

SENATE SUBSTITUTE
FOR
SENATE BILL NO. 580

AN ACT

To amend chapters 143 and 191, RSMo, by adding thereto seven new sections relating to long-term care savings accounts.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Chapters 143 and 191, RSMo, are amended by
2 adding thereto seven new sections, to be known as sections
3 143.1160, 191.1601, 191.1603, 191.1604, 191.1605, 191.1606, and
4 191.1607, to read as follows:

5 143.1160. 1. As used in this section, the following terms
6 mean:

7 (1) "Account holder", the same meaning as that term is
8 defined in section 191.1603;

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

12 (3) "Eligible expenses", the same meaning as that term is
13 defined in section 191.1603;

14 (4) "Long-term dignity savings account", the same meaning
15 as that term is defined in section 191.1603;

16 (5) "Qualified beneficiary", the same meaning as that term
17 is defined in section 191.1603;

18 (6) "Taxpayer", any individual who is a resident of this

1 state and subject to the income tax imposed under this chapter,
2 excluding withholding tax imposed under sections 143.191 to
3 143.265.

4 2. For all tax years beginning on or after January 1, 2021,
5 a taxpayer shall be allowed a deduction of one hundred percent of
6 a participating taxpayer's contributions to a long-term dignity
7 savings account in the tax year of the contribution. Each
8 taxpayer claiming the deduction under this section shall file an
9 affidavit with the income tax return verifying the amount of
10 their contributions. The amount of the deduction claimed shall
11 not exceed the amount of the taxpayer's Missouri adjusted gross
12 income for the tax year that the deduction is claimed, and shall
13 not exceed eight thousand dollars per taxpayer claiming the
14 deduction, or sixteen thousand dollars if married filing
15 combined.

16 3. Income earned or received as a result of assets in a
17 long-term dignity savings account shall not be subject to state
18 income tax imposed under this chapter. The exemption under this
19 section shall apply only to income maintained, accrued, or
20 expended pursuant to the requirements of sections 191.1601 to
21 191.1607, and no exemption shall apply to assets and income
22 expended for any other purpose. The amount of the deduction
23 claimed shall not exceed the amount of the taxpayer's Missouri
24 adjusted gross income for the tax year the deduction is claimed.

25 4. If any deductible contributions to or earnings from any
26 such programs referred to in this section are distributed and not
27 used to pay for eligible expenses or are not held for the minimum
28 length of time under subsection 2 of section 191.1605, the amount

1 so distributed shall be added to the Missouri adjusted gross
2 income of the account holder or, if the account holder is not
3 living, the qualified beneficiary, in the year of distribution.

4 5. The department of revenue shall promulgate rules to
5 implement the provisions of this section. Any rule or portion of
6 a rule, as that term is defined in section 536.010, that is
7 created under the authority delegated in this section shall
8 become effective only if it complies with and is subject to all
9 of the provisions of chapter 536 and, if applicable, section
10 536.028. This section and chapter 536 are nonseverable, and if
11 any of the powers vested with the general assembly pursuant to
12 chapter 536 to review, to delay the effective date, or to
13 disapprove and annul a rule are subsequently held
14 unconstitutional, then the grant of rulemaking authority and any
15 rule proposed or adopted after August 28, 2020, shall be invalid
16 and void.

17 6. Under section 23.253 of the Missouri sunset act:

18 (1) The provisions of the new program authorized under this
19 section shall automatically sunset on December thirty-first six
20 years after August 28, 2020, unless reauthorized by an act of the
21 general assembly;

22 (2) If such program is reauthorized, the program authorized
23 under this section shall automatically sunset on December
24 thirty-first six years after the effective date of the
25 reauthorization of this section; and

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

1 191.1601. Section 143.1160 and sections 191.1601 to
2 191.1607 shall be known and may be cited as the "Long-Term
3 Dignity Act".

4 191.1603. As used in sections 191.1601 to 191.1607, the
5 following terms mean:

6 (1) "Account holder", an individual who establishes an
7 account with a financial institution that is designated as a
8 long-term dignity savings account in accordance with section
9 191.1604;

10 (2) "Department", the department of revenue;

11 (3) "Eligible expenses", the same meaning as "qualified
12 long-term care services" in 26 U.S.C. Section 7702B(c);

13 (4) "Financial institution", any state bank, state trust
14 company, savings and loan association, federally chartered credit
15 union doing business in this state, credit union chartered by the
16 state of Missouri, national bank, broker-dealer, mutual fund,
17 insurance company, or other similar financial entity qualified to
18 do business in this state;

19 (5) "Long-term dignity savings account" or "account", an
20 account with a financial institution designated as such in
21 accordance with subsection 1 of section 191.1604;

22 (6) "Qualified beneficiary", an individual designated by an
23 account holder for whose eligible expenses the moneys in a long-
24 term dignity savings account are or will be used; provided, that
25 such individual meets the definition of a "chronically ill
26 individual" in 26 U.S.C. Section 7702B(c)(2) at the time the
27 moneys are used.

28 191.1604. 1. Beginning January 1, 2021, any individual may

1 open an account with a financial institution and designate the
2 account, in its entirety, as a long-term dignity savings account
3 to be used to pay or reimburse a qualified beneficiary's eligible
4 expenses. An individual may be the account holder of multiple
5 accounts, and an individual may jointly own the account with
6 another person if such persons file a married filing combined
7 income tax return. To be eligible for the tax deduction under
8 section 143.1160, an account holder shall comply with the
9 requirements of this section.

