

MISSOURI GROWTH ASSOCIATION

CAPITOL REPORT



WEEK FOURTEEN

Activity at the Capitol this week was defined by both steady progress and a headline-making policy shift. The Senate Appropriations Committee finalized its work on the FY27 budget, advancing one of the legislature’s core constitutional responsibilities and setting the stage for final negotiations in the weeks ahead. At the same time, lawmakers continued to move priority legislation through committees and floor debate with increasing urgency.

Most notably, the Senate approved Governor Kehoe’s proposal to phase out Missouri’s personal income tax—a development that represents one of the most consequential fiscal policy changes in the state’s modern history. The scope and long-term implications of this effort will loom large over budget deliberations and broader policy discussions as the session draws to a close.

With the legislative calendar tightening, committee activity is expected to taper off in the coming weeks as attention turns decisively to floor action and the final passage of key measures.

Budget Update | The Senate Appropriations Committee dedicated two days this week to completing full markup of the FY27 budget, reviewing departmental budgets and making targeted adjustments to align spending with updated revenue expectations and program utilization. A significant focus was placed on education funding, where the committee adopted a Senate position to stabilize the foundation formula by reallocating approximately \$118.9 million from the State Capital Commission Fund while reducing reliance on lottery and other volatile funding streams to ensure more predictable support for school districts. Additional education-related changes included reductions tied to prior-year lapses in pre-K and career ladder programs, as well as smaller one-time investments in tutoring, literacy, and workforce pipeline initiatives. In higher education, the committee

largely reverted to the Governor’s recommended core funding levels for institutions, signaling a priority on maintaining baseline operational stability while limiting new spending growth.

Across other areas of the budget, the committee implemented a mix of reductions, fund shifts, and one-time appropriations, including cuts to certain administrative and IT line items, transfers of funding and FTEs to better align with departmental responsibilities, and updates to transportation and capital projects based on revised expenditure data. The committee also continued to phase out federal emergency funding streams, such as ESSER, reflecting their expiration. After two days of markup, members finalized budget language and flexibility provisions, including the removal or modification of select policy language, before voting out House Bills 2002 through 2013. Most bills passed with strong support, though a few saw split votes or abstentions, reflecting ongoing policy and funding disagreements as the budget advances to Senate floor debate.

Innovation Districts | The Senate Committee on Economic and Workforce Development convened Wednesday morning to consider passage of HB 3231, sponsored by Representative Brad Christ (R-St. Louis). The bill establishes the “Missouri Innovation, Public Safety, and Accountability Act,” creating a statewide framework for designated innovation zones aimed at promoting economic development, housing growth, and public safety investments in targeted areas. The bill also establishes an angel investment incentive, allowing tax credits for investors who provide capital to qualified Missouri businesses to support startup growth and attract private investment. During committee discussion, a committee substitute was adopted to make several changes, including eliminating a CPI escalator for office conversion credits, reducing the growth rate of the angel investment tax credit, adding a redevelopment incentive program for large “shovel-ready” projects, requiring additional reporting and transparency for certain economic development funds, prohibiting stacking of multiple incentive programs for the same project, and adding negotiated provisions related to building code flexibility in historic structures. As amended, the committee passed the bill by a vote of 6-0.

Income Tax Cut | The Senate spent time Wednesday evening debating HJR 173, a proposed constitutional amendment sponsored by Representative Bishop Davidson (R-Republic) that would be placed before Missouri voters in the November 2026 election. The measure seeks to gradually 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. During debate, Senator Curtis Trent (R-Springfield) offered a Senate substitute for HJR 173 that differs from the original proposal by changing how the income tax would be eliminated. Rather than establishing an automatic, formula-driven phase-out tied to revenue growth with specific triggers, inflation adjustments, and a 2032 deadline, the substitute requires the General Assembly to enact legislation to reduce the top income tax rate over time until it is eliminated. It also removes the original proposal's detailed revenue-trigger mechanisms and ongoing adjustment formulas, replacing them with a more flexible, legislature-driven approach, and shifts local tax offsets from recurring adjustments to a one-time reduction tied to new revenue. Senator Mike Moon (R-Ash Grove) also offered an amendment to modify the scope of taxable goods and services, but it was not adopted. The Senate ultimately adopted the Senate substitute without changes and passed the resolution by an 18-11 vote, sending it back to the House for consideration of the Senate revisions.

