

# SENATE BILL NO. 358

101ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR ARTHUR.

1385S.02I

ADRIANE D. CROUSE, Secretary

## AN ACT

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

*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Section A. Section 143.121, RSMo, is repealed and one new  
2 section enacted in lieu thereof, to be known as section 143.121,  
3 to read as follows:

143.121. 1. The Missouri adjusted gross income of a  
2 resident individual shall be the taxpayer's federal adjusted  
3 gross income subject to the modifications in this section.

4 2. There shall be added to the taxpayer's federal  
5 adjusted gross income:

6 (1) The amount of any federal income tax refund  
7 received for a prior year which resulted in a Missouri  
8 income tax benefit. The amount added pursuant to this  
9 subdivision shall not include any amount of a federal income  
10 tax refund attributable to a tax credit reducing a  
11 taxpayer's federal tax liability pursuant to Public Law 116-  
12 136, enacted by the 116th United States Congress, for the  
13 tax year beginning on or after January 1, 2020, and ending  
14 on or before December 31, 2020, and deducted from Missouri  
15 adjusted gross income pursuant to section 143.171;

16 (2) Interest on certain governmental obligations  
17 excluded from federal gross income by 26 U.S.C. Section 103  
18 of the Internal Revenue Code, as amended. The previous

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

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

29 (3) The amount of any deduction that is included in  
30 the computation of federal taxable income pursuant to 26  
31 U.S.C. Section 168 of the Internal Revenue Code as amended  
32 by the Job Creation and Worker Assistance Act of 2002 to the  
33 extent the amount deducted relates to property purchased on  
34 or after July 1, 2002, but before July 1, 2003, and to the  
35 extent the amount deducted exceeds the amount that would  
36 have been deductible pursuant to 26 U.S.C. Section 168 of  
37 the Internal Revenue Code of 1986 as in effect on January 1,  
38 2002;

39 (4) The amount of any deduction that is included in  
40 the computation of federal taxable income for net operating  
41 loss allowed by 26 U.S.C. Section 172 of the Internal  
42 Revenue Code of 1986, as amended, other than the deduction  
43 allowed by 26 U.S.C. Section 172(b)(1)(G) and 26 U.S.C.  
44 Section 172(i) of the Internal Revenue Code of 1986, as  
45 amended, for a net operating loss the taxpayer claims in the  
46 tax year in which the net operating loss occurred or carries  
47 forward for a period of more than twenty years and carries  
48 backward for more than two years. Any amount of net  
49 operating loss taken against federal taxable income but  
50 disallowed for Missouri income tax purposes pursuant to this

51 subdivision after June 18, 2002, may be carried forward and  
52 taken against any income on the Missouri income tax return  
53 for a period of not more than twenty years from the year of  
54 the initial loss; and

55 (5) For nonresident individuals in all taxable years  
56 ending on or after December 31, 2006, the amount of any  
57 property taxes paid to another state or a political  
58 subdivision of another state for which a deduction was  
59 allowed on such nonresident's federal return in the taxable  
60 year unless such state, political subdivision of a state, or  
61 the District of Columbia allows a subtraction from income  
62 for property taxes paid to this state for purposes of  
63 calculating income for the income tax for such state,  
64 political subdivision of a state, or the District of  
65 Columbia;

66 (6) For all tax years beginning on or after January 1,  
67 2018, any interest expense paid or accrued in a previous  
68 taxable year, but allowed as a deduction under 26 U.S.C.  
69 Section 163, as amended, in the current taxable year by  
70 reason of the carryforward of disallowed business interest  
71 provisions of 26 U.S.C. Section 163(j), as amended. For the  
72 purposes of this subdivision, an interest expense is  
73 considered paid or accrued only in the first taxable year  
74 the deduction would have been allowable under 26 U.S.C.  
75 Section 163, as amended, if the limitation under 26 U.S.C.  
76 Section 163(j), as amended, did not exist.

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

80 (1) Interest received on deposits held at a federal  
81 reserve bank or interest or dividends on obligations of the  
82 United States and its territories and possessions or of any

83 authority, commission or instrumentality of the United  
84 States to the extent exempt from Missouri income taxes  
85 pursuant to the laws of the United States. The amount  
86 subtracted pursuant to this subdivision shall be reduced by  
87 any interest on indebtedness incurred to carry the described  
88 obligations or securities and by any expenses incurred in  
89 the production of interest or dividend income described in  
90 this subdivision. The reduction in the previous sentence  
91 shall only apply to the extent that such expenses including  
92 amortizable bond premiums are deducted in determining the  
93 taxpayer's federal adjusted gross income or included in the  
94 taxpayer's Missouri itemized deduction. The reduction shall  
95 only be made if the expenses total at least five hundred  
96 dollars;

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

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

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

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

119           (6) The portion of capital gain specified in section  
120 135.357 that would otherwise be included in federal adjusted  
121 gross income;

122           (7) The amount that would have been deducted in the  
123 computation of federal taxable income pursuant to 26 U.S.C.  
124 Section 168 of the Internal Revenue Code as in effect on  
125 January 1, 2002, to the extent that amount relates to  
126 property purchased on or after July 1, 2002, but before July  
127 1, 2003, and to the extent that amount exceeds the amount  
128 actually deducted pursuant to 26 U.S.C. Section 168 of the  
129 Internal Revenue Code as amended by the Job Creation and  
130 Worker Assistance Act of 2002;

