

FIRST REGULAR SESSION  
[P E R F E C T E D]  
SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE BILL NO. 174**  
100TH GENERAL ASSEMBLY

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Reported from the Committee on Ways and Means, February 28, 2019, with recommendation that the Senate Committee Substitute do pass.

Senate Committee Substitute for Senate Bill No. 174, adopted March 27, 2019.

Taken up for Perfection March 27, 2019. Bill declared Perfected and Ordered Printed.

ADRIANE D. CROUSE, Secretary.

0971S.03P

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**AN ACT**

To repeal sections 143.121 and 148.064, RSMo, and to enact in lieu thereof two new sections relating to the reduction of taxes owed on certain income.

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

Section A. Sections 143.121 and 148.064, RSMo, are repealed and two new  
2 sections enacted in lieu thereof, to be known as sections 143.121 and 148.064, to  
3 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.

4 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 **26 U.S.C.** Section 103 of the Internal Revenue Code, **as**  
9 **amended**. The previous sentence shall not apply to interest on obligations of the  
10 state of Missouri or any of its political subdivisions or authorities and shall not  
11 apply to the interest described in subdivision (1) of subsection 3 of this  
12 section. The amount added pursuant to this subdivision shall be reduced by the  
13 amounts applicable to such interest that would have been deductible in  
14 computing the taxable income of the taxpayer except only for the application of  
15 **26 U.S.C.** Section 265 of the Internal Revenue Code, **as amended**. The

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

16 reduction shall only be 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 **26 U.S.C.** Section 168 of the Internal Revenue  
19 Code as amended by the Job Creation and Worker Assistance Act of 2002 to the  
20 extent the amount deducted relates to property purchased on or after July 1,  
21 2002, but before July 1, 2003, and to the extent the amount deducted exceeds the  
22 amount that would have been deductible pursuant to **26 U.S.C.** Section 168 of the  
23 Internal Revenue Code of 1986 as in effect on January 1, 2002;

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

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

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

47 (1) Interest **received on deposits held at a federal reserve bank** or  
48 **interest or** dividends on obligations of the United States and its territories and  
49 possessions or of any authority, commission or instrumentality of the United  
50 States to the extent exempt from Missouri income taxes pursuant to the laws of  
51 the United States. The amount subtracted pursuant to this subdivision shall be

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

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

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

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

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

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

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

85 (8) For all tax years beginning on or after January 1, 2005, the amount  
86 of any income received for military service while the taxpayer serves in a combat  
87 zone which is included in federal adjusted gross income and not otherwise

88 excluded therefrom. As used in this section, "combat zone" means any area which  
89 the President of the United States by Executive Order designates as an area in  
90 which Armed Forces of the United States are or have engaged in combat. Service  
91 is performed in a combat zone only if performed on or after the date designated  
92 by the President by Executive Order as the date of the commencing of combat  
93 activities in such zone, and on or before the date designated by the President by  
94 Executive Order as the date of the termination of combatant activities in such  
95 zone;

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

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

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

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

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

122 6. In addition to the modifications to a taxpayer's federal adjusted gross  
123 income in this section, to calculate Missouri adjusted gross income there shall be

124 subtracted from the taxpayer's federal adjusted gross income any gain recognized  
125 pursuant to **26 U.S.C.** Section 1033 of the Internal Revenue Code of 1986, as  
126 amended, arising from compulsory or involuntary conversion of property as a  
127 result of condemnation or the imminence thereof.

128         7. (1) As used in this subsection, "qualified health insurance premium"  
129 means the amount paid during the tax year by such taxpayer for any insurance  
130 policy primarily providing health care coverage for the taxpayer, the taxpayer's  
131 spouse, or the taxpayer's dependents.

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

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

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

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

160 limitations provided under subdivision (2) of this subsection.

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

165 9. The provisions of subsection 8 of this section shall expire on December  
166 31, 2020.

148.064. 1. Notwithstanding any law to the contrary, this section shall  
2 determine the ordering and limit reductions for certain taxes and tax credits  
3 which may be used as credits against various taxes paid or payable by banking  
4 institutions. Except as adjusted in subsections 2, 3 and 6 of this section, such  
5 credits shall be applied in the following order until used against:

6 (1) The tax on banks determined under subdivision (2) of subsection 2 of  
7 section 148.030;

8 (2) The tax on banks determined under subdivision (1) of subsection 2 of  
9 section 148.030;

10 (3) The state income tax in section 143.071.