Energy Code Preemption | The Senate Committee on Local Government, Elections and Pensions convened Monday afternoon to receive public testimony on HB 2384, sponsored by Representative Mike Jones (R-Kansas City). The bill limits the authority of counties and municipalities to impose or maintain ordinances requiring green or high-performance building standards that could increase construction, maintenance, or renovation costs for residential, commercial, or industrial developments. The bill also restricts local governments from prohibiting certain Group R-2 occupancy buildings under six stories when specified conditions are met. It establishes a 30-day deadline for political subdivisions to approve or deny construction-related applications, with applications deemed approved if no action is taken within that period and prohibits imposing new requirements after approval. Denials or determinations of incompleteness must be issued in writing with detailed justification, with incompleteness determinations required within 20 days.

Critical Materials and Pharmaceutical Production | On Monday, the Senate dedicated time to revisit SB 1553, sponsored by Senator Kurtis Gregory (R-Marshall). The bill establishes the "Missouri Defense and Energy Independence Act," creating incentives to encourage in-state production of critical materials and pharmaceuticals identified on federal supply chain risk lists. It expands sales tax exemptions for manufacturing inputs and provides transferable tax credits of 20–25% for qualified companies investing at least \$5 million in project facilities, with a \$40 million annual cap and the ability to carry credits forward for up to ten years. The legislation also requires companies to enter into agreements with the Department of Economic Development outlining investment levels, production targets, and accountability measures, including clawback provisions.

Additionally, it creates a grant program administered through a dedicated fund to support qualifying projects and restricts eligibility to nontraditional defense contractors that meet specific workforce and national security criteria. The program is set to sunset on December 31, 2036. With no debate, the Senate passed the bill by a 19-9 vote, sending it to the House for further consideration.

Progressive Design-Build | The House dedicated floor time Monday afternoon to debate HB 2474, sponsored by Representative John Voss (R-Cape Girardeau). The bill updates Missouri law on the use of design-build contracts by political subdivisions, clarifies contractor selection procedures, creates a progressive design-build option, and outlines requirements for proposals, bonding, and licensing, while exempting certain entities with their own design-build rules. After brief debate, the House provided its first of two approval votes. On Thursday, the House dedicated time to revisit HB 2474. After brief debate, the House passed the bill by a 141-5 vote, sending it to the Senate for further consideration.

Solid Waste Management | On Monday, the Senate dedicated time to debate 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. During debate, the sponsor offered substitute language updating funding allocations, adjusting revenue distribution, and dedicating resources to the remediation of abandoned sites while refining grant oversight and reporting requirements. Senator Lincoln Hough (R-Springfield) further modified the bill by extending key dates from 2027 to 2037 and clarifying that certain provisions are subject to appropriations. As amended, the Senate provided its first of two approval votes.

State Treasurer's Ability to Invest | The House dedicated floor time Monday afternoon to debate HJR 159, sponsored by Representative Terry Thompson (R-Lexington). Upon voter approval, the resolution would provide flexibility and let the Missouri State Treasurer invest state money in safer, higher-quality investments to try to earn more money. During debate, the sponsor successfully amended the bill to require investments made by the treasurer to have oversight from the Governor and State Auditor and modifies the maturity dates of investments made. As modified, the House provided its first of two approval votes. On Thursday, the House dedicated time to revisit HJR 159. With no further debate, the House passed the bill by 101-34 vote, sending it to the Senate for further consideration.

AI Generated Images | The House dedicated time Tuesday morning to debate HB 1887, sponsored by Representatives Wendy Hausman (R–St. Peters). The bill governs the use of artificial intelligence in relation to images, written content, and nonconsensual intimate images, while establishing associated civil penalties. The legislation also sets forth privacy protections specifically addressing AI-generated images. During debate, Representative Don Mayhew (R–Crocker) amended the bill by modifying its title to broaden its scope, replacing the phrase “disclosure of digital depictions” with “protection of certain individuals affected by digital media” in order to include provisions from HB 3393, which address additional AI-related regulations, social media protections for minors, and restrictions on the use of artificial intelligence to generate explicit sexual material without consent. As amended, the House provided its first of two approval votes.

