

SECOND REGULAR SESSION

HOUSE BILL NO. 1981

101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE KELLEY (127).

4470H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

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

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

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

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

31 (4) The amount of any deduction that is included in the computation of federal
32 taxable income for net operating loss allowed by 26 U.S.C. Section 172 ~~[of the Internal
33 Revenue Code of 1986]~~, as amended, other than the deduction allowed by 26 U.S.C. Section
34 172(b)(1)(G) and 26 U.S.C. Section 172(i) ~~[of the Internal Revenue Code of 1986]~~, as
35 amended, for a net operating loss the taxpayer claims in the tax year in which the net
36 operating loss occurred or carries forward for a period of more than twenty years and carries
37 backward for more than two years. Any amount of net operating loss taken against federal
38 taxable income but disallowed for Missouri income tax purposes pursuant to this subdivision
39 after June 18, 2002, may be carried forward and taken against any income on the Missouri
40 income tax return for a period of not more than twenty years from the year of the initial loss;
41 and

42 (5) For nonresident individuals in all ~~[taxable]~~ **tax** years ending on or after December
43 31, 2006, the amount of any property taxes paid to another state or a political subdivision of
44 another state for which a deduction was allowed on such nonresident's federal return in the
45 ~~[taxable]~~ **tax** year unless such state, political subdivision of a state, or the District of
46 Columbia allows a subtraction from income for property taxes paid to this state for purposes
47 of calculating income for the income tax for such state, political subdivision of a state, or the
48 District of Columbia;

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

54 ~~taxable~~ tax year the deduction would have been allowable under 26 U.S.C. Section 163, as
55 amended, if the limitation under 26 U.S.C. Section 163(j), as amended, did not exist.

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

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

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

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

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

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

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

86 (7) The amount that would have been deducted in the computation of federal taxable
87 income pursuant to 26 U.S.C. Section 168 ~~[of the Internal Revenue Code]~~ as in effect on
88 January 1, 2002, to the extent that amount relates to property purchased on or after July 1,
89 2002, but before July 1, 2003, and to the extent that amount exceeds the amount actually

90 deducted pursuant to 26 U.S.C. Section 168 [~~of the Internal Revenue Code~~] as amended by
91 the Job Creation and Worker Assistance Act of 2002;

92 (8) For all tax years beginning on or after January 1, 2005, the amount of any income
93 received for military service while the taxpayer serves in a combat zone which is included in
94 federal adjusted gross income and not otherwise excluded therefrom. As used in this section,
95 "combat zone" means any area which the President of the United States by Executive Order
96 designates as an area in which Armed Forces of the United States are or have engaged in
97 combat. Service is performed in a combat zone only if performed on or after the date
98 designated by the President by Executive Order as the date of the commencing of combat
99 activities in such zone, and on or before the date designated by the President by Executive
100 Order as the date of the termination of combatant activities in such zone;

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

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

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

119 (11) For all tax years beginning on or after January 1, 2018, any interest expense paid
120 or accrued in the current [~~taxable~~] tax year, but not deducted as a result of the limitation
121 imposed under 26 U.S.C. Section 163(j), as amended. For the purposes of this subdivision, an
122 interest expense is considered paid or accrued only in the first [~~taxable~~] tax year the deduction
123 would have been allowable under 26 U.S.C. Section 163, as amended, if the limitation under
124 26 U.S.C. Section 163(j), as amended, did not exist; [~~and~~]

125 (12) One hundred percent of any retirement benefits received by any taxpayer as a
126 result of the taxpayer's service in the Armed Forces of the United States, including reserve

127 components and the National Guard of this state, as defined in 32 U.S.C. Sections 101(3) and
128 109, and any other military force organized under the laws of this state; **and**

129 **(13) For all tax years beginning on or after January 1, 2023, one hundred**
130 **percent of all unreimbursed educator expenses incurred by an eligible educator during**
131 **the tax year, not to exceed five hundred dollars. As used in this subdivision, the**
132 **following terms mean:**

133 **(a) "Educator expenses", expenses incurred by an eligible educator that qualify**
134 **for a federal deduction under 26 U.S.C. Section 62, as amended;**

135 **(b) "Eligible educator", an eligible educator as defined under 26 U.S.C. Section**
136 **62, as amended.**

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

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

141 6. In addition to the modifications to a taxpayer's federal adjusted gross income in this
142 section, to calculate Missouri adjusted gross income there shall be subtracted from the
143 taxpayer's federal adjusted gross income any gain recognized pursuant to 26 U.S.C. Section
144 1033 [~~of the Internal Revenue Code of 1986~~], as amended, arising from compulsory or
145 involuntary conversion of property as a result of condemnation or the imminence thereof.

146 7. (1) As used in this subsection, "qualified health insurance premium" means the
147 amount paid during the tax year by such taxpayer for any insurance policy primarily
148 providing health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's
149 dependents.

150 (2) In addition to the subtractions in subsection 3 of this section, one hundred percent
151 of the amount of qualified health insurance premiums shall be subtracted from the taxpayer's
152 federal adjusted gross income to the extent the amount paid for such premiums is included in
153 federal taxable income. The taxpayer shall provide the department of revenue with proof of
154 the amount of qualified health insurance premiums paid.

155 8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this
156 section, one hundred percent of the cost incurred by a taxpayer for a home energy audit
157 conducted by an entity certified by the department of natural resources under section 640.153
158 or the implementation of any energy efficiency recommendations made in such an audit shall
159 be subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid
160 for any such activity is included in federal taxable income. The taxpayer shall provide the
161 department of revenue with a summary of any recommendations made in a qualified home
162 energy audit, the name and certification number of the qualified home energy auditor who
163 conducted the audit, and proof of the amount paid for any activities under this subsection for

164 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any
165 recommendations made in a qualified home energy audit to the department of natural
166 resources.

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

171 (3) Any deduction claimed under this subsection shall be claimed for the tax year in
172 which the qualified home energy audit was conducted or in which the implementation of the
173 energy efficiency recommendations occurred. If implementation of the energy efficiency
174 recommendations occurred during more than one year, the deduction may be claimed in more
175 than one year, subject to the limitations provided under subdivision (2) of this subsection.

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

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

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