal rights, and the ability to recover attorney's fees in certain cases. Supporters of the bill included property owners, Property Assessment Review, the Missouri Home Vacation Alliance, legal representatives of property owners, and U.S. Capital Development, who argued the bill would reduce sudden tax spikes, improve fairness in appeals, and provide needed protections for property owners and small businesses. Opposition testimony was presented by the Missouri State Assessors Association, which raised concerns about increased administrative burdens, costs of required inspections, and provisions related to appraisals and attorney's fees.

Utility Facility Relocation Reimbursement | The Senate dedicated time Monday afternoon to debate SB 1065, sponsored by Senator Ben Brown (R-Washington). The bill requires counties, municipalities, and the Missouri Department of Transportation to reimburse nonrate regulated utility providers for costs to relocate facilities due to public road or right-of-way projects, unless the facilities were installed in violation of permitting requirements. It defines covered utility providers, allows reimbursement from the State Road Fund, and establishes rules regarding damages and defenses for relocation delays. During floor discussion, senators raised questions about the potential fiscal impact on local governments and the state, as well as how liability and reimbursement standards would be applied in practice. The debate reflected broader concerns about balancing infrastructure development needs with fairness to utility providers. The bill was ultimately laid over for further consideration.

Autonomous Vehicles | The Senate Committee on Transportation, Infrastructure and Public Safety convened Monday afternoon to consider passage of HB 2069, sponsored by Representative Brandon Phelps (R-Warrensburg). The bill establishes a comprehensive framework for the operation and regulation of fully autonomous vehicles in Missouri, including definitions, safety requirements, liability standards, and statewide preemption of local regulations. During committee discussion, committee members raised concerns about safety, liability clarity, interaction with emergency situations, and whether the bill sufficiently restricts use in commercial trucking. Additional discussion focused on remote system support, job impacts, and readiness of the technology versus future economic benefits. Committee members expressed concerns the bill conflicts with the 7th Amendment and will negatively impact the trucking industry but indicated their willingness to continue to advance the legislation in the hopes of negotiating a compromise. After discussion, the committee passed the bill by a 4-0 vote.

Child Care Tax Credits | The Senate Committee on Emerging Issues and Professional Registration convened Tuesday morning to discuss HB 2409, sponsored by Representative Brenda Shields (R–St. Joseph). Currently Missouri faces a lack of safe, affordable, and reliable childcare. This has become a primary issue for businesses in recruiting and retaining employees. This legislation seeks to remedy this issue by establishing tax credits for the employer, employee and the childcare provider. These include the “Child Care Contribution Tax Credit Act,” “Employer Provided Child Care Assistance Tax Credit Act,” and “Child Care Providers Tax Credit Act.”

Rural Economic Development and Infrastructure | The House Committee on Agriculture convened Tuesday morning to discuss passage of HB 2998, sponsored by Representative Louis Riggs (R-Hannibal). Originally, the bill was a broad proposal aimed at strengthening rural Missouri through infrastructure investment, energy policy changes, and economic development initiatives, the bill included provisions related to rural roads, Mississippi River navigation, energy generation, and solar development. However, during executive session, the committee adopted a substitute that significantly narrowed the legislation to focus solely on requiring a study of the Upper Mississippi River Basin and establishing a Rural Development Office to coordinate resources addressing key rural needs. The substitute also extends the bill’s effective date to December 1, 2029. Following these changes, the committee unanimously passed the bill by a vote of 21-0.

PBMs | The Senate dedicated time Monday afternoon to debate SB 984, sponsored by Senators Jill Carter (R-Granby). The bill is a wide-ranging pharmacy benefit manager (PBM) reform measure aimed at increasing transparency, limiting audit abuses, and ensuring fair reimbursement practices for pharmacies—particularly smaller, independent and rural providers. During floor discussion, the sponsor described the legislation as a “landmark” effort years in the making, intended to balance the interests of pharmacies, insurers, and patients while addressing longstanding concerns about PBM practices. Senators debated multiple amendments, highlighting ongoing disagreements over how broadly reforms should apply and how to balance market forces with regulatory protections. The bill was ultimately placed back on the calendar to be considered further at a later date.