Procurement of Driving Data by Automobile Insurers | The House Committee on Insurance convened Monday afternoon to receive public testimony on HB 2324, sponsored by Representative Bill Lucas (R-DeSoto). The bill prohibits any insurer from purchasing or obtaining from any third party the driving data of a vehicle insured under a policy without the express, written consent of the owner of the vehicle regardless of how the driving data is collected or stored. The insurance company is also prohibited from purchasing or obtaining any document or report based on the driving data of a vehicle insured under a policy of automobile insurance issued by the insurer. Opposing testimony was presented by the Missouri Insurance Coalition and the National Association of Mutual Insurance Companies (NAMIC) who argued the bill would cause insurance companies to cease offering safe driver programs. The data collected falls outside of the bill’s definition of “telematic data” No supporting testimony was presented to the committee.

Utility Discounts | The House Utilities Committee met in executive session Wednesday morning to consider passage of HB 2248, sponsored by Representative Josh Hurlbert (R-Smithville). The bill revises Missouri’s approach to utility discounts for large economic development projects. It standardizes discounted electric rates at 35% for five years for qualifying new or expanded energy users, while adjusting how those discounts are calculated to ensure utilities at least recover their variable costs. The bill also removes certain stricter cost-recovery requirements from current law and maintains existing eligibility criteria, including requirements for new, incremental load and participation in economic development incentives. Notably, the legislation excludes data centers from qualifying for these discounted rates. During committee discussion, members adopted a committee substitute that made three clarifying changes at the request of the Public Service Commission, including modifying language to replace “equal to 120% of” with “exceed,” adjusting cost-recovery language, and restoring a provision from current law that

had been removed in the original bill draft. As amended, the committee passed the bill by a vote of 18-1.

Underground Facilities | The House Committee on Utilities also considered passage of SB 1629, sponsored by Senator Travis Fitzwater (R-Holts Summit). The bill extends the deadline to August 28, 2026, for requiring detectable location devices on most new underground facilities. With no discussion, the committee passed the bill by a 20-0 vote.

Capital Investments | Senator Jamie Burger (R-Benton) presented SB 1443 Wednesday morning to the Senate Committee on Economic and Workforce Development. The bill would create a new tax credit program to incentivize large-scale capital investments of at least \$50 million in Missouri, aimed at encouraging job creation or retention and broader economic growth, with credits capped at 2.5% of the investment and subject to state approval and reporting requirements. Supporters, including the Missouri Department of Economic Development, Missouri Economic Development Council, Missouri Soybean Association, and Missouri Chamber of Commerce and Industry, testified in favor of the bill, citing the need for additional tools to attract large-scale investment and keep Missouri competitive with other states. Opponents, including ArmorVine and a citizen, testified against the bill, raising concerns about expanding tax credits, uncertain return on investment, and potential negative impacts on the state budget and taxpayers.

College and Career Readiness Assessment | The House Committee on Elementary and Secondary Education met Wednesday afternoon to consider public testimony on HB 3489, sponsored by Representative Josh Hurlbert (R-Smithville). The bill requires all students in public and public charter schools in the state to complete a college and career readiness assessment before graduation and allows colleges to award credit for credentials awarded from completion of a WorkKeys assessment. Supporting testimony was provided by ACT, Inc., the Missouri Department of Elementary and Secondary Education, and the Missouri Chamber of Commerce, who stated the bill helps expose students to available education and career pathways rather than relying on them to independently navigate those options. No opposing testimony was presented.

Gifted Testing | The Senate Committee on Education convened Tuesday morning to discuss passage of HB 1757, sponsored by Representative Brenda Shields (R-St. Joseph). The bill proposes to update universal school testing standards and require all public schools in the state test students for giftedness by the end of third grade. The bill requires school districts to establish a process for screenings, notification to parents, and the identification of students using the standards of the State Board of Education. With no discussion, the committee passed the bill by a 4-0 vote.

Short-Term Rental Tax Clarity | The Senate Committee on Local Government, Elections and Pensions convened Monday afternoon to receive public testimony on HB 1768, sponsored by Representative Chris Brown (R-Kansas City). The bill revises Missouri property tax law by expanding the definition of “residential property” to include certain short-term rental single-family homes rented for fewer than 30 consecutive days and subject to sales tax, while limiting eligibility to owners with no more than 15 such properties; it also clarifies that these rentals are not automatically considered “transient housing,” preserves existing classifications for other property types, and allows taxing districts to adjust levies to offset revenue impacts from reclassification. Supporting testimony was presented by the Missouri Vacation Home Alliance who stressed the legislation introduces fairness of taxation and keeps rogue assessors from abusing current misunderstandings in the law. Opposing testimony was presented by the Missouri Hotel and Lodging Association who argued an equal playing field is needed and allowing LLCs and corporations that own multiple residences they never intend to live and pay residential taxes should not be allowed. Additional opposing testimony was provided by the St. Louis Hotel Lodging Association.

