

FIRST REGULAR SESSION

# HOUSE BILL NO. 877

## 101ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE CHRISTOFANELLI.

1947H.011

DANA RADEMAN MILLER, Chief Clerk

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### AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to income tax deductions.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows:

143.121. 1. The Missouri adjusted gross income of a resident individual shall be the taxpayer's federal adjusted gross income subject to the modifications in this section.

2. There shall be added to the taxpayer's federal adjusted gross income:

(1) The amount of any federal income tax refund received for a prior year which resulted in a Missouri income tax benefit. The amount added pursuant to this subdivision shall not include any amount of a federal income tax refund attributable to a tax credit reducing a taxpayer's federal tax liability pursuant to Public Law 116-136, enacted by the 116th United States Congress, for the tax year beginning on or after January 1, 2020, and ending on or before December 31, 2020, and deducted from Missouri adjusted gross income pursuant to section 143.171;

(2) Interest on certain governmental obligations excluded from federal gross income by 26 U.S.C. Section 103 of the Internal Revenue Code, as amended. The previous sentence shall not apply to interest on obligations of the state of Missouri or any of its political subdivisions or authorities and shall not apply to the interest described in subdivision (1) of subsection 3 of this section. The amount added pursuant to this subdivision shall be reduced by the amounts applicable to such interest that would have been deductible in computing the taxable income of

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

17 the taxpayer except only for the application of 26 U.S.C. Section 265 of the Internal Revenue  
18 Code, as amended. The reduction shall only be made if it is at least five hundred dollars;

19 (3) The amount of any deduction that is included in the computation of federal taxable  
20 income pursuant to 26 U.S.C. Section 168 of the Internal Revenue Code as amended by the Job  
21 Creation and Worker Assistance Act of 2002 to the extent the amount deducted relates to  
22 property purchased on or after July 1, 2002, but before July 1, 2003, and to the extent the amount  
23 deducted exceeds the amount that would have been deductible pursuant to 26 U.S.C. Section 168  
24 of the Internal Revenue Code of 1986 as in effect on January 1, 2002;

25 (4) The amount of any deduction that is included in the computation of federal taxable  
26 income for net operating loss allowed by 26 U.S.C. Section 172 of the Internal Revenue Code  
27 of 1986, as amended, other than the deduction allowed by 26 U.S.C. Section 172(b)(1)(G) and  
28 26 U.S.C. Section 172(i) of the Internal Revenue Code of 1986, as amended, for a net operating  
29 loss the taxpayer claims in the tax year in which the net operating loss occurred or carries  
30 forward for a period of more than twenty years and carries backward for more than two years.  
31 Any amount of net operating loss taken against federal taxable income but disallowed for  
32 Missouri income tax purposes pursuant to this subdivision after June 18, 2002, may be carried  
33 forward and taken against any income on the Missouri income tax return for a period of not more  
34 than twenty years from the year of the initial loss; and

35 (5) For nonresident individuals in all taxable years ending on or after December 31,  
36 2006, the amount of any property taxes paid to another state or a political subdivision of another  
37 state for which a deduction was allowed on such nonresident's federal return in the taxable year  
38 unless such state, political subdivision of a state, or the District of Columbia allows a subtraction  
39 from income for property taxes paid to this state for purposes of calculating income for the  
40 income tax for such state, political subdivision of a state, or the District of Columbia;

41 (6) For all tax years beginning on or after January 1, 2018, any interest expense paid or  
42 accrued in a previous taxable year, but allowed as a deduction under 26 U.S.C. Section 163, as  
43 amended, in the current taxable year by reason of the carryforward of disallowed business  
44 interest provisions of 26 U.S.C. Section 163(j), as amended. For the purposes of this  
45 subdivision, an interest expense is considered paid or accrued only in the first taxable year the  
46 deduction would have been allowable under 26 U.S.C. Section 163, as amended, if the limitation  
47 under 26 U.S.C. Section 163(j), as amended, did not exist.

