

HOUSE BILL NO. 913

101ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MERIDETH.

1789H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal sections 143.011, 143.121, and 143.171, RSMo, and to enact in lieu thereof three new sections relating to income tax, with an emergency clause.

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

Section A. Sections 143.011, 143.121, and 143.171, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 143.011, 143.121, and 143.171, to read as follows:

143.011. 1. A tax is hereby imposed for every taxable year on the Missouri taxable income of every resident. The tax shall be determined by applying the tax table or the rate provided in section 143.021, which is based upon the following rates:

If the Missouri taxable income is:	The tax is:
Not over \$1,000.00	1 1/2% of the Missouri taxable income
Over \$1,000 but not over \$2,000	\$15 plus 2% of excess over \$1,000
Over \$2,000 but not over \$3,000	\$35 plus 2 1/2% of excess over \$2,000
Over \$3,000 but not over \$4,000	\$60 plus 3% of excess over \$3,000
Over \$4,000 but not over \$5,000	\$90 plus 3 1/2% of excess over \$4,000
Over \$5,000 but not over \$6,000	\$125 plus 4% of excess over \$5,000
Over \$6,000 but not over \$7,000	\$165 plus 4 1/2% of excess over \$6,000
Over \$7,000 but not over \$8,000	\$210 plus 5% of excess over \$7,000

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.

13	Over \$8,000 but not over \$9,000	\$260 plus 5 1/2% of excess over \$8,000
14	Over \$9,000	\$315 plus 6% of excess over \$9,000

15 2. (1) Beginning with the 2017 calendar year, the top rate of tax under subsection 1 of
 16 this section may be reduced over a period of years. Each reduction in the top rate of tax shall be
 17 by one-tenth of a percent and no more than one reduction shall occur in a calendar year. No
 18 more than five reductions shall be made under this subsection. Reductions in the rate of tax shall
 19 take effect on January first of a calendar year and such reduced rates shall continue in effect until
 20 the next reduction occurs.

21 (2) A reduction in the rate of tax shall only occur if the amount of net general revenue
 22 collected in the previous fiscal year exceeds the highest amount of net general revenue collected
 23 in any of the three fiscal years prior to such fiscal year by at least one hundred fifty million
 24 dollars. **Revenue derived from state income tax collections that are delayed as a result of**
 25 **a delayed filing date caused by a national emergency shall not be included in any**
 26 **calculation of net general revenue for the purpose of determining whether a reduction in**
 27 **the rate of tax shall occur under this subsection.**

28 (3) Any modification of tax rates under this subsection shall only apply to tax years that
 29 begin on or after a modification takes effect.

30 (4) The director of the department of revenue shall, by rule, adjust the tax tables under
 31 subsection 1 of this section to effectuate the provisions of this subsection. The bracket for
 32 income subject to the top rate of tax shall be eliminated once the top rate of tax has been reduced
 33 to five and one-half percent, and the top remaining rate of tax shall apply to all income in excess
 34 of the income in the second highest remaining income bracket.

35 3. (1) In addition to the rate reductions under subsection 2 of this section, beginning
 36 with the 2019 calendar year, the top rate of tax under subsection 1 of this section shall be reduced
 37 by four-tenths of one percent. Such reduction in the rate of tax shall take effect on January first
 38 of the 2019 calendar year.

39 (2) The modification of tax rates under this subsection shall only apply to tax years that
 40 begin on or after the date the modification takes effect.

41 (3) The director of the department of revenue shall, by rule, adjust the tax tables under
 42 subsection 1 of this section to effectuate the provisions of this subsection.

43 4. Beginning with the 2017 calendar year, the brackets of Missouri taxable income
 44 identified in subsection 1 of this section shall be adjusted annually by the percent increase in
 45 inflation. The director shall publish such brackets annually beginning on or after October 1,

46 2016. Modifications to the brackets shall take effect on January first of each calendar year and
47 shall apply to tax years beginning on or after the effective date of the new brackets.

48 5. As used in this section, the following terms mean:

49 (1) "CPI", the Consumer Price Index for All Urban Consumers for the United States as
50 reported by the Bureau of Labor Statistics, or its successor index;

51 (2) "CPI for the preceding calendar year", the average of the CPI as of the close of the
52 twelve month period ending on August thirty-first of such calendar year;

53 (3) "Net general revenue collected", all revenue deposited into the general revenue fund,
54 less refunds and revenues originally deposited into the general revenue fund but designated by
55 law for a specific distribution or transfer to another state fund;

56 (4) "Percent increase in inflation", the percentage, if any, by which the CPI for the
57 preceding calendar year exceeds the CPI for the year beginning September 1, 2014, and ending
58 August 31, 2015.

143.121. 1. The Missouri adjusted gross income of a resident individual shall be the
2 taxpayer's federal adjusted gross income subject to the modifications in this section.

