

FIRST REGULAR SESSION

[PERFECTED]

SENATE SUBSTITUTE FOR

SENATE BILL NO. 59

103RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR CARTER.

0428S.02P

KRISTINA MARTIN, Secretary

AN ACT

To repeal sections 143.121 and 143.1160, RSMo, and to enact in lieu thereof two new sections relating to income tax deductions.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 143.121 and 143.1160, RSMo, are
2 repealed and two new sections enacted in lieu thereof, to be
3 known as sections 143.121 and 143.1160, 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;

186 (12) One hundred percent of any retirement benefits
187 received by any taxpayer, **including all survivor benefits**
188 **derived therefrom**, as a result of the taxpayer's service in
189 the Armed Forces of the United States, including reserve
190 components and the National Guard of this state, as defined
191 in 32 U.S.C. Sections 101(3) and 109, and any other military
192 force organized under the laws of this state; **[and]**

193 (13) For all tax years beginning on or after January
194 1, 2022, one hundred percent of any federal, state, or local
195 grant moneys received by the taxpayer if the grant money was
196 disbursed for the express purpose of providing or expanding
197 access to broadband internet to areas of the state deemed to
198 be lacking such access;

199 (14) **For all tax years beginning on or after January**
200 **1, 2026, one hundred percent of any retirement benefits**
201 **received by any taxpayer, including all survivor benefits**
202 **derived therefrom, as a result of the taxpayer's service as**
203 **a first responder. As used in this subdivision, "first**
204 **responder" shall mean state and local law enforcement**
205 **personnel, telecommunicator first responders, fire**
206 **department personnel, and emergency medical personnel who**

207 will be deployed to bioterrorism attacks, terrorist attacks,
208 catastrophic or natural disasters, and emergencies;

209 (15) For all tax years beginning on or after January
210 1, 2025, one hundred percent of all unreimbursed educator
211 expenses incurred by an eligible educator during the taxable
212 year, not to exceed five hundred dollars. As used in this
213 subdivision, the following terms shall mean:

214 (a) "Educator expenses", expenses incurred by an
215 eligible educator that qualify for a federal deduction under
216 26 U.S.C. Section 62, as amended;

217 (b) "Eligible educator", an eligible educator as
218 defined under 26 U.S.C. Section 62, as amended; and

219 (16) Income received as compensation for being a first
220 responder, not to exceed five hundred dollars. As used in
221 this subdivision, "first responder" shall mean state and
222 local law enforcement personnel, telecommunicator first
223 responders, fire department personnel, and emergency medical
224 personnel who will be deployed to bioterrorism attacks,
225 terrorist attacks, catastrophic or natural disasters, and
226 emergencies.

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

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

234 6. In addition to the modifications to a taxpayer's
235 federal adjusted gross income in this section, to calculate
236 Missouri adjusted gross income there shall be subtracted
237 from the taxpayer's federal adjusted gross income any gain
238 recognized pursuant to 26 U.S.C. Section 1033 of the

239 Internal Revenue Code of 1986, as amended, arising from
240 compulsory or involuntary conversion of property as a result
241 of condemnation or the imminence thereof.

242 7. (1) As used in this subsection, "qualified health
243 insurance premium" means the amount paid during the tax year
244 by such taxpayer for any insurance policy primarily
245 providing health care coverage for the taxpayer, the
246 taxpayer's spouse, or the taxpayer's dependents.

247 (2) In addition to the subtractions in subsection 3 of
248 this section, one hundred percent of the amount of qualified
249 health insurance premiums shall be subtracted from the
250 taxpayer's federal adjusted gross income to the extent the
251 amount paid for such premiums is included in federal taxable
252 income. The taxpayer shall provide the department of
253 revenue with proof of the amount of qualified health
254 insurance premiums paid.

255 8. (1) Beginning January 1, 2014, in addition to the
256 subtractions provided in this section, one hundred percent
257 of the cost incurred by a taxpayer for a home energy audit
258 conducted by an entity certified by the department of
259 natural resources under section 640.153 or the
260 implementation of any energy efficiency recommendations made
261 in such an audit shall be subtracted from the taxpayer's
262 federal adjusted gross income to the extent the amount paid
263 for any such activity is included in federal taxable
264 income. The taxpayer shall provide the department of
265 revenue with a summary of any recommendations made in a
266 qualified home energy audit, the name and certification
267 number of the qualified home energy auditor who conducted
268 the audit, and proof of the amount paid for any activities
269 under this subsection for which a deduction is claimed. The
270 taxpayer shall also provide a copy of the summary of any

271 recommendations made in a qualified home energy audit to the
272 department of natural resources.

