

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NOS. 299 & 364
100TH GENERAL ASSEMBLY

1011H.02C

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to a tax deduction for educator expenses.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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]~~ **26 U.S.C. Section 103**. 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]~~ **under** 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]~~ **26 U.S.C. Section 265**. 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]~~ **under 26 U.S.C. Section 168**, 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 deducted exceeds the amount that would have been deductible ~~[pursuant~~

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.

19 ~~to Section 168 of the Internal Revenue Code of 1986]~~ **under 26 U.S.C. Section 168** as in effect
20 on January 1, 2002;

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

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

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

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

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

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

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

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

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

67 (7) The amount that would have been deducted in the computation of federal taxable
68 income ~~[pursuant to Section 168 of the Internal Revenue Code]~~ **under 26 U.S.C. Section 168**
69 as in effect on January 1, 2002, to the extent that amount relates to property purchased on or after
70 July 1, 2002, but before July 1, 2003, and to the extent that amount exceeds the amount actually
71 deducted ~~[pursuant to Section 168 of the Internal Revenue Code]~~ **under 26 U.S.C. Section 168**
72 as amended by the Job Creation and Worker Assistance Act of 2002;

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

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

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

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

100 **(11) For all tax years beginning on or after January 1, 2020, one hundred percent**
101 **of all unreimbursed educator expenses incurred by an eligible educator during the tax**
102 **year, not to exceed five hundred dollars. As used in this subdivision, the following terms**
103 **shall mean:**

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

106 (b) "Eligible educator", an eligible educator as defined under 26 U.S.C. Section 62,
107 as amended.

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

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

112 6. In addition to the modifications to a taxpayer's federal adjusted gross income in this
113 section, to calculate Missouri adjusted gross income there shall be subtracted from the taxpayer's
114 federal adjusted gross income any gain recognized ~~[pursuant to Section 1033 of the Internal~~
115 ~~Revenue Code of 1986]~~ **under 26 U.S.C. Section 1033**, as amended, arising from compulsory
116 or involuntary conversion of property as a result of condemnation or the imminence thereof.

117 7. (1) As used in this subsection, "qualified health insurance premium" means the
118 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
119 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

125 8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this section,
126 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an

127 entity certified by the department of natural resources under section 640.153 or the
128 implementation of any energy efficiency recommendations made in such an audit shall be
129 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for
130 any such activity is included in federal taxable income. The taxpayer shall provide the
131 department of revenue with a summary of any recommendations made in a qualified home
132 energy audit, the name and certification number of the qualified home energy auditor who
133 conducted the audit, and proof of the amount paid for any activities under this subsection for
134 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any
135 recommendations made in a qualified home energy audit to the department of natural resources.

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

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

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

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

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