

FIRST REGULAR SESSION

[PERFECTED]

HOUSE BILL NO. 991

101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE SMITH (163).

1929H.01P

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.121 and 143.171, RSMo, and to enact in lieu thereof two new sections relating to income tax, with an emergency clause.

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

Section A. Sections 143.121 and 143.171, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.121 and 143.171, to read as follows: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 **or 116-260**, 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. **The amount added under this subdivision shall also not include any amount of a federal income tax refund attributable to a tax credit reducing a taxpayer's federal tax liability under any other federal law that provides direct economic impact payments to taxpayers to mitigate financial challenges related to the COVID-19 pandemic, and deducted from Missouri adjusted gross income under section 143.171;**

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.

15 (2) Interest on certain governmental obligations excluded from federal gross income by
16 26 U.S.C. Section 103 of the Internal Revenue Code, as amended. The previous sentence shall
17 not apply to interest on obligations of the state of Missouri or any of its political subdivisions or
18 authorities and shall not apply to the interest described in subdivision (1) of subsection 3 of this
19 section. The amount added pursuant to this subdivision shall be reduced by the amounts
20 applicable to such interest that would have been deductible in computing the taxable income of
21 the taxpayer except only for the application of 26 U.S.C. Section 265 of the Internal Revenue
22 Code, as amended. The reduction shall only be made if it is at least five hundred dollars;

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

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

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

45 (6) For all tax years beginning on or after January 1, 2018, any interest expense paid or
46 accrued in a previous taxable year, but allowed as a deduction under 26 U.S.C. Section 163, as
47 amended, in the current taxable year by reason of the carryforward of disallowed business
48 interest provisions of 26 U.S.C. Section 163(j), as amended. For the purposes of this
49 subdivision, an interest expense is considered paid or accrued only in the first taxable year the

50 deduction would have been allowable under 26 U.S.C. Section 163, as amended, if the limitation
51 under 26 U.S.C. Section 163(j), as amended, did not exist.

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

54 (1) Interest received on deposits held at a federal reserve bank or interest or dividends
55 on obligations of the United States and its territories and possessions or of any authority,
56 commission or instrumentality of the United States to the extent exempt from Missouri income
57 taxes pursuant to the laws of the United States. The amount subtracted pursuant to this
58 subdivision shall be reduced by any interest on indebtedness incurred to carry the described
59 obligations or securities and by any expenses incurred in the production of interest or dividend
60 income described in this subdivision. The reduction in the previous sentence shall only apply
61 to the extent that such expenses including amortizable bond premiums are deducted in
62 determining the taxpayer's federal adjusted gross income or included in the taxpayer's Missouri
63 itemized deduction. The reduction shall only be made if the expenses total at least five hundred
64 dollars;

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

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

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

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

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

81 (7) The amount that would have been deducted in the computation of federal taxable
82 income pursuant to 26 U.S.C. Section 168 of the Internal Revenue Code as in effect on January
83 1, 2002, to the extent that amount relates to property purchased on or after July 1, 2002, but
84 before July 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant

85 to 26 U.S.C. Section 168 of the Internal Revenue Code as amended by the Job Creation and
86 Worker Assistance Act of 2002;

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

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

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

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

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

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

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

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

129 7. (1) As used in this subsection, "qualified health insurance premium" means the
130 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
131 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

137 8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this section,
138 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an
139 entity certified by the department of natural resources under section 640.153 or the
140 implementation of any energy efficiency recommendations made in such an audit shall be
141 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for
142 any such activity is included in federal taxable income. The taxpayer shall provide the
143 department of revenue with a summary of any recommendations made in a qualified home
144 energy audit, the name and certification number of the qualified home energy auditor who
145 conducted the audit, and proof of the amount paid for any activities under this subsection for
146 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any
147 recommendations made in a qualified home energy audit to the department of natural resources.

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

152 (3) Any deduction claimed under this subsection shall be claimed for the tax year in
153 which the qualified home energy audit was conducted or in which the implementation of the
154 energy efficiency recommendations occurred. If implementation of the energy efficiency

155 recommendations occurred during more than one year, the deduction may be claimed in more
 156 than one year, subject to the limitations provided under subdivision (2) of this subsection.

157 (4) A deduction shall not be claimed for any otherwise eligible activity under this
 158 subsection if such activity qualified for and received any rebate or other incentive through a
 159 state-sponsored energy program or through an electric corporation, gas corporation, electric
 160 cooperative, or municipally owned utility.

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

143.171. 1. For all tax years beginning on or after January 1, 1994, and ending on or
 2 before December 31, 2018, an individual taxpayer shall be allowed a deduction for his or her
 3 federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable
 4 year for which the Missouri return is being filed, not to exceed five thousand dollars on a single
 5 taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits
 6 thereon, except the credit for payments of federal estimated tax, the credit for the overpayment
 7 of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section
 8 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

9 2. (1) Notwithstanding any other provision of law to the contrary, for all tax years
 10 beginning on or after January 1, 2019, an individual taxpayer shall be allowed a deduction equal
 11 to a percentage of his or her federal income tax liability under Chapter 1 of the Internal Revenue
 12 Code for the same taxable year for which the Missouri return is being filed, not to exceed five
 13 thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after
 14 reduction for all credits thereon, except the credit for payments of federal estimated tax, the
 15 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue
 16 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction
 17 percentage is determined according to the following table:

18 If the Missouri gross income on the return	The deduction percentage is:
19 is:	
20 \$25,000 or less	35 percent
21 From \$25,001 to \$50,000	25 percent
22 From \$50,001 to \$100,000	15 percent
23 From \$100,001 to \$125,000	5 percent
24 \$125,001 or more	0 percent

25 (2) Notwithstanding any provision of law to the contrary, the amount of any tax credits
 26 reducing a taxpayer's federal tax liability pursuant to Public Law 116-136 or 116-260, enacted
 27 by the 116th United States Congress, for the tax year beginning on or after January 1, 2020, and

28 ending on or before December 31, 2020, **and the amount of any tax credits reducing a**
29 **taxpayer's federal tax liability under any other federal law that provides direct economic**
30 **impact payments to taxpayers to mitigate financial challenges related to the COVID-19**
31 **pandemic** shall not be considered in determining a taxpayer's federal tax liability for the
32 purposes of subdivision (1) of this subsection.

33 3. For all tax years beginning on or after September 1, 1993, a corporate taxpayer shall
34 be allowed a deduction for fifty percent of its federal income tax liability under Chapter 1 of the
35 Internal Revenue Code for the same taxable year for which the Missouri return is being filed
36 after reduction for all credits thereon, except the credit for payments of federal estimated tax, the
37 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue
38 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

39 4. If a federal income tax liability for a tax year prior to the applicability of sections
40 143.011 to 143.996 for which he was not previously entitled to a Missouri deduction is later paid
41 or accrued, he may deduct the federal tax in the later year to the extent it would have been
42 deductible if paid or accrued in the prior year.

Section B. Because immediate action is necessary to protect the interests of taxpayers
2 during the COVID-19 pandemic, section A of this act is deemed necessary for the immediate
3 preservation of the public health, welfare, peace, and safety, and is hereby declared to be an
4 emergency act within the meaning of the constitution, and section A of this act shall be in full
5 force and effect upon its passage and approval.

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