

Missouri Eliminates Income Tax on Capital Gains for Individuals

In the Dirt: A Real Estate Legal Update

By Lisa Johnson on July 30, 2025

On July 10, 2025, Missouri Governor Mike Kehoe signed into law House Bill 594 (the “Bill”), which effectively eliminates the capital gains income tax for individuals and an income tax deduction for corporations. Capital gains are the profit realized from the sale of capital assets such as stocks and bonds, other personal property, and many kinds of real estate.

The law applies to short- and long-term capital gains, meaning individuals may deduct 100% of federally reported gross income from capital gains from their Missouri state income taxes. This new law may have an immediate and significant benefit for individuals and businesses to which it applies.

Impact of the Law

This law may affect anyone who holds and intends to sell real estate or other capital assets and will realize profit that is reported as gross income resulting from the sale. Unlike the federal tax rate — which distinguishes between short- and long-term capital gains and gives a preferential rate to long-term gains, that is gains from assets held for more than one year — the new Missouri law creates no requirements regarding how long an asset must be held in order to qualify for the benefit under the law.

While the prior capital gains tax rate in Missouri treated all capital gains the same and taxed them at the same higher rate as other income, the new Missouri law applies to capital gains across the board regardless of how long an individual has held the asset.

When the Law Takes Effect

This law has immediate implications for transactions involving capital gains — even those prior to the date the law was enacted. Although the Bill was signed into law in July 2025, it applies to income reported as capital gains for federal tax purposes on or after January 1, 2025. Any individual who federally reports capital gains in 2025 should benefit.

How the Law Affects Corporations

The law may benefit corporations as well as individuals. The Bill applies to entities that are subject to Missouri corporate income tax for any tax year immediately following any tax year in which the top corporate rate is equal to or less than 4.5%. In such years, the law provides for a Missouri income tax deduction for 100% of income that is federally reported by such entity as a capital gain.

If you have any questions about this law and how it may affect your capital gains taxes, you should consult your accountant, and if you have questions about this article, please contact your Amundsen Davis attorney.

*This alert was written with assistance from summer associate Claire Hiegel.

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