48 3. There shall be subtracted from the taxpayer's federal adjusted gross income the  
49 following amounts to the extent included in federal adjusted gross income:

50 (1) Interest received on deposits held at a federal reserve bank or interest or dividends  
51 on obligations of the United States and its territories and possessions or of any authority,  
52 commission or instrumentality of the United States to the extent exempt from Missouri income

53 taxes pursuant to the laws of the United States. The amount subtracted pursuant to this  
54 subdivision shall be reduced by any interest on indebtedness incurred to carry the described  
55 obligations or securities and by any expenses incurred in the production of interest or dividend  
56 income described in this subdivision. The reduction in the previous sentence shall only apply  
57 to the extent that such expenses including amortizable bond premiums are deducted in  
58 determining the taxpayer's federal adjusted gross income or included in the taxpayer's Missouri  
59 itemized deduction. The reduction shall only be made if the expenses total at least five hundred  
60 dollars;

61 (2) The portion of any gain, from the sale or other disposition of property having a higher  
62 adjusted basis to the taxpayer for Missouri income tax purposes than for federal income tax  
63 purposes on December 31, 1972, that does not exceed such difference in basis. If a gain is  
64 considered a long-term capital gain for federal income tax purposes, the modification shall be  
65 limited to one-half of such portion of the gain;

66 (3) The amount necessary to prevent the taxation pursuant to this chapter of any annuity  
67 or other amount of income or gain which was properly included in income or gain and was taxed  
68 pursuant to the laws of Missouri for a taxable year prior to January 1, 1973, to the taxpayer, or  
69 to a decedent by reason of whose death the taxpayer acquired the right to receive the income or  
70 gain, or to a trust or estate from which the taxpayer received the income or gain;

71 (4) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the  
72 extent that the same are included in federal adjusted gross income;

73 (5) The amount of any state income tax refund for a prior year which was included in the  
74 federal adjusted gross income;

75 (6) The portion of capital gain specified in section 135.357 that would otherwise be  
76 included in federal adjusted gross income;

77 (7) The amount that would have been deducted in the computation of federal taxable  
78 income pursuant to 26 U.S.C. Section 168 of the Internal Revenue Code as in effect on January  
79 1, 2002, to the extent that amount relates to property purchased on or after July 1, 2002, but  
80 before July 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant  
81 to 26 U.S.C. Section 168 of the Internal Revenue Code as amended by the Job Creation and  
82 Worker Assistance Act of 2002;

83 (8) For all tax years beginning on or after January 1, 2005, the amount of any income  
84 received for military service while the taxpayer serves in a combat zone which is included in  
85 federal adjusted gross income and not otherwise excluded therefrom. As used in this section,  
86 "combat zone" means any area which the President of the United States by Executive Order  
87 designates as an area in which Armed Forces of the United States are or have engaged in combat.  
88 Service is performed in a combat zone only if performed on or after the date designated by the

89 President by Executive Order as the date of the commencing of combat activities in such zone,  
90 and on or before the date designated by the President by Executive Order as the date of the  
91 termination of combatant activities in such zone;

92 (9) For all tax years ending on or after July 1, 2002, with respect to qualified property  
93 that is sold or otherwise disposed of during a taxable year by a taxpayer and for which an  
94 additional modification was made under subdivision (3) of subsection 2 of this section, the  
95 amount by which additional modification made under subdivision (3) of subsection 2 of this  
96 section on qualified property has not been recovered through the additional subtractions provided  
97 in subdivision (7) of this subsection;

98 (10) For all tax years beginning on or after January 1, 2014, the amount of any income  
99 received as payment from any program which provides compensation to agricultural producers  
100 who have suffered a loss as the result of a disaster or emergency, including the:

