

FIRST REGULAR SESSION

SENATE BILL NO. 428

101ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR RAZER.

1873S.01I

ADRIANE D. CROUSE, Secretary

AN ACT

To repeal sections 143.121 and 143.171, RSMo, and to enact in lieu thereof two new sections relating to the taxation of certain federal stimulus payments.

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

Section A. Sections 143.121 and 143.171, RSMo, are
2 repealed and two new sections enacted in lieu thereof, to be
3 known as sections 143.121 and 143.171, 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:

10 (a) Any amount of a federal income tax refund
11 attributable to a tax credit reducing a taxpayer's federal
12 tax liability pursuant to Public Law 116-136, enacted by the
13 116th United States Congress, for the tax year beginning on
14 or after January 1, 2020, and ending on or before December
15 31, 2020, and deducted from Missouri adjusted gross income
16 pursuant to section 143.171; or

17 (b) Any amount of a federal income tax refund
18 attributable to a tax credit related to severe acute

19 **respiratory syndrome coronavirus 2, enacted by the 117th**
20 **United States Congress, reducing a taxpayer's federal tax**
21 **liability for the tax year beginning on or after January 1,**
22 **2021, and ending on or before December 31, 2021, and**
23 **deducted from Missouri adjusted gross income pursuant to**
24 **section 143.171;**

25 (2) Interest on certain governmental obligations
26 excluded from federal gross income by 26 U.S.C. Section 103
27 of the Internal Revenue Code, as amended. The previous
28 sentence shall not apply to interest on obligations of the
29 state of Missouri or any of its political subdivisions or
30 authorities and shall not apply to the interest described in
31 subdivision (1) of subsection 3 of this section. The amount
32 added pursuant to this subdivision shall be reduced by the
33 amounts applicable to such interest that would have been
34 deductible in computing the taxable income of the taxpayer
35 except only for the application of 26 U.S.C. Section 265 of
36 the Internal Revenue Code, as amended. The reduction shall
37 only be made if it is at least five hundred dollars;

38 (3) The amount of any deduction that is included in
39 the computation of federal taxable income pursuant to 26
40 U.S.C. Section 168 of the Internal Revenue Code as amended
41 by the Job Creation and Worker Assistance Act of 2002 to the
42 extent the amount deducted relates to property purchased on
43 or after July 1, 2002, but before July 1, 2003, and to the
44 extent the amount deducted exceeds the amount that would
45 have been deductible pursuant to 26 U.S.C. Section 168 of
46 the Internal Revenue Code of 1986 as in effect on January 1,
47 2002;

48 (4) The amount of any deduction that is included in
49 the computation of federal taxable income for net operating
50 loss allowed by 26 U.S.C. Section 172 of the Internal

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

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

(6) For all tax years beginning on or after January 1, 2018, any interest expense paid or accrued in a previous taxable year, but allowed as a deduction under 26 U.S.C. Section 163, as amended, in the current taxable year by reason of the carryforward of disallowed business interest provisions of 26 U.S.C. Section 163(j), as amended. For the purposes of this subdivision, an interest expense is considered paid or accrued only in the first taxable year

83 the deduction would have been allowable under 26 U.S.C.
84 Section 163, as amended, if the limitation under 26 U.S.C.
85 Section 163(j), as amended, did not exist.

86 3. There shall be subtracted from the taxpayer's
87 federal adjusted gross income the following amounts to the
88 extent included in federal adjusted gross income:

89 (1) Interest received on deposits held at a federal
90 reserve bank or interest or dividends on obligations of the
91 United States and its territories and possessions or of any
92 authority, commission or instrumentality of the United
93 States to the extent exempt from Missouri income taxes
94 pursuant to the laws of the United States. The amount
95 subtracted pursuant to this subdivision shall be reduced by
96 any interest on indebtedness incurred to carry the described
97 obligations or securities and by any expenses incurred in
98 the production of interest or dividend income described in
99 this subdivision. The reduction in the previous sentence
100 shall only apply to the extent that such expenses including
101 amortizable bond premiums are deducted in determining the
102 taxpayer's federal adjusted gross income or included in the
103 taxpayer's Missouri itemized deduction. The reduction shall
104 only be made if the expenses total at least five hundred
105 dollars;