11 2. The tax credits permitted against taxes payable pursuant to subdivision  
12 (2) of subsection 2 of section 148.030 shall be utilized first and include taxes  
13 referenced in subdivisions (2) and (3) of subsection 1 of this section, which shall  
14 be determined without reduction for any tax credits identified in subsection 5 of  
15 this section which are used to reduce such taxes. Where a banking institution  
16 subject to this section joins in the filing of a consolidated state income tax return  
17 under chapter 143, the credit allowed under this section for state income taxes  
18 payable under chapter 143 shall be determined based upon the consolidated state  
19 income tax liability of the group and allocated to a banking institution, without  
20 reduction for any tax credits identified in subsection 5 of this section which are  
21 used to reduce such consolidated taxes as provided in chapter 143.

22 3. The taxes referenced in subdivisions (2) and (3) of subsection 1 of this  
23 section may be reduced by the tax credits in subsection 5 of this section without  
24 regard to any adjustments in subsection 2 of this section.

25 4. To the extent that certain tax credits which the taxpayer is entitled to  
26 claim are transferable, such transferability may include transfers among such  
27 taxpayers who are members of a single consolidated income tax return, and this  
28 subsection shall not impact other tax credit transferability.

29 5. For the purpose of this section, the tax credits referred to in

30 subsections 2 and 3 shall include tax credits available for economic development,  
31 low-income housing and neighborhood assistance which the taxpayer is entitled  
32 to claim for the year, including by way of example and not of limitation, tax  
33 credits pursuant to the following sections: section 32.115, section 100.286, and  
34 sections 135.110, 135.225, 135.352 and 135.403.

35           6. For tax returns filed on or after January 1, 2001, including returns  
36 based on income in the year 2000, and after, a banking institution shall be  
37 entitled to an annual tax credit equal to one-sixtieth of one percent of its  
38 outstanding shares and surplus employed in this state if the outstanding shares  
39 and surplus exceed one million dollars, determined in the same manner as in  
40 section 147.010. This tax credit shall be taken as a dollar-for-dollar credit  
41 against the bank tax provided for in subdivision (2) of subsection 2 of section  
42 148.030; if such bank tax was already reduced to zero by other credits, then  
43 against the corporate income tax provided for in chapter 143. **For all tax years**  
44 **beginning on or after January 1, 2020, no tax credit shall be authorized**  
45 **under this subsection.**

46           7. In the event the corporation franchise tax in chapter 147 is repealed by  
47 the general assembly, there shall also be a reduction in the taxation of banks as  
48 follows: in lieu of the loss of the corporation franchise tax credit reduction in  
49 subdivision (1) of subsection 2 of section 148.030, the bank shall receive a tax  
50 credit equal to one and one-half percent of net income as determined in this  
51 chapter. This subsection shall take effect at the same time the corporation  
52 franchise tax in chapter 147 is repealed.

53           8. An S corporation bank or bank holding company that otherwise  
54 qualifies to distribute tax credits to its shareholders shall pass through any tax  
55 credits referred to in subsection 5 of this section to its shareholders as otherwise  
56 provided for in subsection 10 of section 143.471 with no reductions or limitations  
57 resulting from the transfer through such S corporation, and on the same terms  
58 originally made available to the original taxpayer, subject to any original dollar  
59 or percentage limitations on such credits, and when such S corporation is the  
60 original taxpayer, treating such S corporation as having not elected Subchapter  
61 S status.

62           9. Notwithstanding any law to the contrary, in the event the corporation  
63 franchise tax in chapter 147 is repealed by the general assembly, after such  
64 repeal all Missouri taxes of any nature and type imposed directly or used as a tax  
65 credit against the bank's taxes shall be passed through to the S corporation bank

66 or bank holding company shareholder in the form otherwise permitted by law,  
67 except for the following:

68 (1) Credits for taxes on real estate and tangible personal property owned  
69 by the bank and held for lease or rental to others;

70 (2) Contributions paid pursuant to the unemployment compensation tax  
71 law of Missouri; or

72 (3) State and local sales and use taxes collected by the bank on its sales  
73 of tangible personal property and the services enumerated in chapter 144.

✓  
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Bill

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