

FIRST REGULAR SESSION  
HOUSE COMMITTEE SUBSTITUTE FOR  
SENATE SUBSTITUTE FOR  
**SENATE BILL NO. 25**  
**102ND GENERAL ASSEMBLY**

0974H.03C

DANA RADEMAN MILLER, 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 a tax exemption for certain federal grants.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

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 subdivisions or authorities and shall not apply to the interest described in subdivision (1) of  
19 subsection 3 of this section. The amount added pursuant to this subdivision shall be reduced  
20 by the amounts applicable to such interest that would have been deductible in computing the  
21 taxable income of the taxpayer except only for the application of 26 U.S.C. Section 265 of the  
22 Internal Revenue Code, as amended. The reduction shall only be made if it is at least five  
23 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 amended  
26 by the Job Creation and Worker Assistance Act of 2002 to the extent the amount deducted  
27 relates to property purchased on or after July 1, 2002, but before July 1, 2003, and to the  
28 extent the amount deducted exceeds the amount that would have been deductible pursuant to  
29 26 U.S.C. Section 168 of the Internal Revenue Code of 1986 as in effect on January 1, 2002;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

124 (12) One hundred percent of any retirement benefits received by any taxpayer as a  
125 result of the taxpayer's service in the Armed Forces of the United States, including reserve  
126 components and the National Guard of this state, as defined in 32 U.S.C. Sections 101(3) and  
127 109, and any other military force organized under the laws of this state; **and**

128           **(13) For all tax years beginning on or after January 1, 2022, the amount of any**  
129 **federal, state, or local grant received by the taxpayer, and the amount of any discharged**  
130 **federal, state, or local indebtedness incurred by the taxpayer, for purposes of providing**  
131 **or expanding access to broadband services in this state.**

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

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

136           6. In addition to the modifications to a taxpayer's federal adjusted gross income in this  
137 section, to calculate Missouri adjusted gross income there shall be subtracted from the  
138 taxpayer's federal adjusted gross income any gain recognized pursuant to 26 U.S.C. Section  
139 1033 of the Internal Revenue Code of 1986, as amended, arising from compulsory or  
140 involuntary conversion of property as a result of condemnation or the imminence thereof.

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

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

150           8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this  
151 section, one hundred percent of the cost incurred by a taxpayer for a home energy audit  
152 conducted by an entity certified by the department of natural resources under section 640.153  
153 or the implementation of any energy efficiency recommendations made in such an audit shall  
154 be subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid  
155 for any such activity is included in federal taxable income. The taxpayer shall provide the  
156 department of revenue with a summary of any recommendations made in a qualified home  
157 energy audit, the name and certification number of the qualified home energy auditor who  
158 conducted the audit, and proof of the amount paid for any activities under this subsection for  
159 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any  
160 recommendations made in a qualified home energy audit to the department of natural  
161 resources.

162           (2) At no time shall a deduction claimed under this subsection by an individual  
163 taxpayer or taxpayers filing combined returns exceed one thousand dollars per year for

164 individual taxpayers or cumulatively exceed two thousand dollars per year for taxpayers  
165 filing combined returns.

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

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

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

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