

SECOND REGULAR SESSION
SENATE COMMITTEE SUBSTITUTE FOR

SENATE BILL NO. 583

100TH GENERAL ASSEMBLY

Reported from the Committee on Ways and Means, February 20, 2020, with recommendation that the Senate Committee Substitute do pass.

3823S.02C

ADRIANE D. CROUSE, Secretary.

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Section A. Section 143.121, RSMo, is repealed and one new section
2 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
2 shall be the taxpayer's federal adjusted gross income subject to the modifications
3 in this section.

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

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

7 (2) Interest on certain governmental obligations excluded from federal
8 gross income by 26 U.S.C. Section 103 of the Internal Revenue Code, as
9 amended. The previous sentence shall not apply to interest on obligations of the
10 state of Missouri or any of its political subdivisions or authorities and shall not
11 apply to the interest described in subdivision (1) of subsection 3 of this
12 section. The amount added pursuant to this subdivision shall be reduced by the
13 amounts applicable to such interest that would have been deductible in
14 computing the taxable income of the taxpayer except only for the application of
15 26 U.S.C. Section 265 of the Internal Revenue Code, as amended. The reduction
16 shall only be made if it is at least five hundred dollars;

17 (3) The amount of any deduction that is included in the computation of
18 federal taxable income pursuant to 26 U.S.C. Section 168 of the Internal Revenue

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

19 Code as amended by the Job Creation and Worker Assistance Act of 2002 to the
20 extent the amount deducted relates to property purchased on or after July 1,
21 2002, but before July 1, 2003, and to the extent the amount deducted exceeds the
22 amount that would have been deductible pursuant to 26 U.S.C. Section 168 of the
23 Internal Revenue Code of 1986 as in effect on January 1, 2002;

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

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

44 (6) For all tax years beginning on or after January 1, 2018, any interest
45 expense paid or accrued in a previous taxable year, but allowed as a deduction
46 under 26 U.S.C. Section 163, as amended, in the current taxable year by reason
47 of the carryforward of disallowed business interest provisions of 26 U.S.C. Section
48 163(j), as amended. For the purposes of this subdivision, an interest expense is
49 considered paid or accrued only in the first taxable year the deduction would have
50 been allowable under 26 U.S.C. Section 163, as amended, if the limitation under
51 26 U.S.C. Section 163(j), as amended, did not exist.

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

55 (1) Interest received on deposits held at a federal reserve bank or interest
56 or dividends on obligations of the United States and its territories and
57 possessions or of any authority, commission or instrumentality of the United
58 States to the extent exempt from Missouri income taxes pursuant to the laws of
59 the United States. The amount subtracted pursuant to this subdivision shall be
60 reduced by any interest on indebtedness incurred to carry the described
61 obligations or securities and by any expenses incurred in the production of
62 interest or dividend income described in this subdivision. The reduction in the
63 previous sentence shall only apply to the extent that such expenses including
64 amortizable bond premiums are deducted in determining the taxpayer's federal
65 adjusted gross income or included in the taxpayer's Missouri itemized
66 deduction. The reduction shall only be made if the expenses total at least five
67 hundred dollars;

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

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

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

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

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

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

91 Section 168 of the Internal Revenue Code as amended by the Job Creation and
92 Worker Assistance Act of 2002;

93 (8) For all tax years beginning on or after January 1, 2005, the amount
94 of any income received for military service while the taxpayer serves in a combat
95 zone which is included in federal adjusted gross income and not otherwise
96 excluded therefrom. As used in this section, "combat zone" means any area which
97 the President of the United States by Executive Order designates as an area in
98 which Armed Forces of the United States are or have engaged in combat. Service
99 is performed in a combat zone only if performed on or after the date designated
100 by the President by Executive Order as the date of the commencing of combat
101 activities in such zone, and on or before the date designated by the President by
102 Executive Order as the date of the termination of combatant activities in such
103 zone;

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

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

- 115 (a) Livestock Forage Disaster Program;
- 116 (b) Livestock Indemnity Program;
- 117 (c) Emergency Assistance for Livestock, Honeybees, and Farm-Raised
118 Fish;
- 119 (d) Emergency Conservation Program;
- 120 (e) Noninsured Crop Disaster Assistance Program;
- 121 (f) Pasture, Rangeland, Forage Pilot Insurance Program;
- 122 (g) Annual Forage Pilot Program;
- 123 (h) Livestock Risk Protection Insurance Plan; and
- 124 (i) Livestock Gross Margin Insurance Plan; [and]

125 (11) For all tax years beginning on or after January 1, 2018, any interest
126 expense paid or accrued in the current taxable year, but not deducted as a result

127 of the limitation imposed under 26 U.S.C. Section 163(j), as amended. For the
128 purposes of this subdivision, an interest expense is considered paid or accrued
129 only in the first taxable year the deduction would have been allowable under 26
130 U.S.C. Section 163, as amended, if the limitation under 26 U.S.C. Section 163(j),
131 as amended, did not exist; **and**

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

136 **(a) "Educator expenses", expenses incurred by an eligible**
137 **educator that qualify for a federal deduction under 26 U.S.C. Section**
138 **62, as amended;**

139 **(b) "Eligible educator", an eligible educator as defined under 26**
140 **U.S.C. Section 62, as amended, or a teacher in an early childhood**
141 **education program.**

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

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

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

153 7. (1) As used in this subsection, "qualified health insurance premium"
154 means the amount paid during the tax year by such taxpayer for any insurance
155 policy primarily providing health care coverage for the taxpayer, the taxpayer's
156 spouse, or the taxpayer's dependents.

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

163 8. (1) Beginning January 1, 2014, in addition to the subtractions provided
164 in this section, one hundred percent of the cost incurred by a taxpayer for a home
165 energy audit conducted by an entity certified by the department of natural
166 resources under section 640.153 or the implementation of any energy efficiency
167 recommendations made in such an audit shall be subtracted from the taxpayer's
168 federal adjusted gross income to the extent the amount paid for any such activity
169 is included in federal taxable income. The taxpayer shall provide the department
170 of revenue with a summary of any recommendations made in a qualified home
171 energy audit, the name and certification number of the qualified home energy
172 auditor who conducted the audit, and proof of the amount paid for any activities
173 under this subsection for which a deduction is claimed. The taxpayer shall also
174 provide a copy of the summary of any recommendations made in a qualified home
175 energy audit to the department of natural resources.

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

180 (3) Any deduction claimed under this subsection shall be claimed for the
181 tax year in which the qualified home energy audit was conducted or in which the
182 implementation of the energy efficiency recommendations occurred. If
183 implementation of the energy efficiency recommendations occurred during more
184 than one year, the deduction may be claimed in more than one year, subject to the
185 limitations provided under subdivision (2) of this subsection.

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

190 9. The provisions of subsection 8 of this section shall expire on December
191 31, 2020.

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