

Missouri Eliminates Capital Gains Tax

Alert

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On July 10, 2025, Missouri Gov. Mike Kehoe signed House Bill 594, which will exclude both short- and long-term capital gains from Missouri individual income tax and, in certain circumstances, corporate income tax.

Under the new law, individuals subject to Missouri income tax would be permitted to deduct 100% of all income reported as a capital gain for federal income tax purposes in determining their Missouri taxable income for all tax years beginning on or after Jan. 1, 2025.

For Missouri corporations, House Bill 594 contains a trigger provision stipulating that if the top rate of Missouri's tax on individual income drops to 4.5% or lower in any year, corporations may similarly deduct 100% of capital gains beginning the following tax year. Presently, Mo. Rev. Stat. § 143.011 provides for incremental reductions to the top rate of Missouri's tax on individual income whereby the top rate will gradually reduce to 4.5% if general revenue collections meet targets set out in the statute.

There will, no doubt, be tax planning opportunities for Missouri taxpayers under the new law. For example, a Missouri resident planning to sell their business should consider how best to structure the sale transaction in order to take advantage of the new capital gains deduction. In certain circumstances, it may be advisable for a business with activities in other states to structure a sale transaction as a sale of equity rather than a sale of assets. This is due to state apportionment provisions that would require gain from a sale of assets to be apportioned to states other than Missouri. However, under the new law, gain from a sale of equity by a Missouri resident individual may be wholly exempt from state taxation. Structuring a sale transaction requires careful consideration, and the appropriate course of action for Missouri taxpayers will vary based on each taxpayer's unique facts and circumstances.

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It will be important for Missouri taxpayers to consult with a tax advisor to assess how they may best take advantage of the new capital gains deduction.

For more information on Missouri's new capital gains tax deduction, please contact [Charles Jensen](#), [Thomas Molins](#), [Jay Simpson](#), [Harry Teichman](#), [Charles Hutchison](#), [Molly Maurin](#) or the Stinson LLP contact with whom you regularly work.

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