3 2. There shall be added to the taxpayer's federal adjusted gross income:

4 (1) The amount of any federal income tax refund received for a prior year which resulted
5 in a Missouri income tax benefit. The amount added pursuant to this subdivision shall not
6 include any amount of a federal income tax refund attributable to a tax credit reducing a
7 taxpayer's federal tax liability pursuant to Public Law 116-136 or **116-260**, enacted by the 116th
8 United States Congress, for the tax year beginning on or after January 1, 2020, and ending on or
9 before December 31, 2020, and deducted from Missouri adjusted gross income pursuant to
10 section 143.171;

11 (2) Interest on certain governmental obligations excluded from federal gross income by
12 26 U.S.C. Section 103 of the Internal Revenue Code, as amended. The previous sentence shall
13 not apply to interest on obligations of the state of Missouri or any of its political subdivisions or
14 authorities and shall not apply to the interest described in subdivision (1) of subsection 3 of this
15 section. The amount added pursuant to this subdivision shall be reduced by the amounts
16 applicable to such interest that would have been deductible in computing the taxable income of
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 Job
21 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 years ending on or after December 31,
36 2006, the amount of any property taxes paid to another state or a political subdivision of another
37 state for which a deduction was allowed on such nonresident's federal return in the taxable year
38 unless such state, political subdivision of a state, or the District of Columbia allows a subtraction
39 from income for property taxes paid to this state for purposes of calculating income for the
40 income tax for such state, political subdivision of a state, or the District of Columbia;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

101 (a) Livestock Forage Disaster Program;

102 (b) Livestock Indemnity Program;

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

104 (d) Emergency Conservation Program;

105 (e) Noninsured Crop Disaster Assistance Program;

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

107 (g) Annual Forage Pilot Program;

108 (h) Livestock Risk Protection Insurance Plan; and

109 (i) Livestock Gross Margin Insurance Plan; and

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

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

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

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

125 7. (1) As used in this subsection, "qualified health insurance premium" means the
126 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
127 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

128 (2) In addition to the subtractions in subsection 3 of this section, one hundred percent
129 of the amount of qualified health insurance premiums shall be subtracted from the taxpayer's
130 federal adjusted gross income to the extent the amount paid for such premiums is included in

131 federal taxable income. The taxpayer shall provide the department of revenue with proof of the
132 amount of qualified health insurance premiums paid.

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

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

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

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

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

143.171. 1. For all tax years beginning on or after January 1, 1994, and ending on or
2 before December 31, 2018, an individual taxpayer shall be allowed a deduction for his or her
3 federal income tax liability under Chapter 1 of the Internal Revenue Code for the same taxable
4 year for which the Missouri return is being filed, not to exceed five thousand dollars on a single
5 taxpayer's return or ten thousand dollars on a combined return, after reduction for all credits
6 thereon, except the credit for payments of federal estimated tax, the credit for the overpayment
7 of any federal tax, and the credits allowed by the Internal Revenue Code by 26 U.S.C. Section
8 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

9 2. (1) Notwithstanding any other provision of law to the contrary, for all tax years
 10 beginning on or after January 1, 2019, an individual taxpayer shall be allowed a deduction equal
 11 to a percentage of his or her federal income tax liability under Chapter 1 of the Internal Revenue
 12 Code for the same taxable year for which the Missouri return is being filed, not to exceed five
 13 thousand dollars on a single taxpayer's return or ten thousand dollars on a combined return, after
 14 reduction for all credits thereon, except the credit for payments of federal estimated tax, the
 15 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue
 16 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34. The deduction
 17 percentage is determined according to the following table:

18 If the Missouri gross income on the return	The deduction percentage is:
19 is:	
20 \$25,000 or less	35 percent
21 From \$25,001 to \$50,000	25 percent
22 From \$50,001 to \$100,000	15 percent
23 From \$100,001 to \$125,000	5 percent
24 \$125,001 or more	0 percent

25 (2) Notwithstanding any provision of law to the contrary, the amount of any tax credits
 26 reducing a taxpayer's federal tax liability pursuant to Public Law 116-136 **or 116-260**, enacted
 27 by the 116th United States Congress, for the tax year beginning on or after January 1, 2020, and
 28 ending on or before December 31, 2020, shall not be considered in determining a taxpayer's
 29 federal tax liability for the purposes of subdivision (1) of this subsection.

30 3. For all tax years beginning on or after September 1, 1993, a corporate taxpayer shall
 31 be allowed a deduction for fifty percent of its federal income tax liability under Chapter 1 of the
 32 Internal Revenue Code for the same taxable year for which the Missouri return is being filed
 33 after reduction for all credits thereon, except the credit for payments of federal estimated tax, the
 34 credit for the overpayment of any federal tax, and the credits allowed by the Internal Revenue
 35 Code by 26 U.S.C. Section 31, 26 U.S.C. Section 27, and 26 U.S.C. Section 34.

36 4. If a federal income tax liability for a tax year prior to the applicability of sections
 37 143.011 to 143.996 for which he was not previously entitled to a Missouri deduction is later paid
 38 or accrued, he may deduct the federal tax in the later year to the extent it would have been
 39 deductible if paid or accrued in the prior year.

Section B. Because immediate action is necessary to protect the interests of taxpayers
 2 during the COVID-19 pandemic, section A of this act is deemed necessary for the immediate
 3 preservation of the public health, welfare, peace, and safety, and is hereby declared to be an

4 emergency act within the meaning of the constitution, and section A of this act shall be in full
5 force and effect upon its passage and approval.

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