



This Week in State Tax (TWIST)

July 21, 2025



Missouri: “Show Me State” adopts capital gains deduction; may apply to corporations if revenue targets met

New legislation in Missouri enacts an individual income tax deduction equal to 100 percent of the income reported as capital gains for federal purposes, effective for tax years beginning on or after January 1, 2025. Further, if the top rate for the individual income is reduced to 4.5 percent, the deduction may also become available for corporations in the tax years following the individual rate reduction. Missouri is currently reducing the individual income tax rate by 0.1 percent when certain revenue growth thresholds are met, meaning this deduction may be available to corporations as soon as tax years beginning on January 1, 2027.

The Missouri legislature has also enacted a bill that significantly modifies the standard of review for state agency interpretations and guidance. Specifically, courts or administrative hearing officers shall not defer to a state agency interpretation of any statute, rule, regulation, or other sub-regulatory document. Instead, reviews must be *de novo*. In actions brought by or against a state agency, after all other customary tools of interpretation have been applied, a court is now required to decide any remaining doubt in favor of a reasonable interpretation that limits the agency’s power and maximizes individual liberty. This effect of this modification of the standard of review on tax administration in Missouri is unknown. Contact [Alexander Karscig](#) for questions about [H.B. 594](#) or [S.B. 221](#).

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