SENATE BILL NO. 522
101ST GENERAL ASSEMBLY
INTRODUCED BY SENATOR KOENIG.

AN ACT
To repeal sections 143.121 and 143.171, RSMo, and to enact in lieu thereof two new sections relating to income tax, with emergency clause.

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

Section A. Sections 143.121 and 143.171, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.121 and 143.171, to read as follows:

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

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

   (1) The amount of any federal income tax refund received for a prior year which resulted in a Missouri income tax benefit. The amount added pursuant to this subdivision shall not include any amount of a federal income tax refund attributable to a tax credit reducing a taxpayer's federal tax liability pursuant to Public Law 116-136 or 116-260, 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 deducted from Missouri adjusted gross income pursuant to section 143.171. The amount added under this subdivision shall also not include any amount of a federal income tax refund attributable to a tax credit reducing a taxpayer's federal
tax liability under any other federal law that provides
direct economic impact payments to taxpayers to mitigate
financial challenges related to the COVID-19 pandemic, and
deducted from Missouri adjusted gross income under section
143.171;
(2) Interest on certain governmental obligations
excluded from federal gross income by 26 U.S.C. Section 103
of the Internal Revenue Code, as amended. The previous
sentence shall not apply to interest on obligations of the
state of Missouri or any of its political subdivisions or
authorities and shall not apply to the interest described in
subdivision (1) of subsection 3 of this section. The amount
added pursuant to this subdivision shall be reduced by the
amounts applicable to such interest that would have been
deductible in computing the taxable income of the taxpayer
except only for the application of 26 U.S.C. Section 265 of
the Internal Revenue Code, as amended. The reduction shall
only be made if it is at least five hundred dollars;
(3) The amount of any deduction that is included in
the computation of federal taxable income pursuant to 26
U.S.C. Section 168 of the Internal Revenue Code as amended
by the Job Creation and Worker Assistance Act of 2002 to the
extent the amount deducted relates to property purchased on
or after July 1, 2002, but before July 1, 2003, and to the
extent the amount deducted exceeds the amount that would
have been deductible pursuant to 26 U.S.C. Section 168 of
the Internal Revenue Code of 1986 as in effect on January 1,
2002;
(4) The amount of any deduction that is included in
the computation of federal taxable income for net operating
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 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.

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

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

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

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

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

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

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

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

(8) For all tax years beginning on or after January 1,
2005, the amount of any income received for military service
while the taxpayer serves in a combat zone which is included
in federal adjusted gross income and not otherwise excluded
therefrom. As used in this section, "combat zone" means any
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:

<table>
<thead>
<tr>
<th>If the Missouri gross income on the return is:</th>
<th>The deduction percentage is:</th>
</tr>
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<tbody>
<tr>
<td>$25,000 or less</td>
<td>35 percent</td>
</tr>
<tr>
<td>From $25,001 to $50,000</td>
<td>25 percent</td>
</tr>
<tr>
<td>From $50,001 to $100,000</td>
<td>15 percent</td>
</tr>
<tr>
<td>From $100,001 to $125,000</td>
<td>5 percent</td>
</tr>
<tr>
<td>$125,001 or more</td>
<td>0 percent</td>
</tr>
</tbody>
</table>

(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 or 116-260, 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 the amount of any
tax credits reducing a taxpayer's federal tax liability
under any other federal law that provides direct economic
impact payments to taxpayers to mitigate financial
challenges related to the COVID-19 pandemic 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
Chapter 1 of the Internal Revenue Code for the same taxable
year for which the Missouri return is being filed 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
Section 27, and 26 U.S.C. Section 34.

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

Section B. Because immediate action is necessary to
protect the interests of taxpayers during the COVID-19
pandemic, section A of this act is deemed necessary for the
immediate preservation of the public health, welfare, peace,
and safety, and is hereby declared to be an emergency act
within the meaning of the constitution, and section A of
this act shall be in full force and effect upon its passage
and approval.

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