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Missouri Bill Eliminates Capital Gains Tax

The State of Missouri is poised to make drastic changes to its tax policy. The Missouri legislature crafted House Bill 594 (the “bill”) to cut state taxes for both individuals and corporations. The bill will allow individuals to deduct all capital gains and will allow corporate entities to deduct all capital gains when a specified tax rate is met. A summary of the impact on corporate and individual capital gains taxes follows.

Impact on Individual Taxpayers

The law would eliminate the capital gains tax for any individual subject to individual income tax. For all tax years beginning on or after January 1, 2025, individual taxpayers will be allowed to deduct 100% of all income reported as capital gain for federal income tax purposes. This applies to capital assets such as homes, land, stocks, and bonds. Capital gains and losses are calculated as the difference between the asset's adjusted basis (typically the owner's original purchase cost) and the amount realized from the sale. This capital gain deduction applies to both short-term and long-term capital gains. If the bill is signed by Governor Mike Kehoe, this capital gain will no longer be subject to state income tax for individuals.

Impact on Corporate Taxpayers

For corporations, the bill includes a trigger mechanism: if the top rate of corporate income tax is equal to or less than 4.5%, then, in the following tax year, entities can deduct 100% of their capital gains reported for federal income tax purposes. Similar to the impact for individuals, the bill does not have any restrictions on whether the gain is short term or long term. The trigger mechanism applies to any entity that is subject to corporate income tax. This change provides a significant tax planning opportunity.

The House of Representatives and the Senate both voted to pass the bill during the 2025 legislative session. The House of Representatives passed the final version of the bill with a vote of 102-41. The bill was delivered to Governor Mike Kehoe on May 30, 2025 to be signed into law. The governor has 45 days to sign the bill after receiving it. While the Governor has the authority to veto the bill it is widely expected that he will sign it into law, as he has previously expressed support for the proposed tax cuts. If signed, the bill is set to take effect on August 28, 2025.

If signed into law, the bill will fully eliminate individual capital gains tax as well as corporate capital gains tax when the trigger is met, marking a notable shift in the state's tax policy. Both the individual tax cut and the corporate tax cut are meant to incentivize investment and encourage economic growth. Further, many legislators hope this will encourage businesses to move to the State of Missouri to take advantage of the tax cut. This does not impact federal taxes. If you have any questions about the impacts of the bill removing capital gains tax or this client alert, please contact your [Kutak Rock](#) attorney.

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