

SECOND REGULAR SESSION

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Section A. Sections 143.121 and 143.341, RSMo, are 2 repealed and two new sections enacted in lieu thereof, to be 3 known as sections 143.121 and 143.341, to read as follows: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.

2. There shall be added to the taxpayer's federal 4 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

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

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

74 (6) For all tax years beginning on or after January 1,
75 2018, any interest expense paid or accrued in a previous
76 taxable year, but allowed as a deduction under 26 U.S.C.
77 Section 163, as amended, in the current taxable year by
78 reason of the carryforward of disallowed business interest
79 provisions of 26 U.S.C. Section 163(j), as amended. For the
80 purposes of this subdivision, an interest expense is
81 considered paid or accrued only in the first taxable year

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

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

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

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

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

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

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

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

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

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

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

162 (10) For all tax years beginning on or after January
163 1, 2014, the amount of any income received as payment from
164 any program which provides compensation to agricultural
165 producers who have suffered a loss as the result of a
166 disaster or emergency, including the:

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

177 (11) For all tax years beginning on or after January
178 1, 2018, any interest expense paid or accrued in the current
179 taxable year, but not deducted as a result of the limitation
180 imposed under 26 U.S.C. Section 163(j), as amended. For the
181 purposes of this subdivision, an interest expense is
182 considered paid or accrued only in the first taxable year
183 the deduction would have been allowable under 26 U.S.C.
184 Section 163, as amended, if the limitation under 26 U.S.C.
185 Section 163(j), as amended, did not exist;

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

192 (13) For all tax years beginning on or after January
193 1, 2022, one hundred percent of any federal, state, or local
194 grant moneys received by the taxpayer if the grant money was
195 disbursed for the express purpose of providing or expanding
196 access to broadband internet to areas of the state deemed to
197 be lacking such access;

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

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

209 (c) For all tax years beginning on or after January 1,
210 2026, a capital gain shall include items of ordinary income
211 for federal income tax purposes that, but for the
212 application of 26 U.S.C. Sections 1245 and 1250 of the
213 Internal Revenue Code, as amended, would be treated as a
214 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.

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

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

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

235 7. (1) As used in this subsection, "qualified health
236 insurance premium" means the amount paid during the tax year
237 by such taxpayer for any insurance policy primarily
238 providing health care coverage for the taxpayer, the
239 taxpayer's spouse, or the taxpayer's dependents.

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.

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

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

287 10. (1) As used in this subsection, the following
288 terms mean:

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

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

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

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

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

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

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

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

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

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

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

329 a. For the first two million dollars received, one
330 hundred percent;
331 b. For the next one million dollars received, eighty
332 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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