

FIRST REGULAR SESSION

HOUSE BILL NO. 815

98TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE ROWDEN.

0750H.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To amend chapter 143, RSMo, by adding thereto one new section relating to a tax deduction for roll-over investments.

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

Section A. Chapter 143, RSMo, is amended by adding thereto one new section, to be
2 known as section 143.175, to read as follows:

143.175. 1. As used in this section, the following terms shall mean:

2 **(1) "Deduction", an amount subtracted from the taxpayer's Missouri adjusted**
3 **gross income to determine Missouri taxable income for the tax year in which such**
4 **deduction is claimed;**

5 **(2) "Invest" or "investment", utilization of money in the expectation of future**
6 **returns in the form of income or capital gain;**

7 **(3) "Qualified business", an independently owned and operated business as defined**
8 **in Title 15 U.S.C. Section 632(a) and as described by Title 13 CFR Part 121, having ten**
9 **employees or fewer and located in Missouri;**

10 **(4) "Taxpayer", an individual, firm, a partner in a firm, corporation, partnership,**
11 **shareholder in an S corporation, or member of a limited liability company subject to the**
12 **income tax imposed under chapter 143, excluding withholding tax imposed by sections**
13 **143.191 to 143.265.**

14 **2. For all tax years beginning on or after January 1, 2016, in addition to all other**
15 **modifications allowed by law, a taxpayer shall be allowed a deduction from the taxpayer's**
16 **federal adjusted gross income when determining Missouri adjusted gross income in an**
17 **amount equal to any capital gains derived from investments of five hundred dollars or**

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 more, not to exceed one million dollars, in qualified businesses to the extent such capital
19 gains are included in federal adjusted gross income and subject to the restrictions provided
20 under this section. The provisions of this section shall not apply to any capital gains that
21 are subtracted under subdivisions (2) or (6) of subsection 3 of section 143.121.

22 3. A taxpayer shall only claim a deduction under this section if at the time of
23 investment:

24 (1) In the case of an individual taxpayer, the taxpayer:

25 (a) Is a Missouri resident;

26 (b) Does not have an existing financial or ownership interest in the qualified
27 business;

28 (c) Does not have a relative within the second degree of consanguinity or affinity
29 to any employee of the qualified business; and

30 (d) Is not a current or former employee of the qualified business; or

31 (2) If the taxpayer is a firm, corporation, or partnership:

32 (a) No partner, shareholder, officer, or member is a relative within the second
33 degree of consanguinity or affinity to any employee of the qualified business;

34 (b) No partner, shareholder, officer, or member is a current or former employee
35 of the qualified business; and

36 (c) The firm, corporation, or partnership is located primarily in Missouri.

37 4. Any deduction amount claimed under the provisions of this section shall be
38 reinvested in another qualified business within eighteen months from the date the
39 deduction was claimed. Any taxpayer who fails to reinvest within the eighteen-month
40 period shall immediately submit payment to the state general revenue fund an amount
41 equal to the deduction claimed less any amount reinvested within the eighteen-month
42 period, increased by an additional amount that shall provide the state a reasonable rate of
43 return.

44 5. The department of economic development shall track and verify the eligibility
45 for all investments and claims made under this section.

46 6. The departments of revenue and economic development may promulgate rules
47 and regulations for the administration of this section. Any rule or portion of a rule, as that
48 term is defined in section 536.010, that is created under the authority delegated in this
49 section shall become effective only if it complies with and is subject to all of the provisions
50 of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are
51 nonseverable, and if any of the powers vested with the general assembly pursuant to
52 chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are

53 **subsequently held unconstitutional, then the grant of rulemaking authority and any rule**
54 **proposed or adopted after August 28, 2015, shall be invalid and void.**

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