

# SENATE BILL NO. 1575

## 103RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR CRAWFORD.

6743S.02I

KRISTINA MARTIN, Secretary

### AN ACT

To repeal sections 143.121 and 143.341, RSMo, and to enact in lieu thereof two new sections relating to capital gains taxes.

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

Section A. Sections 143.121 and 143.341, RSMo, are  
2 repealed and two new sections enacted in lieu thereof, to be  
3 known as sections 143.121 and 143.341, 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 or 116-260, enacted by the 116th United States Congress,  
13 for the tax year beginning on or after January 1, 2020, and  
14 ending on or before December 31, 2020, and deducted from  
15 Missouri adjusted gross income pursuant to section 143.171.  
16 The amount added under this subdivision shall also not  
17 include any amount of a federal income tax refund

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

18 attributable to a tax credit reducing a taxpayer's federal  
19 tax liability under any other federal law that provides  
20 direct economic impact payments to taxpayers to mitigate  
21 financial challenges related to the COVID-19 pandemic, and  
22 deducted from Missouri adjusted gross income under section  
23 143.171;

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

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

47 (4) The amount of any deduction that is included in  
48 the computation of federal taxable income for net operating  
49 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;
- (i) Livestock Gross Margin Insurance Plan;

(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;

(12) One hundred percent of any retirement benefits received by any taxpayer as a result of the taxpayer's service in the Armed Forces of the United States, including reserve components and the National Guard of this state, as defined in 32 U.S.C. Sections 101(3) and 109, and any other military force organized under the laws of this state;

(13) For all tax years beginning on or after January 1, 2022, one hundred percent of any federal, state, or local grant moneys received by the taxpayer if the grant money was disbursed for the express purpose of providing or expanding access to broadband internet to areas of the state deemed to be lacking such access;

(14) (a) For all tax years beginning on or after January 1, 2025, one hundred percent of all income reported as a capital gain for federal income tax purposes by an individual subject to tax pursuant to section 143.011; [and]

(b) For all tax years beginning on or after January first of the tax year following the tax year in which the top rate of tax imposed pursuant to section 143.011 is equal to or less than four and one-half percent, one hundred percent of all income reported as a capital gain for federal income tax purposes by an entity subject to tax pursuant to section 143.071; and

(c) For all tax years beginning on or after January 1, 2026, a capital gain shall include items of ordinary income for federal income tax purposes that, but for the application of 26 U.S.C. Sections 1245 and 1250 of the Internal Revenue Code, as amended, would be treated as a capital gain; and

(15) For all tax years beginning on or after January 1, 2026, the portion of capital gain on the sale or exchange of specie, as that term is defined in section 408.010, that are otherwise included in the taxpayer's federal adjusted gross income.

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.

10. (1) As used in this subsection, the following terms mean:

(a) "Beginning farmer", a taxpayer who:

a. Has filed at least one but not more than ten Internal Revenue Service Schedule F (Form 1040) Profit or Loss From Farming forms since turning eighteen years of age;

b. Is approved for a beginning farmer loan through the USDA Farm Service Agency Beginning Farmer direct or guaranteed loan program;

c. Has a farming operation that is determined by the department of agriculture to be new production agriculture but is the principal operator of a farm and has substantial farming knowledge; or

d. Has been determined by the department of agriculture to be a qualified family member;

(b) "Farm owner", an individual who owns farmland and disposes of or relinquishes use of all or some portion of such farmland as follows:

- a. A sale to a beginning farmer;
- b. A lease or rental agreement not exceeding ten years with a beginning farmer; or
- c. A crop-share arrangement not exceeding ten years with a beginning farmer;

(c) "Qualified family member", an individual who is related to a farm owner within the fourth degree by blood, marriage, or adoption and who is purchasing or leasing or is in a crop-share arrangement for land from all or a portion of such farm owner's farming operation.

(2) (a) In addition to all other subtractions authorized in this section, a taxpayer who is a farm owner who sells all or a portion of such farmland to a beginning farmer may subtract from such taxpayer's Missouri adjusted gross income an amount to the extent included in federal adjusted gross income as provided in this subdivision.

(b) Subject to the limitations in paragraph (c) of this subdivision, the amount that may be subtracted shall be equal to the portion of capital gains received from the sale of such farmland that such taxpayer receives in the tax year for which such taxpayer subtracts such capital gain.