10 2. An account holder shall designate, no later than April
11 fifteenth of the year following the tax year during which the
12 account was established, a qualified beneficiary of the long-term
13 dignity savings account. The account holder may designate
14 himself or herself as the qualified beneficiary. The account
15 holder may change the designated qualified beneficiary at any
16 time, but no long-term dignity savings account shall have more
17 than one qualified beneficiary at any time. No account holder
18 shall have multiple accounts with the same qualified beneficiary,
19 but an individual may be designated as the qualified beneficiary
20 of multiple accounts.

21 3. Moneys may remain in a long-term dignity savings account
22 for an unlimited duration without the interest or income being
23 subject to recapture or penalty.

24 4. The account holder shall not use moneys in an account to
25 pay expenses of administering the account, except that a service
26 fee may be deducted from the account by a financial institution.
27 The account holder shall be responsible for maintaining
28 documentation for the long-term dignity savings account and for

1 the qualified beneficiary's eligible expenses.

2 191.1605. 1. For purposes of the tax benefit conferred
3 under the long-term dignity savings account act, the moneys in a
4 long-term dignity savings account may be:

5 (1) Used for a qualified beneficiary's eligible expenses;

6 (2) Transferred to another newly created long-term dignity
7 savings account; and

8 (3) Used to pay a service fee that is deducted by the
9 financial institution.

10 2. Moneys withdrawn from a long-term dignity savings
11 account shall be subject to recapture in the tax year in which
12 they are withdrawn if:

13 (1) At the time of the withdrawal, it has been less than a
14 year since the first deposit in the long-term dignity savings
15 account; or

16 (2) The moneys are used for any purpose other than those
17 specified under subsection 1 of this section.

18
19 The recapture shall be an amount equal to the moneys withdrawn
20 and shall be added to the Missouri adjusted gross income of the
21 account holder or, if the account holder is not living, the
22 qualified beneficiary.

23 3. If any moneys are subject to recapture under subsection
24 2 of this section, the account holder shall pay to the department
25 a penalty in the same tax year as the recapture. If the
26 withdrawal was made ten or fewer years after the first deposit in
27 the long-term dignity savings account, the penalty shall be equal
28 to five percent of the amount subject to recapture, and, if the

1 withdrawal was made more than ten years after the first deposit
2 in the account, the penalty shall be equal to ten percent of the
3 amount subject to recapture. These penalties shall not apply if
4 the withdrawn moneys are from a long-term dignity savings account
5 for which the qualified beneficiary died, and the account holder
6 does not designate a new qualified beneficiary during the same
7 tax year.

8 4. If the account holder dies or, if the long-term dignity
9 account is jointly owned, the account holders die and the account
10 does not have a surviving transfer-on-death beneficiary, then all
11 of the moneys in the account that were used for a tax deduction
12 under section 143.1160 shall be subject to recapture in the tax
13 year of the death or deaths, but no penalty shall be due to the
14 department.

15 191.1606. 1. The department shall establish forms for an
16 account holder to annually report information about a long-term
17 dignity savings account including, but not limited to, how the
18 moneys withdrawn from the fund are used, and shall identify any
19 supporting documentation that is required to be maintained. To
20 be eligible for the tax deduction under section 143.1160, an
21 account holder shall annually file with the account holder's
22 state income tax return all forms required by the department
23 under this section, the 1099 form for the account issued by the
24 financial institution, and any other supporting documentation the
25 department requires.

26 2. The department may promulgate rules and regulations
27 necessary to administer the provisions of sections 191.1601 to
28 191.1607. Any rule or portion of a rule, as that term is defined

1 in section 536.010, that is created under the authority delegated
2 in this section shall become effective only if it complies with
3 and is subject to all of the provisions of chapter 536 and, if
4 applicable, section 536.028. This section and chapter 536 are
5 nonseverable, and if any of the powers vested with the general
6 assembly pursuant to chapter 536 to review, to delay the
7 effective date, or to disapprove and annul a rule are
8 subsequently held unconstitutional, then the grant of rulemaking
9 authority and any rule proposed or adopted after August 28, 2020,
10 shall be invalid and void.

11 191.1607. 1. No financial institution shall be required
12 to:

13 (1) Designate an account as a long-term dignity savings
14 account or designate the beneficiaries of an account in the
15 financial institution's account contracts or systems or in any
16 other way;

17 (2) Track the use of moneys withdrawn from a long-term
18 dignity savings account; or

19 (3) Report any information to the department or any other
20 governmental agency that is not otherwise required by law.

21 2. No financial institution shall be responsible or liable
22 for:

23 (1) Determining or ensuring that an account holder is
24 eligible for a tax deduction under section 143.1160;

25 (2) Determining or ensuring that moneys in the account are
26 used for eligible expenses; or

27 (3) Reporting or remitting taxes or penalties related to
28 use of moneys in a long-term dignity savings account.

1 3. In implementing sections 143.1160 and 191.1601 to
2 191.1607, the department shall not establish any administrative,
3 reporting, or other requirements on financial institutions that
4 are outside the scope of normal account procedures.