

SECOND REGULAR SESSION

# HOUSE BILL NO. 2169

## 98TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE REIBOLDT.

5115H.011

D. ADAM CRUMBLISS, Chief Clerk

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### AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to income exempt from taxation.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

(2) Interest on certain governmental obligations excluded from federal gross income by Section 103 of the Internal Revenue Code. 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 Section 265 of the Internal Revenue Code. 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 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

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 deducted exceeds the amount that would have been deductible pursuant to Section 168 of the  
19 Internal Revenue Code of 1986 as in effect on January 1, 2002;

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

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

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

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

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

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

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

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

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

64 (7) The amount that would have been deducted in the computation of federal taxable  
65 income pursuant to Section 168 of the Internal Revenue Code as in effect on January 1, 2002,  
66 to the extent that amount relates to property purchased on or after July 1, 2002, but before July  
67 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant to Section  
68 168 of the Internal Revenue Code as amended by the Job Creation and Worker Assistance Act  
69 of 2002;

70 (8) For all tax years beginning on or after January 1, 2005, the amount of any income  
71 received for military service while the taxpayer serves in a combat zone which is included in  
72 federal adjusted gross income and not otherwise excluded therefrom. As used in this section,  
73 "combat zone" means any area which the President of the United States by Executive Order  
74 designates as an area in which Armed Forces of the United States are or have engaged in combat.  
75 Service is performed in a combat zone only if performed on or after the date designated by the  
76 President by Executive Order as the date of the commencing of combat activities in such zone,  
77 and on or before the date designated by the President by Executive Order as the date of the  
78 termination of combatant activities in such zone; [and]

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

85 **(10) For all tax years beginning on or after January 1, 2015, the amount of any**  
86 **income received as payment from any program that provides compensation to agricultural**  
87 **producers who have suffered a loss as the result of a disaster or emergency, including the:**

88 **(a) Livestock Forage Disaster Program;**

- 89           **(b) Livestock Indemnity Program;**  
90           **(c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish**  
91 **Program;**  
92           **(d) Emergency Conservation Program;**  
93           **(e) Noninsured Crop Disaster Assistance Program;**  
94           **(f) Pasture, Rangeland, Forage Pilot Insurance Program;**  
95           **(g) Annual Forage Pilot Program;**  
96           **(h) Livestock Risk Protection Insurance Plan; and**  
97           **(i) Livestock Gross Margin Insurance Plan.**

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

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

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

107           7. (1) As used in this subsection, "qualified health insurance premium" means the  
108 amount paid during the tax year by such taxpayer for any insurance policy primarily providing  
109 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

115           8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this section,  
116 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an  
117 entity certified by the department of natural resources under section 640.153 or the  
118 implementation of any energy efficiency recommendations made in such an audit shall be  
119 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for  
120 any such activity is included in federal taxable income. The taxpayer shall provide the  
121 department of revenue with a summary of any recommendations made in a qualified home  
122 energy audit, the name and certification number of the qualified home energy auditor who  
123 conducted the audit, and proof of the amount paid for any activities under this subsection for

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

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

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

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

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

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