131           (8) For all tax years beginning on or after January 1,  
132 2005, the amount of any income received for military service  
133 while the taxpayer serves in a combat zone which is included  
134 in federal adjusted gross income and not otherwise excluded  
135 therefrom. As used in this section, "combat zone" means any  
136 area which the President of the United States by Executive  
137 Order designates as an area in which Armed Forces of the  
138 United States are or have engaged in combat. Service is  
139 performed in a combat zone only if performed on or after the  
140 date designated by the President by Executive Order as the  
141 date of the commencing of combat activities in such zone,  
142 and on or before the date designated by the President by  
143 Executive Order as the date of the termination of combatant  
144 activities in such zone;

145           (9) For all tax years ending on or after July 1, 2002,  
146 with respect to qualified property that is sold or otherwise  
147 disposed of during a taxable year by a taxpayer and for  
148 which an additional modification was made under subdivision  
149 (3) of subsection 2 of this section, the amount by which  
150 additional modification made under subdivision (3) of  
151 subsection 2 of this section on qualified property has not  
152 been recovered through the additional subtractions provided  
153 in subdivision (7) of this subsection;

154           (10) For all tax years beginning on or after January  
155 1, 2014, the amount of any income received as payment from  
156 any program which provides compensation to agricultural  
157 producers who have suffered a loss as the result of a  
158 disaster or emergency, including the:

- 159           (a) Livestock Forage Disaster Program;
- 160           (b) Livestock Indemnity Program;
- 161           (c) Emergency Assistance for Livestock, Honeybees, and  
162 Farm-Raised Fish;
- 163           (d) Emergency Conservation Program;
- 164           (e) Noninsured Crop Disaster Assistance Program;
- 165           (f) Pasture, Rangeland, Forage Pilot Insurance Program;
- 166           (g) Annual Forage Pilot Program;
- 167           (h) Livestock Risk Protection Insurance Plan; and
- 168           (i) Livestock Gross Margin Insurance Plan; and

169           (11) For all tax years beginning on or after January  
170 1, 2018, any interest expense paid or accrued in the current  
171 taxable year, but not deducted as a result of the limitation  
172 imposed under 26 U.S.C. Section 163(j), as amended. For the  
173 purposes of this subdivision, an interest expense is  
174 considered paid or accrued only in the first taxable year  
175 the deduction would have been allowable under 26 U.S.C.

176 Section 163, as amended, if the limitation under 26 U.S.C.  
177 Section 163(j), as amended, did not exist.

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

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

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

193 7. **For any tax year beginning on or after January 1,**  
194 **2020, and ending on or before December 31, 2021, in addition**  
195 **to the modifications made to a taxpayer's federal adjusted**  
196 **gross income pursuant to this section, to calculate Missouri**  
197 **adjusted gross income there shall be subtracted from a**  
198 **taxpayer's federal adjusted gross income one hundred percent**  
199 **of the amount of benefits received pursuant to chapter 288**  
200 **during the tax year beginning on or after January 1, 2020,**  
201 **and ending on or before December 31, 2020. A deduction**  
202 **taken pursuant to this subsection shall only be taken for**  
203 **one tax year. For the purposes of this subsection,**  
204 **"benefits" shall have the same meaning as defined pursuant**  
205 **to section 288.030.**

206 8. (1) As used in this subsection, "qualified health  
207 insurance premium" means the amount paid during the tax year

208 by such taxpayer for any insurance policy primarily  
209 providing health care coverage for the taxpayer, the  
210 taxpayer's spouse, or the taxpayer's dependents.

211 (2) In addition to the subtractions in subsection 3 of  
212 this section, one hundred percent of the amount of qualified  
213 health insurance premiums shall be subtracted from the  
214 taxpayer's federal adjusted gross income to the extent the  
215 amount paid for such premiums is included in federal taxable  
216 income. The taxpayer shall provide the department of  
217 revenue with proof of the amount of qualified health  
218 insurance premiums paid.

219 [8.] 9. (1) Beginning January 1, 2014, in addition to  
220 the subtractions provided in this section, one hundred  
221 percent of the cost incurred by a taxpayer for a home energy  
222 audit conducted by an entity certified by the department of  
223 natural resources under section 640.153 or the  
224 implementation of any energy efficiency recommendations made  
225 in such an audit shall be subtracted from the taxpayer's  
226 federal adjusted gross income to the extent the amount paid  
227 for any such activity is included in federal taxable  
228 income. The taxpayer shall provide the department of  
229 revenue with a summary of any recommendations made in a  
230 qualified home energy audit, the name and certification  
231 number of the qualified home energy auditor who conducted  
232 the audit, and proof of the amount paid for any activities  
233 under this subsection for which a deduction is claimed. The  
234 taxpayer shall also provide a copy of the summary of any  
235 recommendations made in a qualified home energy audit to the  
236 department of natural resources.

237 (2) At no time shall a deduction claimed under this  
238 subsection by an individual taxpayer or taxpayers filing  
239 combined returns exceed one thousand dollars per year for



240 individual taxpayers or cumulatively exceed two thousand  
241 dollars per year for taxpayers filing combined returns.

242 (3) Any deduction claimed under this subsection shall  
243 be claimed for the tax year in which the qualified home  
244 energy audit was conducted or in which the implementation of  
245 the energy efficiency recommendations occurred. If  
246 implementation of the energy efficiency recommendations  
247 occurred during more than one year, the deduction may be  
248 claimed in more than one year, subject to the limitations  
249 provided under subdivision (2) of this subsection.

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

256 [9.] 10. The provisions of subsection [8] 9 of this  
257 section shall expire on December 31, 2020.

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