273 (2) At no time shall a deduction claimed under this
274 subsection by an individual taxpayer or taxpayers filing
275 combined returns exceed one thousand dollars per year for
276 individual taxpayers or cumulatively exceed two thousand
277 dollars per year for taxpayers filing combined returns.

278 (3) Any deduction claimed under this subsection shall
279 be claimed for the tax year in which the qualified home
280 energy audit was conducted or in which the implementation of
281 the energy efficiency recommendations occurred. If
282 implementation of the energy efficiency recommendations
283 occurred during more than one year, the deduction may be
284 claimed in more than one year, subject to the limitations
285 provided under subdivision (2) of this subsection.

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

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

294 10. (1) As used in this subsection, the following
295 terms mean:

296 (a) "Beginning farmer", a taxpayer who:

297 a. Has filed at least one but not more than ten
298 Internal Revenue Service Schedule F (Form 1040) Profit or
299 Loss From Farming forms since turning eighteen years of age;

300 b. Is approved for a beginning farmer loan through the
301 USDA Farm Service Agency Beginning Farmer direct or
302 guaranteed loan program;

303 c. Has a farming operation that is determined by the
304 department of agriculture to be new production agriculture
305 but is the principal operator of a farm and has substantial
306 farming knowledge; or

307 d. Has been determined by the department of
308 agriculture to be a qualified family member;

309 (b) "Farm owner", an individual who owns farmland and
310 disposes of or relinquishes use of all or some portion of
311 such farmland as follows:

312 a. A sale to a beginning farmer;

313 b. A lease or rental agreement not exceeding ten years
314 with a beginning farmer; or

315 c. A crop-share arrangement not exceeding ten years
316 with a beginning farmer;

317 (c) "Qualified family member", an individual who is
318 related to a farm owner within the fourth degree by blood,
319 marriage, or adoption and who is purchasing or leasing or is
320 in a crop-share arrangement for land from all or a portion
321 of such farm owner's farming operation.

322 (2) (a) In addition to all other subtractions
323 authorized in this section, a taxpayer who is a farm owner
324 who sells all or a portion of such farmland to a beginning
325 farmer may subtract from such taxpayer's Missouri adjusted
326 gross income an amount to the extent included in federal
327 adjusted gross income as provided in this subdivision.

328 (b) Subject to the limitations in paragraph (c) of
329 this subdivision, the amount that may be subtracted shall be
330 equal to the portion of capital gains received from the sale
331 of such farmland that such taxpayer receives in the tax year
332 for which such taxpayer subtracts such capital gain.

333 (c) A taxpayer may subtract the following amounts and
334 percentages per tax year in total capital gains received
335 from the sale of such farmland under this subdivision:

336 a. For the first two million dollars received, one
337 hundred percent;

338 b. For the next one million dollars received, eighty
339 percent;

340 c. For the next one million dollars received, sixty
341 percent;

342 d. For the next one million dollars received, forty
343 percent; and

344 e. For the next one million dollars received, twenty
345 percent.

346 (d) The department of revenue shall prepare an annual
347 report reviewing the costs and benefits and containing
348 statistical information regarding the subtraction of capital
349 gains authorized under this subdivision for the previous tax
350 year including, but not limited to, the total amount of all
351 capital gains subtracted and the number of taxpayers
352 subtracting such capital gains. Such report shall be
353 submitted before February first of each year to the
354 committee on agriculture policy of the Missouri house of
355 representatives and the committee on agriculture, food
356 production and outdoor resources of the Missouri senate, or
357 the successor committees.

358 (3) (a) In addition to all other subtractions
359 authorized in this section, a taxpayer who is a farm owner
360 who enters a lease or rental agreement for all or a portion
361 of such farmland with a beginning farmer may subtract from
362 such taxpayer's Missouri adjusted gross income an amount to
363 the extent included in federal adjusted gross income as
364 provided in this subdivision.

365 (b) Subject to the limitation in paragraph (c) of this
366 subdivision, the amount that may be subtracted shall be
367 equal to the portion of cash rent income received from the
368 lease or rental of such farmland that such taxpayer receives
369 in the tax year for which such taxpayer subtracts such
370 income.

371 (c) No taxpayer shall subtract more than twenty-five
372 thousand dollars per tax year in total cash rent income
373 received from the lease or rental of such farmland under
374 this subdivision.

