

SENATE SUBSTITUTE
FOR
HOUSE BILL NO. 1460

AN ACT

To repeal sections 142.803 and 143.121, RSMo, and to enact in lieu thereof three new sections relating to state revenues, with a referendum clause.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Sections 142.803 and 143.121, RSMo, are repealed
2 and three new sections enacted in lieu thereof, to be known as
3 sections 142.803, 143.121, and 226.145, to read as follows:

4 142.803. 1. A tax is levied and imposed on all motor fuel
5 used or consumed in this state as follows:

6 (1) Motor fuel, seventeen cents per gallon until June 30,
7 2019. For the fiscal year beginning on or after July 1, 2019,
8 and ending on or before June 30, 2020, such tax shall be nineteen
9 and one-half cents per gallon. For the fiscal year beginning on
10 or after July 1, 2020, and ending on or before June 30, 2021,
11 such tax shall be twenty-two cents per gallon. For the fiscal
12 year beginning on or after July 1, 2021, and ending on or before
13 June 30, 2022, such tax shall be twenty-four and one-half cents
14 per gallon. For all fiscal years beginning on or after July 1,
15 2022, such tax shall be twenty-seven cents per gallon. Subject
16 to appropriation, the state portion of the revenue generated by
17 the increases in the rate of tax beginning July 1, 2019, shall be
18 used for the actual cost of the state highway patrol in

1 administering and enforcing any state motor vehicle laws and
2 traffic regulations;

3 (2) Alternative fuels, not subject to the decal fees as
4 provided in section 142.869, with a power potential equivalent of
5 motor fuel. In the event alternative fuel, which is not commonly
6 sold or measured by the gallon, is used in motor vehicles on the
7 highways of this state, the director is authorized to assess and
8 collect a tax upon such alternative fuel measured by the nearest
9 power potential equivalent to that of one gallon of regular grade
10 gasoline. The determination by the director of the power
11 potential equivalent of such alternative fuel shall be prima
12 facie correct;

13 (3) Aviation fuel used in propelling aircraft with
14 reciprocating engines, nine cents per gallon as levied and
15 imposed by section 155.080 to be collected as required under this
16 chapter;

17 (4) Compressed natural gas fuel, five cents per gasoline
18 gallon equivalent until December 31, 2019, eleven cents per
19 gasoline gallon equivalent from January 1, 2020, until December
20 31, 2024, [and then] seventeen cents per gasoline gallon
21 equivalent from January 1, 2025, until December 31, 2025, and
22 then twenty-seven cents per gasoline gallon equivalent
23 thereafter. The gasoline gallon equivalent and method of sale
24 for compressed natural gas shall be as published by the National
25 Institute of Standards and Technology in Handbooks 44 and 130,
26 and supplements thereto or revisions thereof. In the absence of
27 such standard or agreement, the gasoline gallon equivalent and
28 method of sale for compressed natural gas shall be equal to five

1 and sixty-six-hundredths pounds of compressed natural gas. All
2 applicable provisions contained in this chapter governing
3 administration, collections, and enforcement of the state motor
4 fuel tax shall apply to the tax imposed on compressed natural
5 gas, including but not limited to licensing, reporting,
6 penalties, and interest;

7 (5) Liquefied natural gas fuel, five cents per diesel
8 gallon equivalent until December 31, 2019, eleven cents per
9 diesel gallon equivalent from January 1, 2020, until December 31,
10 2024, [and then] seventeen cents per diesel gallon equivalent
11 from January 1, 2025, until December 31, 2025, and then twenty-
12 seven cents per diesel gallon equivalent thereafter. The diesel
13 gallon equivalent and method of sale for liquefied natural gas
14 shall be as published by the National Institute of Standards and
15 Technology in Handbooks 44 and 130, and supplements thereto or
16 revisions thereof. In the absence of such standard or agreement,
17 the diesel gallon equivalent and method of sale for liquefied
18 natural gas shall be equal to six and six-hundredths pounds of
19 liquefied natural gas. All applicable provisions contained in
20 this chapter governing administration, collections, and
21 enforcement of the state motor fuel tax shall apply to the tax
22 imposed on liquefied natural gas, including but not limited to
23 licensing, reporting, penalties, and interest;

24 (6) Propane gas fuel, five cents per gallon until December
25 31, 2019, eleven cents per gallon from January 1, 2020, until
26 December 31, 2024, [and then] seventeen cents per gallon from
27 January 1, 2025, until December 31, 2025, and then twenty-seven
28 cents per gallon thereafter. All applicable provisions contained

