

SECOND REGULAR SESSION  
SENATE COMMITTEE SUBSTITUTE FOR

# SENATE BILL NO. 856

98TH GENERAL ASSEMBLY

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Reported from the Committee on Ways and Means, February 25, 2016, with recommendation that the Senate Committee Substitute do pass.

5628S.02C

ADRIANE D. CROUSE, Secretary.

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## AN ACT

To amend chapter 135, RSMo, by adding thereto one new section relating to tax deductions for employee stock ownership plans.

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

Section A. Chapter 135, RSMo, is amended by adding thereto one new section, to be known as section 135.495, to read as follows:

**135.495. 1. As used in this section, the following terms mean:**

2           **(1) "Commercial domicile", the principal place from which the**  
3 **trade or business of the taxpayer is directed or managed;**

4           **(2) "Deduction", an amount subtracted from the taxpayer's**  
5 **Missouri adjusted gross income to determine Missouri taxable income**  
6 **for the tax year in which such deduction is claimed;**

7           **(3) "Employer securities", the same meaning as defined under**  
8 **section 409(l) of the Internal Revenue Code;**

9           **(4) "Missouri corporation", a corporation whose commercial**  
10 **domicile is in this state;**

11           **(5) "Qualified Missouri employee stock ownership plan", an**  
12 **employee stock ownership plan, as defined under section 4975(e)(7) of**  
13 **the Internal Revenue Code, and trust that is established by a Missouri**  
14 **corporation for the benefit of the employees of the corporation;**

15           **(6) "Taxpayer", an individual, firm, partner in a firm,**  
16 **corporation, partnership, shareholder in an S corporation, or member**  
17 **of a limited liability company subject to the income tax imposed under**  
18 **chapter 143, excluding withholding tax imposed by sections 143.191 to**  
19 **143.265.**

20           **2. For all tax years beginning on or after January 1, 2017, in**  
21 **addition to all other modifications allowed by law, a taxpayer shall be**

22 allowed a deduction from the taxpayer's federal adjusted gross income  
23 when determining Missouri adjusted gross income in an amount equal  
24 to fifty percent of the net capital gain from the sale or exchange of  
25 employer securities of a Missouri corporation to a qualified Missouri  
26 employee stock ownership plan if, upon completion of the transaction,  
27 the qualified Missouri employee stock ownership plan owns at least  
28 thirty percent of all outstanding employer securities issued by the  
29 Missouri corporation.

30 3. Whenever an employee leaves a Missouri corporation with a  
31 qualified Missouri employee stock ownership plan, the Missouri  
32 corporation shall inform the former employee of the deadline for when  
33 the former employee shall decide whether they will receive their shares  
34 of employer securities or compensation for their shares of employer  
35 securities.

36 4. The department of revenue may promulgate rules and  
37 regulations for the administration of this section. Any rule or portion  
38 of a rule, as that term is defined in section 536.010, that is created  
39 under the authority delegated in this section shall become effective  
40 only if it complies with and is subject to all of the provisions of chapter  
41 536 and, if applicable, section 536.028. This section and chapter 536 are  
42 nonseverable, and if any of the powers vested with the general  
43 assembly pursuant to chapter 536 to review, to delay the effective date,  
44 or to disapprove and annul a rule are subsequently held  
45 unconstitutional, then the grant of rulemaking authority and any rule  
46 proposed or adopted after August 28, 2016, shall be invalid and void.

47 5. Under section 23.253 of the Missouri sunset act:

48 (1) The provisions of the new program authorized under this  
49 section shall automatically sunset on December thirty-first, six years  
50 after the effective date of this section, unless reauthorized by an act of  
51 the general assembly;

52 (2) If such program is reauthorized, the program authorized  
53 under this section shall automatically sunset on December thirty-first,  
54 twelve years after the effective date of the reauthorization of this  
55 section; and

56 (3) This section shall terminate on September first of the  
57 calendar year immediately following the calendar year in which the  
58 program authorized under this section is sunset.