

FIRST REGULAR SESSION

[PERFECTED]

SENATE SUBSTITUTE FOR

# SENATE BILL NO. 25

102ND GENERAL ASSEMBLY

INTRODUCED BY SENATOR HOUGH.

0974S.02P

KRISTINA MARTIN, Secretary

## 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.

*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Section A. Section 143.121, RSMo, is repealed and one new  
2 section enacted in lieu thereof, to be known as section 143.121,  
3 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.

4 2. There shall be added to the taxpayer's federal  
5 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.

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

16 The amount added under this subdivision shall also not  
17 include any amount of a federal income tax refund  
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;

130 (7) The amount that would have been deducted in the  
131 computation of federal taxable income pursuant to 26 U.S.C.  
132 Section 168 of the Internal Revenue Code as in effect on  
133 January 1, 2002, to the extent that amount relates to  
134 property purchased on or after July 1, 2002, but before July  
135 1, 2003, and to the extent that amount exceeds the amount  
136 actually deducted pursuant to 26 U.S.C. Section 168 of the  
137 Internal Revenue Code as amended by the Job Creation and  
138 Worker Assistance Act of 2002;

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; [and]

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; and

192 **(13) One hundred percent of any federal grant moneys**  
193 **received for the purpose of providing or expanding access to**  
194 **broadband internet to areas of the state deemed to be**  
195 **lacking such access.**

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

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

203 6. In addition to the modifications to a taxpayer's  
204 federal adjusted gross income in this section, to calculate  
205 Missouri adjusted gross income there shall be subtracted  
206 from the taxpayer's federal adjusted gross income any gain

207 recognized pursuant to 26 U.S.C. Section 1033 of the  
208 Internal Revenue Code of 1986, as amended, arising from  
209 compulsory or involuntary conversion of property as a result  
210 of condemnation or the imminence thereof.

211 7. (1) As used in this subsection, "qualified health  
212 insurance premium" means the amount paid during the tax year  
213 by such taxpayer for any insurance policy primarily  
214 providing health care coverage for the taxpayer, the  
215 taxpayer's spouse, or the taxpayer's dependents.

216 (2) In addition to the subtractions in subsection 3 of  
217 this section, one hundred percent of the amount of qualified  
218 health insurance premiums shall be subtracted from the  
219 taxpayer's federal adjusted gross income to the extent the  
220 amount paid for such premiums is included in federal taxable  
221 income. The taxpayer shall provide the department of  
222 revenue with proof of the amount of qualified health  
223 insurance premiums paid.

224 8. (1) Beginning January 1, 2014, in addition to the  
225 subtractions provided in this section, one hundred percent  
226 of the cost incurred by a taxpayer for a home energy audit  
227 conducted by an entity certified by the department of  
228 natural resources under section 640.153 or the  
229 implementation of any energy efficiency recommendations made  
230 in such an audit shall be subtracted from the taxpayer's  
231 federal adjusted gross income to the extent the amount paid  
232 for any such activity is included in federal taxable  
233 income. The taxpayer shall provide the department of  
234 revenue with a summary of any recommendations made in a  
235 qualified home energy audit, the name and certification  
236 number of the qualified home energy auditor who conducted  
237 the audit, and proof of the amount paid for any activities  
238 under this subsection for which a deduction is claimed. The



239 taxpayer shall also provide a copy of the summary of any  
240 recommendations made in a qualified home energy audit to the  
241 department of natural resources.

242 (2) At no time shall a deduction claimed under this  
243 subsection by an individual taxpayer or taxpayers filing  
244 combined returns exceed one thousand dollars per year for  
245 individual taxpayers or cumulatively exceed two thousand  
246 dollars per year for taxpayers filing combined returns.

247 (3) Any deduction claimed under this subsection shall  
248 be claimed for the tax year in which the qualified home  
249 energy audit was conducted or in which the implementation of  
250 the energy efficiency recommendations occurred. If  
251 implementation of the energy efficiency recommendations  
252 occurred during more than one year, the deduction may be  
253 claimed in more than one year, subject to the limitations  
254 provided under subdivision (2) of this subsection.

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

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

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