1 in this chapter governing administration, collection, and
2 enforcement of the state motor fuel tax shall apply to the tax
3 imposed on propane gas including, but not limited to, licensing,
4 reporting, penalties, and interest;

5 (7) If a natural gas, compressed natural gas, liquefied
6 natural gas, electric, or propane connection is used for fueling
7 motor vehicles and for another use, such as heating, the tax
8 imposed by this section shall apply to the entire amount of
9 natural gas, compressed natural gas, liquefied natural gas,
10 electricity, or propane used unless an approved separate metering
11 and accounting system is in place.

12 2. Notwithstanding any provision of law to the contrary,
13 beginning on January 1, 2026, all motor fuels and alternative
14 fuels, including, but not limited to, gasoline, diesel fuel,
15 electricity, hydrogen, propane, compressed natural gas, and
16 liquified natural gas, shall be taxed at substantially the
17 equivalent rate. The department of agriculture, in cooperation
18 with the department of revenue, shall where necessary promulgate
19 a rule on or before December 31, 2023, to implement the
20 provisions of this subsection. Any rule or portion of a rule, as
21 that term is defined in section 536.010 that is created under the
22 authority delegated in this section shall become effective only
23 if it complies with and is subject to all of the provisions of
24 chapter 536, and, if applicable, section 536.028. This section
25 and chapter 536 are nonseverable and if any of the powers vested
26 with the general assembly pursuant to chapter 536, to review, to
27 delay the effective date, or to disapprove and annul a rule are
28 subsequently held unconstitutional, then the grant of rulemaking

1 authority and any rule proposed or adopted after August 28, 2018,
2 shall be invalid and void.

3 3. All taxes, surcharges and fees are imposed upon the
4 ultimate consumer, but are to be precollected as described in
5 this chapter, for the facility and convenience of the consumer.
6 The levy and assessment on other persons as specified in this
7 chapter shall be as agents of this state for the precollection of
8 the tax.

9 4. In order to ensure that the revenues generated by this
10 section are used for their designated purposes, the state auditor
11 shall biennially audit such funds and provide a report to the
12 general assembly. Such report may be included as part of an
13 audit of a department or agency receiving such funds.

14 143.121. 1. The Missouri adjusted gross income of a
15 resident individual shall be the taxpayer's federal adjusted
16 gross income subject to the modifications in this section.

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

19 (1) The amount of any federal income tax refund received
20 for a prior year which resulted in a Missouri income tax benefit;

21 (2) Interest on certain governmental obligations excluded
22 from federal gross income by Section 103 of the Internal Revenue
23 Code (26 U.S.C. Section 103, as amended). The previous sentence
24 shall not apply to interest on obligations of the state of
25 Missouri or any of its political subdivisions or authorities and
26 shall not apply to the interest described in subdivision (1) of
27 subsection 3 of this section. The amount added pursuant to this
28 subdivision shall be reduced by the amounts applicable to such

1 interest that would have been deductible in computing the taxable
2 income of the taxpayer except only for the application of Section
3 265 of the Internal Revenue Code (26 U.S.C. Section 265, as
4 amended). The reduction shall only be made if it is at least
5 five hundred dollars;

6 (3) The amount of any deduction that is included in the
7 computation of federal taxable income pursuant to Section 168 of
8 the Internal Revenue Code (26 U.S.C. Section 168) as amended by
9 the Job Creation and Worker Assistance Act of 2002 to the extent
10 the amount deducted relates to property purchased on or after
11 July 1, 2002, but before July 1, 2003, and to the extent the
12 amount deducted exceeds the amount that would have been
13 deductible pursuant to Section 168 of the Internal Revenue Code
14 of 1986 (26 U.S.C. Section 168) as in effect on January 1, 2002;

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

1 than twenty years from the year of the initial loss; and

2 (5) For nonresident individuals in all taxable years ending
3 on or after December 31, 2006, the amount of any property taxes
4 paid to another state or a political subdivision of another state
5 for which a deduction was allowed on such nonresident's federal
6 return in the taxable year unless such state, political
7 subdivision of a state, or the District of Columbia allows a
8 subtraction from income for property taxes paid to this state for
9 purposes of calculating income for the income tax for such state,
10 political subdivision of a state, or the District of Columbia.

