

SECOND REGULAR SESSION

HOUSE BILL NO. 2101

100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE SWAN.

4772H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to taxation of out-of-state 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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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 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 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 26 U.S.C. Section 265 of the Internal Revenue Code, as amended. 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 26 U.S.C. 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 before July 1, 2003, and to the extent the amount

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 deducted exceeds the amount that would have been deductible pursuant to 26 U.S.C. Section 168
19 of the Internal Revenue Code of 1986 as in effect on January 1, 2002;

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

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

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

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

45 (1) Interest received on deposits held at a federal reserve bank or interest or dividends
46 on obligations of the United States and its territories and possessions or of any authority,
47 commission or instrumentality of the United States to the extent exempt from Missouri income
48 taxes pursuant to the laws of the United States. The amount subtracted pursuant to this
49 subdivision shall be reduced by any interest on indebtedness incurred to carry the described
50 obligations or securities and by any expenses incurred in the production of interest or dividend
51 income described in this subdivision. The reduction in the previous sentence shall only apply
52 to the extent that such expenses including amortizable bond premiums are deducted in
53 determining the taxpayer's federal adjusted gross income or included in the taxpayer's Missouri

54 itemized deduction. The reduction shall only be made if the expenses total at least five hundred
55 dollars;

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

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

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

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

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

72 (7) The amount that would have been deducted in the computation of federal taxable
73 income pursuant to 26 U.S.C. Section 168 of the Internal Revenue Code as in effect on January
74 1, 2002, to the extent that amount relates to property purchased on or after July 1, 2002, but
75 before July 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant
76 to 26 U.S.C. Section 168 of the Internal Revenue Code as amended by the Job Creation and
77 Worker Assistance Act of 2002;

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

87 (9) For all tax years ending on or after July 1, 2002, with respect to qualified property
88 that is sold or otherwise disposed of during a taxable year by a taxpayer and for which an
89 additional modification was made under subdivision (3) of subsection 2 of this section, the

90 amount by which additional modification made under subdivision (3) of subsection 2 of this
91 section on qualified property has not been recovered through the additional subtractions provided
92 in subdivision (7) of this subsection;

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

96 (a) Livestock Forage Disaster Program;

97 (b) Livestock Indemnity Program;

98 (c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish;

99 (d) Emergency Conservation Program;

100 (e) Noninsured Crop Disaster Assistance Program;

101 (f) Pasture, Rangeland, Forage Pilot Insurance Program;

102 (g) Annual Forage Pilot Program;

103 (h) Livestock Risk Protection Insurance Plan; and

104 (i) Livestock Gross Margin Insurance Plan; ~~and~~

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

111 **(12) For all tax years beginning on or after January 1, 2020, all income generated**
112 **from sources outside of this state to the extent included in federal adjusted gross income.**

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

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

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

122 7. (1) As used in this subsection, "qualified health insurance premium" means the
123 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
124 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

130 8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this section,
131 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an
132 entity certified by the department of natural resources under section 640.153 or the
133 implementation of any energy efficiency recommendations made in such an audit shall be
134 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for
135 any such activity is included in federal taxable income. The taxpayer shall provide the
136 department of revenue with a summary of any recommendations made in a qualified home
137 energy audit, the name and certification number of the qualified home energy auditor who
138 conducted the audit, and proof of the amount paid for any activities under this subsection for
139 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any
140 recommendations made in a qualified home energy audit to the department of natural resources.

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

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

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

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

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