- 101 (a) Livestock Forage Disaster Program;
- 102 (b) Livestock Indemnity Program;
- 103 (c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish;
- 104 (d) Emergency Conservation Program;
- 105 (e) Noninsured Crop Disaster Assistance Program;
- 106 (f) Pasture, Rangeland, Forage Pilot Insurance Program;
- 107 (g) Annual Forage Pilot Program;
- 108 (h) Livestock Risk Protection Insurance Plan; and
- 109 (i) Livestock Gross Margin Insurance Plan; ~~and~~

110 (11) For all tax years beginning on or after January 1, 2018, any interest expense paid  
111 or accrued in the current taxable year, but not deducted as a result of the limitation imposed  
112 under 26 U.S.C. Section 163(j), as amended. For the purposes of this subdivision, an interest  
113 expense is considered paid or accrued only in the first taxable year the deduction would have  
114 been allowable under 26 U.S.C. Section 163, as amended, if the limitation under 26 U.S.C.  
115 Section 163(j), as amended, did not exist; **and**

116 **(12) For taxpayers authorized to conduct business under Article XIV of the**  
117 **Constitution of Missouri, the amount that would have been deducted from the computation**  
118 **of the taxpayer's federal taxable income if such a deduction were not disallowed under 26**  
119 **U.S.C. Section 280E, as in effect on January 1, 2021, because of the status of marijuana as**  
120 **a controlled substance under federal law.**

121 4. There shall be added to or subtracted from the taxpayer's federal adjusted gross  
122 income the taxpayer's share of the Missouri fiduciary adjustment provided in section 143.351.

123 5. There shall be added to or subtracted from the taxpayer's federal adjusted gross  
124 income the modifications provided in section 143.411.

125           6. In addition to the modifications to a taxpayer's federal adjusted gross income in this  
126 section, to calculate Missouri adjusted gross income there shall be subtracted from the taxpayer's  
127 federal adjusted gross income any gain recognized pursuant to 26 U.S.C. Section 1033 of the  
128 Internal Revenue Code of 1986, as amended, arising from compulsory or involuntary conversion  
129 of property as a result of condemnation or the imminence thereof.

130           7. (1) As used in this subsection, "qualified health insurance premium" means the  
131 amount paid during the tax year by such taxpayer for any insurance policy primarily providing  
132 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

133           (2) In addition to the subtractions in subsection 3 of this section, one hundred percent  
134 of the amount of qualified health insurance premiums shall be subtracted from the taxpayer's  
135 federal adjusted gross income to the extent the amount paid for such premiums is included in  
136 federal taxable income. The taxpayer shall provide the department of revenue with proof of the  
137 amount of qualified health insurance premiums paid.

138           8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this section,  
139 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an  
140 entity certified by the department of natural resources under section 640.153 or the  
141 implementation of any energy efficiency recommendations made in such an audit shall be  
142 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for  
143 any such activity is included in federal taxable income. The taxpayer shall provide the  
144 department of revenue with a summary of any recommendations made in a qualified home  
145 energy audit, the name and certification number of the qualified home energy auditor who  
146 conducted the audit, and proof of the amount paid for any activities under this subsection for  
147 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any  
148 recommendations made in a qualified home energy audit to the department of natural resources.

149           (2) At no time shall a deduction claimed under this subsection by an individual taxpayer  
150 or taxpayers filing combined returns exceed one thousand dollars per year for individual  
151 taxpayers or cumulatively exceed two thousand dollars per year for taxpayers filing combined  
152 returns.

153           (3) Any deduction claimed under this subsection shall be claimed for the tax year in  
154 which the qualified home energy audit was conducted or in which the implementation of the  
155 energy efficiency recommendations occurred. If implementation of the energy efficiency  
156 recommendations occurred during more than one year, the deduction may be claimed in more  
157 than one year, subject to the limitations provided under subdivision (2) of this subsection.

158           (4) A deduction shall not be claimed for any otherwise eligible activity under this  
159 subsection if such activity qualified for and received any rebate or other incentive through a

160 state-sponsored energy program or through an electric corporation, gas corporation, electric  
161 cooperative, or municipally owned utility.

162 9. The provisions of subsection 8 of this section shall expire on December 31, 2020.

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