On Tuesday, the House Special Committee on Property Tax Reform met in executive session to consider passage of SB 1066, sponsored by Senator Ben Brown (R-Washington). The bill is the Senate companion to HB 1768, highlighted above. During executive session, the committee adopted multiple amendments and consolidated them into a House Committee Substitute (HCS). The substitute reflects a negotiated agreement between short-term rental operators and hotel industry stakeholders and makes several key changes. It more precisely defines how the 15-property cap is calculated by aggregating properties held through direct or indirect ownership interests, including those held through business entities. Beyond the underlying short-term rental provisions, the HCS incorporates a wide range of broader property tax reforms. These include provisions allowing taxing jurisdictions to adjust levies by subclass (“siloing”), eliminating certain rollback thresholds, and modifying school levy provisions. The substitute also includes language addressing tax abatements by requiring political subdivisions that grant such incentives to account for their impact in levy calculations. Additionally, it incorporates provisions related to property tax freezes for seniors, permits “no tax increase” bond ballot language, standardizes ballot language requirements, and includes technical fixes to existing statutes, as well as a severability clause. During committee discussion, members asked detailed questions about the scope of the substitute, particularly the aggregation of ownership under the 15-property cap and the potential impact of new levy and abatement provisions on local taxing jurisdictions. Concerns were raised about whether certain changes could reduce revenue for schools or complicate existing tax calculation methods.

A proposed amendment addressing multi-rate tax calculations was discussed but ultimately withdrawn. As amended, the committee passed the bill by an 11-5 vote.

Drones | The House committee on Emerging Issues convened Monday evening to consider passage of SB 1421, sponsored by Senator Nick Schroer (R-O'Fallon). The bill establishes restrictions on the use of drones over open-air facilities and critical infrastructure, making it unlawful to operate drones within designated airspace or to use them to deliver contraband or facilitate criminal activity. The measure provides exemptions for authorized individuals, including facility operators, government personnel, emergency responders, utilities, and lawful commercial operators acting in compliance with federal regulations. It also grants trained law enforcement authority to detect, track, disrupt, and, when necessary, disable drones that pose credible threats to public safety or security, with seized drones subject to forfeiture. With no discussion, the committee passed the bill by an 8-3 vote.

Literacy Education | The Senate Committee on Education convened Tuesday morning to receive public testimony on HB 2872, sponsored by Representative Cathy Jo Loy (R-Carthage). The bill modifies early literacy requirements by requiring education preparation programs train teachers in evidence-based reading instruction and prohibit the use of the three-cueing system. The bill expands funding to support literacy and dyslexia informed practices and allows tutoring during school hours. Additionally, the bill establishes the 'Missouri Reading Screener' to assess K-3 students multiple times per year to identify reading deficiencies and guide further education. The screener mandates parent notification and involvement. The bill also introduces stricter retention policies especially for third graders with significant reading deficiencies, though with limited exceptions for students with individualized education plans or students on track to proficiency. Schools must provide intensive reading support, avoid prohibited instructional strategies, and increase transparency by publishing curriculum and annually reporting literacy data. Supporting testimony was provided by Activate Missouri, which argued the bill strengthens early literacy outcomes through evidence-based instruction and accountability. Opposition testimony was presented by the Missouri NEA, Mexico Public School District superintendent, Taneyville Public School District superintendent, a University City curriculum and literacy leader, a St. James school administrator, a state public advocate, State Literacy Council, the Missouri State Teachers Association, and the Southwest Curriculum Directors Association, who raised concerns about mandatory retention policies, implementation challenges, and the need to allow time for existing literacy reforms to take effect.

Website Access Litigation | The House dedicated time Thursday morning to debate of 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. During debate, Representative Brian Seitz (R-Branson) successfully amended the title of the bill to broaden its scope beyond just “websites” by adding “or web content,” ensuring it applies to a wider range of online material. As amended the House passed the bill by a 148-0 vote, sending it back to the Senate for consideration of House changes.