

FIRST REGULAR SESSION

# HOUSE BILL NO. 314

## 101ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE KELLEY (127).

0277H.011

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 deduction for educator expenses.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

(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

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.

17 the taxpayer except only for the application of 26 U.S.C. Section 265 ~~[of the Internal Revenue~~  
18 ~~Code]~~, as amended. The reduction shall only be made if it is at least five hundred dollars;

19 (3) The amount of any deduction that is included in the computation of federal taxable  
20 income pursuant to 26 U.S.C. Section 168 ~~[of the Internal Revenue Code]~~ , as amended by the  
21 Job Creation and Worker Assistance Act of 2002, to the extent the amount deducted relates to  
22 property purchased on or after July 1, 2002, but before July 1, 2003, and to the extent the amount  
23 deducted exceeds the amount that would have been deductible pursuant to 26 U.S.C. Section 168  
24 ~~[of the Internal Revenue Code of 1986]~~ as in effect on January 1, 2002;

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

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

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

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

51 (1) Interest received on deposits held at a federal reserve bank or interest or dividends  
52 on obligations of the United States and its territories and possessions or of any authority,

53 commission or instrumentality of the United States to the extent exempt from Missouri income  
54 taxes pursuant to the laws of the United States. The amount subtracted pursuant to this  
55 subdivision shall be reduced by any interest on indebtedness incurred to carry the described  
56 obligations or securities and by any expenses incurred in the production of interest or dividend  
57 income described in this subdivision. The reduction in the previous sentence shall only apply  
58 to the extent that such expenses including amortizable bond premiums are deducted in  
59 determining the taxpayer's federal adjusted gross income or included in the taxpayer's Missouri  
60 itemized deduction. The reduction shall only be made if the expenses total at least five hundred  
61 dollars;

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

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

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

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

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

78 (7) The amount that would have been deducted in the computation of federal taxable  
79 income pursuant to 26 U.S.C. Section 168 ~~[of the Internal Revenue Code]~~ as in effect on January  
80 1, 2002, to the extent that amount relates to property purchased on or after July 1, 2002, but  
81 before July 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant  
82 to 26 U.S.C. Section 168 ~~[of the Internal Revenue Code]~~ as amended by the Job Creation and  
83 Worker Assistance Act of 2002;

84 (8) For all tax years beginning on or after January 1, 2005, the amount of any income  
85 received for military service while the taxpayer serves in a combat zone which is included in  
86 federal adjusted gross income and not otherwise excluded therefrom. As used in this section,  
87 "combat zone" means any area which the President of the United States by Executive Order  
88 designates as an area in which Armed Forces of the United States are or have engaged in combat.

89 Service is performed in a combat zone only if performed on or after the date designated by the  
90 President by Executive Order as the date of the commencing of combat activities in such zone,  
91 and on or before the date designated by the President by Executive Order as the date of the  
92 termination of combatant activities in such zone;

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

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

- 102 (a) Livestock Forage Disaster Program;
- 103 (b) Livestock Indemnity Program;
- 104 (c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish;
- 105 (d) Emergency Conservation Program;
- 106 (e) Noninsured Crop Disaster Assistance Program;
- 107 (f) Pasture, Rangeland, Forage Pilot Insurance Program;
- 108 (g) Annual Forage Pilot Program;
- 109 (h) Livestock Risk Protection Insurance Plan; and
- 110 (i) Livestock Gross Margin Insurance Plan; ~~and~~

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

117 **(12) For all tax years beginning on or after January 1, 2022, one hundred percent**  
118 **of all unreimbursed educator expenses incurred by an eligible educator during the tax**  
119 **year, not to exceed five hundred dollars. As used in this subdivision, the following terms**  
120 **mean:**

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

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

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

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

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

134 7. (1) As used in this subsection, "qualified health insurance premium" means the  
135 amount paid during the tax year by such taxpayer for any insurance policy primarily providing  
136 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

142 8. (1) Beginning January 1, 2014, in addition to the subtractions provided in this section,  
143 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an  
144 entity certified by the department of natural resources under section 640.153 or the  
145 implementation of any energy efficiency recommendations made in such an audit shall be  
146 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for  
147 any such activity is included in federal taxable income. The taxpayer shall provide the  
148 department of revenue with a summary of any recommendations made in a qualified home  
149 energy audit, the name and certification number of the qualified home energy auditor who  
150 conducted the audit, and proof of the amount paid for any activities under this subsection for  
151 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any  
152 recommendations made in a qualified home energy audit to the department of natural resources.

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

157 (3) Any deduction claimed under this subsection shall be claimed for the tax year in  
158 which the qualified home energy audit was conducted or in which the implementation of the  
159 energy efficiency recommendations occurred. If implementation of the energy efficiency

160 recommendations occurred during more than one year, the deduction may be claimed in more  
161 than one year, subject to the limitations provided under subdivision (2) of this subsection.

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

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

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