



Missouri House of Representatives

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Missouri House Approves Tax Reform Measures for Pass-Through Entities

JEFFERSON CITY, Mo. – Representative Mike McGirl is pleased to announce the successful passage of House Bill 1912 out of the Missouri House of Representatives this week. The legislation addresses critical modifications to the taxation of pass-through entities in the state.

HB 1912 focuses on refining the existing tax code by extending the ability to claim a tax credit for income tax paid to another state on income taxable in Missouri to S Corporation shareholders. This inclusion ensures that S Corporation shareholders can now avail themselves of a similar tax credit for their share of the S Corporation's income from another state.

One of the key provisions of the bill alters the calculation of the business income deduction. It replaces the federal deduction with the Missouri state business income deduction, providing a more tailored approach for businesses operating within the state. Members of affected business entities can also opt-out of the taxation methods outlined in the SALT Parity Act, allowing them to subtract opt-out members' income and deductions. Nonresident members opting out must file a return based on Missouri nonresident adjusted gross income and agree to Missouri's jurisdiction for tax collection purposes.

Furthermore, HB 1912 extends the SALT Parity tax credit to fiduciaries of estates or trusts that are also members of affected business entities. Proponents of the legislation argue that these changes will lead to increased deductions for Missouri workers, simplify the tax code, and make the state more attractive for potential business relocations.

Supporters of the bill believe that the legislation will enhance the efficiency of tax professionals, including tax software companies, accountants, and CPAs, in serving their clients. They believe that the refined tax system will contribute to a more streamlined and effective process for both taxpayers and professionals.

"Two years ago, in 2022, we laid the foundation with the Salt Parity Act HB 2845, and after a full filing season, it became evident that adjustments were necessary," said Rep. Mike McGirl, the bill sponsor. "With federal and state rates at 20 percent and 15 percent respectively, this bill addresses the need to eliminate this existing disparity between the federal and state rates. By providing the option for individuals to opt out, we ensure flexibility. In essence, all this bill does is refine and fine-tune our tax system for the benefit of our citizens and the overall economic landscape."

"This legislation supports small businesses across Missouri," said Speaker Dean Plocher, R-Des Peres. "Making sure our tax code supports small businesses, innovators, and entrepreneurs is critical for economic development in this state."

House Bill 1912 will now move to the Senate for further consideration. Representative McGirl looks forward to continued bipartisan support and collaboration as the bill progresses through the legislative process.

Representative Mike McGirl, a Republican, represents Franklin and Washington counties (District 118) in the Missouri House of Representatives. He was elected to his first two-year term in November 2018. For more information, please contact Rep. McGirl's office at 573-751-2398 or by email at Mike.McGir@House.Mo.Gov.

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