375 (4) (a) In addition to all other subtractions
376 authorized in this section, a taxpayer who is a farm owner
377 who enters a crop-share arrangement on all or a portion of
378 such farmland with a beginning farmer may subtract from such
379 taxpayer's Missouri adjusted gross income an amount to the
380 extent included in federal adjusted gross income as provided
381 in this subdivision.

382 (b) Subject to the limitation in paragraph (c) of this
383 subdivision, the amount that may be subtracted shall be
384 equal to the portion of income received from the crop-share
385 arrangement on such farmland that such taxpayer receives in
386 the tax year for which such taxpayer subtracts such income.

387 (c) No taxpayer shall subtract more than twenty-five
388 thousand dollars per tax year in total income received from
389 the lease or rental of such farmland under this subdivision.

390 (5) The department of agriculture shall, by rule,
391 establish a process to verify that a taxpayer is a beginning
392 farmer for purposes of this section and shall provide
393 verification to the beginning farmer and farm seller of such
394 farmer's and seller's certification and qualification for
395 the exemption provided in this subsection.

143.1160. 1. As used in this section, the following
2 terms mean:

3 (1) "Account holder", the same meaning as that term is
4 defined in section 191.1603;

5 (2) "Deduction", an amount subtracted from the
6 taxpayer's Missouri adjusted gross income to determine
7 Missouri taxable income for the tax year in which such
8 deduction is claimed;

9 (3) "Eligible expenses", the same meaning as that term
10 is defined in section 191.1603;

11 (4) "Long-term dignity savings account", the same
12 meaning as that term is defined in section 191.1603;

13 (5) "Qualified beneficiary", the same meaning as that
14 term is defined in section 191.1603;

15 (6) "Taxpayer", any individual who is a resident of
16 this state and subject to the income tax imposed under this
17 chapter, excluding withholding tax imposed under sections
18 143.191 to 143.265.

19 2. For all tax years beginning on or after January 1,
20 2021, a taxpayer shall be allowed a deduction of one hundred
21 percent of a participating taxpayer's contributions to a
22 long-term dignity savings account in the tax year of the
23 contribution. Each taxpayer claiming the deduction under
24 this section shall file an affidavit with the income tax
25 return verifying the amount of their contributions. The
26 amount of the deduction claimed shall not exceed the amount
27 of the taxpayer's Missouri adjusted gross income for the tax
28 year that the deduction is claimed, and shall not exceed
29 four thousand dollars per taxpayer claiming the deduction,
30 or eight thousand dollars if married filing combined.

31 3. Income earned or received as a result of assets in
32 a long-term dignity savings account shall not be subject to

33 state income tax imposed under this chapter. The exemption
34 under this section shall apply only to income maintained,
35 accrued, or expended pursuant to the requirements of
36 sections 191.1601 to 191.1607, and no exemption shall apply
37 to assets and income expended for any other purpose. The
38 amount of the deduction claimed shall not exceed the amount
39 of the taxpayer's Missouri adjusted gross income for the tax
40 year the deduction is claimed.

41 4. If any deductible contributions to or earnings from
42 any such programs referred to in this section are
43 distributed and not used to pay for eligible expenses or are
44 not held for the minimum length of time under subsection 2
45 of section 191.1605, the amount so distributed shall be
46 added to the Missouri adjusted gross income of the account
47 holder or, if the account holder is not living, the
48 qualified beneficiary, in the year of distribution.

49 5. The department of revenue shall promulgate rules to
50 implement the provisions of this section. Any rule or
51 portion of a rule, as that term is defined in section
52 536.010, that is created under the authority delegated in
53 this section shall become effective only if it complies with
54 and is subject to all of the provisions of chapter 536 and,
55 if applicable, section 536.028. This section and chapter
56 536 are nonseverable and if any of the powers vested with
57 the general assembly pursuant to chapter 536 to review, to
58 delay the effective date, or to disapprove and annul a rule
59 are subsequently held unconstitutional, then the grant of
60 rulemaking authority and any rule proposed or adopted after
61 August 28, 2020, shall be invalid and void.

62 6. Under section 23.253 of the Missouri sunset act:

63 (1) The provisions of the [new] program authorized
64 under this section shall automatically sunset on December

65 [thirty-first four years after August 28, 2020] 31, 2030,
66 unless reauthorized by an act of the general assembly;

67 (2) If such program is reauthorized, the program
68 authorized under this section shall automatically sunset on
69 December thirty-first four years after the effective date of
70 the reauthorization of this section; and

71 (3) This section shall terminate on September first of
72 the calendar year immediately following the calendar year in
73 which the program authorized under this section is sunset.

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