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

14 (1) Interest or dividends on obligations of the United
15 States and its territories and possessions or of any authority,
16 commission or instrumentality of the United States to the extent
17 exempt from Missouri income taxes pursuant to the laws of the
18 United States. The amount subtracted pursuant to this
19 subdivision shall be reduced by any interest on indebtedness
20 incurred to carry the described obligations or securities and by
21 any expenses incurred in the production of interest or dividend
22 income described in this subdivision. The reduction in the
23 previous sentence shall only apply to the extent that such
24 expenses including amortizable bond premiums are deducted in
25 determining the taxpayer's federal adjusted gross income or
26 included in the taxpayer's Missouri itemized deduction. The
27 reduction shall only be made if the expenses total at least five
28 hundred dollars;

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

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

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

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

21 (6) The portion of capital gain specified in section
22 135.357 that would otherwise be included in federal adjusted
23 gross income;

24 (7) The amount that would have been deducted in the
25 computation of federal taxable income pursuant to Section 168 of
26 the Internal Revenue Code (26 U.S.C. Section 168) as in effect on
27 January 1, 2002, to the extent that amount relates to property
28 purchased on or after July 1, 2002, but before July 1, 2003, and

1 to the extent that amount exceeds the amount actually deducted
2 pursuant to Section 168 of the Internal Revenue Code (26 U.S.C.
3 Section 168) as amended by the Job Creation and Worker Assistance
4 Act of 2002;

5 (8) For all tax years beginning on or after January 1,
6 2005, the amount of any income received for military service
7 while the taxpayer serves in a combat zone which is included in
8 federal adjusted gross income and not otherwise excluded
9 therefrom. As used in this section, "combat zone" means any area
10 which the President of the United States by Executive Order
11 designates as an area in which Armed Forces of the United States
12 are or have engaged in combat. Service is performed in a combat
13 zone only if performed on or after the date designated by the
14 President by Executive Order as the date of the commencing of
15 combat activities in such zone, and on or before the date
16 designated by the President by Executive Order as the date of the
17 termination of combatant activities in such zone;

18 (9) For all tax years ending on or after July 1, 2002, with
19 respect to qualified property that is sold or otherwise disposed
20 of during a taxable year by a taxpayer and for which an
21 additional modification was made under subdivision (3) of
22 subsection 2 of this section, the amount by which additional
23 modification made under subdivision (3) of subsection 2 of this
24 section on qualified property has not been recovered through the
25 additional subtractions provided in subdivision (7) of this
26 subsection; and

27 (10) For all tax years beginning on or after January 1,
28 2014, the amount of any income received as payment from any

1 program which provides compensation to agricultural producers who
2 have suffered a loss as the result of a disaster or emergency,
3 including the:

4 (a) Livestock Forage Disaster Program;

5 (b) Livestock Indemnity Program;

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

8 (d) Emergency Conservation Program;

9 (e) Noninsured Crop Disaster Assistance Program;

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

11 (g) Annual Forage Pilot Program;

12 (h) Livestock Risk Protection Insurance Plan; and

13 (i) Livestock Gross Margin insurance plan.

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

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

20 6. In addition to the modifications to a taxpayer's federal
21 adjusted gross income in this section, to calculate Missouri
22 adjusted gross income there shall be subtracted from the
23 taxpayer's federal adjusted gross income any gain recognized
24 pursuant to Section 1033 of the Internal Revenue Code of 1986 (26
25 U.S.C. Section 1033), as amended, arising from compulsory or
26 involuntary conversion of property as a result of condemnation or
27 the imminence thereof.

28 7. (1) As used in this subsection, "qualified health

1 insurance premium" means the amount paid during the tax year by
2 such taxpayer for any insurance policy primarily providing health
3 care coverage for the taxpayer, the taxpayer's spouse, or the
4 taxpayer's dependents.

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

12 8. (1) Beginning January 1, 2014, in addition to the
13 subtractions provided in this section, one hundred percent of the
14 cost incurred by a taxpayer for a home energy audit conducted by
15 an entity certified by the department of natural resources under
16 section 640.153 or the implementation of any energy efficiency
17 recommendations made in such an audit shall be subtracted from
18 the taxpayer's federal adjusted gross income to the extent the
19 amount paid for any such activity is included in federal taxable
20 income. The taxpayer shall provide the department of revenue
21 with a summary of any recommendations made in a qualified home
22 energy audit, the name and certification number of the qualified
23 home energy auditor who conducted the audit, and proof of the
24 amount paid for any activities under this subsection for which a
25 deduction is claimed. The taxpayer shall also provide a copy of
26 the summary of any recommendations made in a qualified home
27 energy audit to the department of natural resources.

