

SECOND REGULAR SESSION

HOUSE BILL NO. 1338

100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE KELLEY (127).

3052H.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 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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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 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]~~ **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 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]~~ **under** 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

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 the amount deducted exceeds the amount that would have been deductible ~~[pursuant to]~~ **under**
19 26 U.S.C. Section 168 ~~[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]~~ **under** this subdivision after June 18, 2002, may be
28 carried forward and taken against any income on the Missouri income tax return for a period of
29 not more than twenty years from the year of the initial loss; and

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

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

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

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

54 determining the taxpayer's federal adjusted gross income or included in the taxpayer's Missouri
55 itemized deduction. The reduction shall only be made if the expenses total at least five hundred
56 dollars;

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

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

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

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

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

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

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

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

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

98 (a) Livestock Forage Disaster Program;

99 (b) Livestock Indemnity Program;

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

101 (d) Emergency Conservation Program;

102 (e) Noninsured Crop Disaster Assistance Program;

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

104 (g) Annual Forage Pilot Program;

105 (h) Livestock Risk Protection Insurance Plan; and

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

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

113 **(12) For all tax years beginning on or after January 1, 2021, one hundred percent**
114 **of all unreimbursed educator expenses incurred by an eligible educator during the tax**
115 **year, not to exceed five hundred dollars. As used in this subdivision, the following terms**
116 **shall mean:**

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

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

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

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

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

130 7. (1) As used in this subsection, "qualified health insurance premium" means the
131 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
132 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

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

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

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

158 (4) A deduction shall not be claimed for any otherwise eligible activity under this
159 subsection if such activity qualified for and received any rebate or other incentive through a

160 state-sponsored energy program or through an electric corporation, gas corporation, electric
161 cooperative, or municipally owned utility.

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

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