

FIRST REGULAR SESSION

# SENATE BILL NO. 61

## 100TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR ARTHUR.

Pre-filed December 1, 2018, and ordered printed.

ADRIANE D. CROUSE, Secretary.

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### AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to a tax deduction for educator expenses.

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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Section A. Section 143.121, RSMo, is repealed and one new section 2 enacted in lieu thereof, to be known as section 143.121, to read as follows: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 2 shall be the taxpayer's federal adjusted gross income subject to the modifications 3 in this section.

2. There shall be added to the taxpayer's federal adjusted gross income: 5 (1) The amount of any federal income tax refund received for a prior year 6 which resulted in a Missouri income tax benefit;

7 (2) Interest on certain governmental obligations excluded from federal 8 gross income by [Section 103 of the Internal Revenue Code] **26 U.S.C. Section** 9 **103.** The previous sentence shall not apply to interest on obligations of the state 10 of Missouri or any of its political subdivisions or authorities and shall not apply 11 to the interest described in subdivision (1) of subsection 3 of this section. The 12 amount added pursuant to this subdivision shall be reduced by the amounts 13 applicable to such interest that would have been deductible in computing the 14 taxable income of the taxpayer except only for the application of [Section 265 of 15 the Internal Revenue Code] **26 U.S.C. Section 265.** The reduction shall only be 16 made if it is at least five hundred dollars;

17 (3) The amount of any deduction that is included in the computation of 18 federal taxable income pursuant to [Section 168 of the Internal Revenue Code] 19 **26 U.S.C. Section 168** as amended by the Job Creation and Worker Assistance

**EXPLANATION—**Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

20 Act of 2002 to the extent the amount deducted relates to property purchased on  
21 or after July 1, 2002, but before July 1, 2003, and to the extent the amount  
22 deducted exceeds the amount that would have been deductible pursuant to  
23 [Section 168 of the Internal Revenue Code of 1986] **26 U.S.C. Section 168** as in  
24 effect on January 1, 2002;

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

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

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

49 (1) Interest or dividends on obligations of the United States and its  
50 territories and possessions or of any authority, commission or instrumentality of  
51 the United States to the extent exempt from Missouri income taxes pursuant to  
52 the laws of the United States. The amount subtracted pursuant to this  
53 subdivision shall be reduced by any interest on indebtedness incurred to carry the  
54 described obligations or securities and by any expenses incurred in the production  
55 of interest or dividend income described in this subdivision. The reduction in the

56 previous sentence shall only apply to the extent that such expenses including  
57 amortizable bond premiums are deducted in determining the taxpayer's federal  
58 adjusted gross income or included in the taxpayer's Missouri itemized  
59 deduction. The reduction shall only be made if the expenses total at least five  
60 hundred dollars;

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

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

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

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

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

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

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

92 is performed in a combat zone only if performed on or after the date designated  
93 by the President by Executive Order as the date of the commencing of combat  
94 activities in such zone, and on or before the date designated by the President by  
95 Executive Order as the date of the termination of combatant activities in such  
96 zone;

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

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

108 (a) Livestock Forage Disaster Program;  
109 (b) Livestock Indemnity Program;  
110 (c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised  
111 Fish;

112 (d) Emergency Conservation Program;  
113 (e) Noninsured Crop Disaster Assistance Program;  
114 (f) Pasture, Rangeland, Forage Pilot Insurance Program;  
115 (g) Annual Forage Pilot Program;  
116 (h) Livestock Risk Protection Insurance Plan; and  
117 (i) Livestock Gross Margin Insurance Plan; **and**

118 (11) **For all tax years beginning on or after January 1, 2020, one  
119 hundred percent of all unreimbursed educator expenses incurred by an  
120 eligible educator during the taxable year, not to exceed five hundred  
121 dollars. As used in this subdivision, the following terms shall mean:**

122 (a) "Educator expenses", expenses incurred by an eligible  
123 educator that qualify for a federal deduction under 26 U.S.C. Section  
124 62, as amended;

125 (b) "Eligible educator", an eligible educator as defined under 26  
126 U.S.C. Section 62, as amended.

127 4. There shall be added to or subtracted from the taxpayer's federal

128 adjusted gross income the taxpayer's share of the Missouri fiduciary adjustment  
129 provided in section 143.351.

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

132 6. In addition to the modifications to a taxpayer's federal adjusted gross  
133 income in this section, to calculate Missouri adjusted gross income there shall be  
134 subtracted from the taxpayer's federal adjusted gross income any gain recognized  
135 pursuant to [Section 1033 of the Internal Revenue Code of 1986] **26 U.S.C.**  
136 **Section 1033**, as amended, arising from compulsory or involuntary conversion  
137 of property as a result of condemnation or the imminence thereof.

138 7. (1) As used in this subsection, "qualified health insurance premium"  
139 means the amount paid during the tax year by such taxpayer for any insurance  
140 policy primarily providing health care coverage for the taxpayer, the taxpayer's  
141 spouse, or the taxpayer's dependents.

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

148 8. (1) Beginning January 1, 2014, in addition to the subtractions provided  
149 in this section, one hundred percent of the cost incurred by a taxpayer for a home  
150 energy audit conducted by an entity certified by the department of natural  
151 resources under section 640.153 or the implementation of any energy efficiency  
152 recommendations made in such an audit shall be subtracted from the taxpayer's  
153 federal adjusted gross income to the extent the amount paid for any such activity  
154 is included in federal taxable income. The taxpayer shall provide the department  
155 of revenue with a summary of any recommendations made in a qualified home  
156 energy audit, the name and certification number of the qualified home energy  
157 auditor who conducted the audit, and proof of the amount paid for any activities  
158 under this subsection for which a deduction is claimed. The taxpayer shall also  
159 provide a copy of the summary of any recommendations made in a qualified home  
160 energy audit to the department of natural resources.

161 (2) At no time shall a deduction claimed under this subsection by an  
162 individual taxpayer or taxpayers filing combined returns exceed one thousand  
163 dollars per year for individual taxpayers or cumulatively exceed two thousand

164 dollars per year for taxpayers filing combined returns.

165 (3) Any deduction claimed under this subsection shall be claimed for the  
166 tax year in which the qualified home energy audit was conducted or in which the  
167 implementation of the energy efficiency recommendations occurred. If  
168 implementation of the energy efficiency recommendations occurred during more  
169 than one year, the deduction may be claimed in more than one year, subject to the  
170 limitations provided under subdivision (2) of this subsection.

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

175 9. The provisions of subsection 8 of this section shall expire on December  
176 31, 2020.

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