28 (2) At no time shall a deduction claimed under this

1 subsection by an individual taxpayer or taxpayers filing combined
2 returns exceed one thousand dollars per year for individual
3 taxpayers or cumulatively exceed two thousand dollars per year
4 for taxpayers filing combined returns.

5 (3) Any deduction claimed under this subsection shall be
6 claimed for the tax year in which the qualified home energy audit
7 was conducted or in which the implementation of the energy
8 efficiency recommendations occurred. If implementation of the
9 energy efficiency recommendations occurred during more than one
10 year, the deduction may be claimed in more than one year, subject
11 to the limitations provided under subdivision (2) of this
12 subsection.

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

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

21 10. Gross income shall not include the value of any prize
22 or award won by a taxpayer in athletic competition in the
23 Olympic, Paralympic, or Special Olympic Games. This subsection
24 shall be known and may be cited as the "Olympic Dream Freedom
25 Act".

26 226.145. 1. (1) There is hereby created in the state
27 treasury the "Emergency State Freight Bottleneck Fund", which
28 shall consist of moneys appropriated by the general assembly.

1 The state treasurer shall be custodian of the fund. In
2 accordance with sections 30.170 and 30.180, the state treasurer
3 may approve disbursements. The fund shall be a dedicated fund
4 and money in the fund shall be used solely to finance eligible
5 projects under this section.

6 (2) Notwithstanding the provisions of section 33.080 to the
7 contrary, any moneys remaining in the fund at the end of the
8 biennium shall not revert to the credit of the general revenue
9 fund.

10 (3) The state treasurer shall invest moneys in the fund in
11 the same manner as other funds are invested. Any interest and
12 moneys earned on such investments shall be credited to the fund.

13 2. Projects eligible for financing under this section
14 shall:

15 (1) Be a major road improvement with an estimated
16 construction cost of fifty million dollars or more;

17 (2) Be an improvement needed to eliminate a bottleneck, a
18 twenty minute delay or more during peak hours, that impacts the
19 distribution of goods and on-time delivery of freight;

20 (3) Be an improvement needed to reduce fatal and disabling
21 motor vehicle crashes within an area designated as a safe travel
22 zone by the department of transportation;

23 (4) Be an improvement listed on the 2014 state freight
24 plan; and

25 (5) Be slated to receive not less than thirty-five percent
26 of the funds required for project completion from sources other
27 than the state road fund or general revenue.

28 3. If in any given fiscal year there are insufficient funds

1 in the emergency state freight bottleneck fund to finance all
2 eligible projects under this section, such eligible projects
3 shall be rank ordered and given priority based on the Missouri
4 state infra-grant application criteria published by the
5 department of transportation.

6 Section B. This act is hereby submitted to the qualified
7 voters of this state for approval or rejection at an election
8 which is hereby ordered and which shall be held and conducted on
9 Tuesday next following the first Monday in November, 2018,
10 pursuant to the laws and constitutional provisions of this state
11 for the submission of referendum measures by the general
12 assembly, and this act shall become effective when approved by a
13 majority of the votes cast thereon at such election and not
14 otherwise.

15 Section C. Pursuant to chapter 116, and other applicable
16 constitutional provisions and laws of this state allowing the
17 general assembly to adopt ballot language for the submission of
18 referendum measures to the voters of this state, the official
19 summary statement of the act proposed in section A of this act
20 shall be as follows:

21 "Shall Missouri law be amended to fund Missouri state
22 law enforcement by increasing the motor fuel tax by two
23 and one half cents per gallon annually for four years
24 beginning July 1, 2019, exempt Special Olympic,
25 Paralympic, and Olympic prizes from state taxes, and to
26 establish the Emergency State Freight Bottleneck Fund?"

27 Section D. Pursuant to chapter 116, and other applicable
28 constitutional provisions and laws of this state allowing the

1 general assembly to adopt ballot language for the submission of
2 referendum measures to the voters of this state, the official
3 fiscal note summary of the act proposed in section A of this act
4 shall be as follows:

5 "If passed, this measure will generate at least \$288
6 million annually to the State Road Fund to provide for
7 the funding of Missouri state law enforcement and \$123
8 million annually to local governments for road
9 construction and maintenance."