(c) A taxpayer may subtract the following amounts and percentages per tax year in total capital gains received from the sale of such farmland under this subdivision:

- a. For the first two million dollars received, one hundred percent;
- b. For the next one million dollars received, eighty percent;

333 c. For the next one million dollars received, sixty  
334 percent;

335 d. For the next one million dollars received, forty  
336 percent; and

337 e. For the next one million dollars received, twenty  
338 percent.

339 (d) The department of revenue shall prepare an annual  
340 report reviewing the costs and benefits and containing  
341 statistical information regarding the subtraction of capital  
342 gains authorized under this subdivision for the previous tax  
343 year including, but not limited to, the total amount of all  
344 capital gains subtracted and the number of taxpayers  
345 subtracting such capital gains. Such report shall be  
346 submitted before February first of each year to the  
347 committee on agriculture policy of the Missouri house of  
348 representatives and the committee on agriculture, food  
349 production and outdoor resources of the Missouri senate, or  
350 the successor committees.

351 (3) (a) In addition to all other subtractions  
352 authorized in this section, a taxpayer who is a farm owner  
353 who enters a lease or rental agreement for all or a portion  
354 of such farmland with a beginning farmer may subtract from  
355 such taxpayer's Missouri adjusted gross income an amount to  
356 the extent included in federal adjusted gross income as  
357 provided in this subdivision.

358 (b) Subject to the limitation in paragraph (c) of this  
359 subdivision, the amount that may be subtracted shall be  
360 equal to the portion of cash rent income received from the  
361 lease or rental of such farmland that such taxpayer receives  
362 in the tax year for which such taxpayer subtracts such  
363 income.

364 (c) No taxpayer shall subtract more than twenty-five  
365 thousand dollars per tax year in total cash rent income  
366 received from the lease or rental of such farmland under  
367 this subdivision.

368 (4) (a) In addition to all other subtractions  
369 authorized in this section, a taxpayer who is a farm owner  
370 who enters a crop-share arrangement on all or a portion of  
371 such farmland with a beginning farmer may subtract from such  
372 taxpayer's Missouri adjusted gross income an amount to the  
373 extent included in federal adjusted gross income as provided  
374 in this subdivision.

375 (b) Subject to the limitation in paragraph (c) of this  
376 subdivision, the amount that may be subtracted shall be  
377 equal to the portion of income received from the crop-share  
378 arrangement on such farmland that such taxpayer receives in  
379 the tax year for which such taxpayer subtracts such income.

380 (c) No taxpayer shall subtract more than twenty-five  
381 thousand dollars per tax year in total income received from  
382 the lease or rental of such farmland under this subdivision.

383 (5) The department of agriculture shall, by rule,  
384 establish a process to verify that a taxpayer is a beginning  
385 farmer for purposes of this section and shall provide  
386 verification to the beginning farmer and farm seller of such  
387 farmer's and seller's certification and qualification for  
388 the exemption provided in this subsection.

143.341. 1. The Missouri taxable income of a resident  
2 estate or trust means its federal taxable income subject to  
3 the modifications in this section.

4 2. There shall be subtracted the amount if any that  
5 the federal personal exemption deduction allowable to the  
6 estate or trust exceeds its federal taxable income without  
7 its personal exemption deduction.

8           3. For all tax years beginning on or after January 1,  
9 2026, there shall be subtracted that amount included in  
10 Missouri taxable income of the estate or trust that would  
11 not be included as Missouri taxable income if said estate or  
12 trust were considered a nonresident estate or trust as  
13 defined in section 143.371. This subtraction shall only  
14 apply to the extent it is not a determinant of the federal  
15 distributable net income of the estate or trust.

16           4. There shall be added or subtracted, as the case may  
17 be, the modifications described in sections 143.121 and  
18 143.141, and there shall be subtracted the federal income  
19 tax deduction provided in section 143.171. These additions  
20 and subtractions shall only apply to the extent that they  
21 are not determinants of the federal distributable net income  
22 of the estate or trust.

23           5. There shall be added or subtracted, as the case may  
24 be, the share of the estate or trust in the fiduciary  
25 adjustment determined under section 143.351.

26           **6. For all tax years beginning on or after January 1,**  
27 **2026, there shall be subtracted one hundred percent of all**  
28 **income reported as a capital gain for federal income tax**  
29 **purposes.**

30           **7. For all tax years beginning on or after January 1,**  
31 **2026, a capital gain shall include items of ordinary income**  
32 **for federal income tax purposes that, but for the**  
33 **application of 26 U.S.C. Sections 1245 and 1250 of the**  
34 **Internal Revenue Code, as amended, would be treated as a**  
35 **capital gain.**

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