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

114 (3) The amount necessary to prevent the taxation
115 pursuant to this chapter of any annuity or other amount of
116 income or gain which was properly included in income or gain
117 and was taxed pursuant to the laws of Missouri for a taxable
118 year prior to January 1, 1973, to the taxpayer, or to a
119 decedent by reason of whose death the taxpayer acquired the
120 right to receive the income or gain, or to a trust or estate
121 from which the taxpayer received the income or gain;

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

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

128 (6) The portion of capital gain specified in section
129 135.357 that would otherwise be included in federal adjusted
130 gross income;

131 (7) The amount that would have been deducted in the
132 computation of federal taxable income pursuant to 26 U.S.C.
133 Section 168 of the Internal Revenue Code as in effect on
134 January 1, 2002, to the extent that amount relates to
135 property purchased on or after July 1, 2002, but before July
136 1, 2003, and to the extent that amount exceeds the amount
137 actually deducted pursuant to 26 U.S.C. Section 168 of the
138 Internal Revenue Code as amended by the Job Creation and
139 Worker Assistance Act of 2002;

140 (8) For all tax years beginning on or after January 1,
141 2005, the amount of any income received for military service
142 while the taxpayer serves in a combat zone which is included
143 in federal adjusted gross income and not otherwise excluded
144 therefrom. As used in this section, "combat zone" means any
145 area which the President of the United States by Executive

Order designates as an area in which Armed Forces of the United States are or have engaged in combat. Service is performed in a combat zone only if performed on or after the date designated by the President by Executive Order as the date of the commencing of combat activities in such zone, and on or before the date designated by the President by Executive Order as the date of the termination of combatant activities in such zone;

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

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

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

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

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

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

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

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

(2) In addition to the subtractions in subsection 3 of this section, one hundred percent of the amount of qualified health insurance premiums shall be subtracted from the

taxpayer's federal adjusted gross income to the extent the amount paid for such premiums is included in federal taxable income. The taxpayer shall provide the department of revenue with proof of the amount of qualified health insurance premiums paid.

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

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

(3) Any deduction claimed under this subsection shall be claimed for the tax year in which the qualified home energy audit was conducted or in which the implementation of the energy efficiency recommendations occurred. If

implementation of the energy efficiency recommendations occurred during more than one year, the deduction may be claimed in more than one year, subject to the limitations provided under subdivision (2) of this subsection.

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

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

143.171. 1. For all tax years beginning on or after January 1, 1994, and ending on or before December 31, 2018, an individual taxpayer shall be allowed a deduction for his or her federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed, not to exceed five thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

2. (1) Notwithstanding any other provision of law to the contrary, for all tax years beginning on or after January 1, 2019, an individual taxpayer shall be allowed a deduction equal to a percentage of his or her federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable year for which the Missouri return is being filed, not to exceed five thousand dollars on a single

taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits thereon, except the credit for payments of federal estimated tax, the credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction percentage is determined according to the following table:

If the Missouri gross income on the return is:	The deduction percentage is:
\$25,000 or less	35 percent
From \$25,001 to \$50,000	25 percent
From \$50,001 to \$100,000	15 percent
From \$100,001 to \$125,000	5 percent
\$125,001 or more	0 percent

(2) Notwithstanding any provision of law to the contrary, the amount of any tax credits reducing a taxpayer's federal tax liability pursuant to Public Law 116-136, enacted by the 116th United States Congress, for the tax year beginning on or after January 1, 2020, and ending on or before December 31, 2020, **and any comparable tax credit passed by the 117th United States Congress for the tax year beginning on or after January 1, 2021, and ending on or before December 31, 2021,** shall not be considered in determining a taxpayer's federal tax liability for the purposes of subdivision (1) of this subsection.

3. For all tax years beginning on or after September 1, 1993, a corporate taxpayer shall be allowed a deduction for fifty percent of its federal income tax liability under

49 Chapter 1 of the Internal Revenue Code for the same taxable
50 year for which the Missouri return is being filed after
51 reduction for all credits thereon, except the credit for
52 payments of federal estimated tax, the credit for the
53 overpayment of any federal tax, and the credits allowed by
54 the Internal Revenue Code by 26 U.S.C. Section 31, 26 U.S.C.
55 Section 27, and 26 U.S.C. Section 34.

56 4. If a federal income tax liability for a tax year
57 prior to the applicability of sections 143.011 to 143.996
58 for which he was not previously entitled to a Missouri
59 deduction is later paid or accrued, he may deduct the
60 federal tax in the later year to the extent it would have
61 been deductible if paid or accrued in the prior year.

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