

FIRST REGULAR SESSION

SENATE BILL NO. 410

100TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR KOENIG.

Read 1st time February 19, 2019, and ordered printed.

ADRIANE D. CROUSE, Secretary.

2089S.011

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to the calculation of Missouri adjusted gross income.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

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

20 before July 1, 2003, and to the extent the amount deducted exceeds the amount
21 that would have been deductible pursuant to Section 168 of the Internal Revenue
22 Code of 1986 as in effect on January 1, 2002;

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

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

42 (6) **For all tax years beginning on or after January 1, 2018, any**
43 **interest expense paid or accrued in a previous taxable year, but**
44 **allowed as a deduction under 26 U.S.C. 163, as amended, in the current**
45 **taxable year by reason of the carryforward of disallowed business**
46 **interest provisions of 26 U.S.C. 163(j), as amended. For the purposes of**
47 **this subdivision, an interest expense is considered paid or accrued only**
48 **in the first taxable year the deduction would have been allowable**
49 **under 26 U.S.C. 163, as amended, if the limitation under 26 U.S.C. 163(j),**
50 **as amended, did not exist.**

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

54 (1) Interest or dividends on obligations of the United States and its
55 territories and possessions or of any authority, commission or instrumentality of

56 the United States to the extent exempt from Missouri income taxes pursuant to
57 the laws of the United States. The amount subtracted pursuant to this
58 subdivision shall be reduced by any interest on indebtedness incurred to carry the
59 described obligations or securities and by any expenses incurred in the production
60 of interest or dividend income described in this subdivision. The reduction in the
61 previous sentence shall only apply to the extent that such expenses including
62 amortizable bond premiums are deducted in determining the taxpayer's federal
63 adjusted gross income or included in the taxpayer's Missouri itemized
64 deduction. The reduction shall only be made if the expenses total at least five
65 hundred dollars;

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

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

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

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

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

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

91 (8) For all tax years beginning on or after January 1, 2005, the amount

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

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

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

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

123 **(11) For all tax years beginning on or after January 1, 2018, any**
124 **interest expense paid or accrued in the current taxable year, but not**
125 **deducted as a result of the limitation imposed under 26 U.S.C. 163(j), as**
126 **amended. For the purposes of this subdivision, an interest expense is**
127 **considered paid or accrued only in the first taxable year the deduction**

128 **would have been allowable under 26 U.S.C. 163, as amended, if the**
129 **limitation under 26 U.S.C. 163(j), as amended, did not exist.**

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

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

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

141 7. (1) As used in this subsection, "qualified health insurance premium"
142 means the amount paid during the tax year by such taxpayer for any insurance
143 policy primarily providing health care coverage for the taxpayer, the taxpayer's
144 spouse, or the taxpayer's dependents.

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

151 8. (1) Beginning January 1, 2014, in addition to the subtractions provided
152 in this section, one hundred percent of the cost incurred by a taxpayer for a home
153 energy audit conducted by an entity certified by the department of natural
154 resources under section 640.153 or the implementation of any energy efficiency
155 recommendations made in such an audit shall be subtracted from the taxpayer's
156 federal adjusted gross income to the extent the amount paid for any such activity
157 is included in federal taxable income. The taxpayer shall provide the department
158 of revenue with a summary of any recommendations made in a qualified home
159 energy audit, the name and certification number of the qualified home energy
160 auditor who conducted the audit, and proof of the amount paid for any activities
161 under this subsection for which a deduction is claimed. The taxpayer shall also
162 provide a copy of the summary of any recommendations made in a qualified home
163 energy audit to the department of natural resources.

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

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

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

178 9. The provisions of subsection 8 of this section shall expire on December
179 31, 2020.

Bill ✓

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