Website Access Litigation | The Senate dedicated time Tuesday afternoon to review House changes to SB 907, sponsored by Senator Brad Hudson (R-Cape Fair). The bill creates the “Act Against Abusive Website Access Litigation,” which establishes a process for individuals or the Attorney General to bring actions against parties that file abusive lawsuits alleging website accessibility violations under the Americans with Disabilities Act. The legislation outlines factors courts may consider in determining whether such litigation is abusive, creates a 90-day safe harbor period for businesses to address alleged violations, and authorizes courts to award attorney’s fees, costs, and additional damages in cases of abusive litigation. As amended by the House, the bill’s scope was broadened beyond websites to include “web content,” ensuring it applies to a wider range of online material. The Senate reviewed these changes and, following brief debate, voted 30-0 to concur and pass the bill, sending it to the Governor.

Solid Waste Management | On Tuesday, the Senate dedicated time to revisit SB 1586, sponsored by Senator Ben Brown (R–Washington). The bill revises Missouri’s solid waste management laws by strengthening disclosure requirements for properties containing disposal sites, modifying landfill and transfer station fee structures, and restructuring how solid waste management funds are allocated. It centralizes oversight within the Department of Natural Resources, enhances grant accountability, and dissolves regional solid waste management districts by August 28, 2026, transferring their responsibilities to the state. The legislation had previously been amended to update funding allocations, adjust revenue distribution, and dedicate resources to the remediation of abandoned sites while refining grant oversight and reporting requirements. Additional changes extended key dates from 2027 to 2037 and clarified that certain provisions are subject to appropriations. Following no further debate, the Senate gave the bill third reading approval by a 21-8 vote, sending it to the House for further consideration.

Fast Track Enhancements | The House dedicated floor time Monday afternoon to revisit HB 2151, sponsored by Representative Travis Wilson (R-St. Charles). The bill increases the maximum income threshold from \$80,000 to \$100,000 for those filing jointly and \$30,000 to \$50,000 for single filers to be eligible for the Fast Track Workforce Development Incentive Grant program. After brief debate, the bill was third read and passed by a 116-32 vote. The bill now will be sent to the Senate for further consideration.

Short-Term Rental Clarity | The Senate Committee on Local Government, Elections and Pensions convened Monday afternoon to discuss passage of HB 1768, sponsored by Representative Chris Brown (R-Kansas City). The bill clarifies how residential real property is classified for property tax purposes. Specifically, it ensures that single-family homes—including those used as short-term rentals—are classified as residential rather than commercial or transient housing. It does not change existing standards for mixed-use or multi-unit properties. To address potential revenue impacts from this reclassification, the bill allows local taxing districts to adjust their operating levies. During executive session, the committee adopted a substitute version of the bill to align it with the negotiated House Committee Substitute for SB 1066, the Senate companion measure. With these changes, the committee approved the bill by a unanimous 6–0 vote.

On Thursday, the House dedicated time to debate SB 1066, sponsored by Senator Ben Brown (R–Washington), the Senate companion to HB 1768 highlighted above. During debate, Representative Tim Taylor (R-Bunceton) amended the bill to modify provisions related to property tax relief programs and administration, including changes to senior property tax credit language and allowing counties to offer installment payment options for property taxes. Representative Ben Keathley (R-Chesterfield) further amended the bill to require that any property tax levy increases be applied equally across all property subclasses and to clarify how tax rate adjustments made in non-reassessment years are implemented. Representative Will Jobe (D–Independence) also amended the bill to expand

provisions related to property tax administration, including allowing electronic notices and records, updating assessor training requirements, and establishing procedures for partial payment and handling of disputed taxes. As amended, the House passed the bill by an 83–61 vote, sending it back to the Senate for consideration of House changes.

Healthcare | The Senate Committee on Families, Seniors and Health convened Wednesday morning to consider passage of HB 2372, sponsored by Representative Tara Peters (R-Rolla). The bill is a wide-ranging health care omnibus measure that proposes numerous changes to state law, including updates to provider licensing and scope of practice, modifications to insurance and reimbursement policies, and adjustments to regulatory requirements affecting health care facilities and services across Missouri. The bill also includes provisions related to public health reporting, such as tracking cases of alpha-gal syndrome and Lyme disease. In addition, it expands and clarifies the role of emergency medical response agencies in providing community-based care and coordination, while incorporating broader system integration efforts to improve continuity of care. The legislation further contains changes across multiple sections to modernize Missouri’s health care regulatory framework. During executive session, committee members adopted a Senate Committee Substitute, which makes a number of targeted revisions to the underlying bill, including restructuring provisions governing ambulance districts and their boards, refining requirements and oversight for community paramedic services, updating telehealth standards for establishing provider-patient relationships, and expanding public health reporting requirements to include alpha-gal syndrome case tracking and follow-up procedures. As amended, the committee passed the bill by a 4–0 vote.