FIRST REGULAR SESSION

HOUSE BILL NO. 741

91ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES LEVIN, MOORE (Co-sponsors), FROELKER,
BARTELSMEYER, BOUCHER, MERIDETH AND NORDWALD.

Read 1st time February 12, 2001, and 1000 copies ordered printed.

TED WEDEL, Chief Clerk

1361L.01I

AN ACT

To repeal section 143.121, RSMo 2000, relating to income taxation, and to enact in lieu thereof one new section relating to the same subject, with an effective date.

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

Section A. Section 143.121, RSMo 2000, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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 **[**his**]** **such person's** federal adjusted gross income subject to the modifications in this section.

2. There shall be added to **[**his**]** **such person's** federal adjusted gross income:

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

(b) Interest on certain governmental obligations excluded from federal gross income by section 103 of the Internal Revenue Code. 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 (a) of subsection 3 of this section. The amount added **[**under**]** **pursuant to** this paragraph 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 section 265 of the Internal Revenue Code. The reduction shall only be made if it is at least five hundred dollars.

3. There shall be subtracted from **[**his**]** **such person's** federal adjusted gross income the following amounts to the extent included in federal adjusted gross income:

(a) Interest or dividends on obligations of the United States and its territories and

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

possessions or of any authority, commission or instrumentality of the United States to the extent exempt from Missouri income taxes [under] **pursuant to** the laws of the United States. The amount subtracted [under] **pursuant to** this paragraph shall be reduced by any interest on indebtedness incurred to carry the described obligations or securities and by any expenses incurred in the production of interest or dividend income described in this paragraph. The reduction in the previous sentence shall only apply to the extent that such expenses including amortizable bond premiums are deducted in determining his federal adjusted gross income or included in [his] **such person's** Missouri itemized deduction. The reduction shall only be made if the expenses total at least five hundred dollars;

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

(c) The amount necessary to prevent the taxation [under] **pursuant to** sections 143.011 to 143.996 of any annuity or other amount of income or gain which was properly included in income or gain and was taxed [under] **pursuant to** the laws of Missouri for a taxable year prior to January 1, 1973, to the taxpayer, or to a decedent by reason of whose death the taxpayer acquired the right to receive the income or gain, or to a trust or estate from which the taxpayer received the income or gain;

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

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

(f) The portion of capital gain specified in [subsection 3 of] section 135.357, RSMo, that would otherwise be included in federal adjusted gross income[.]**;**

(g) An amount equal to one hundred percent of the amount paid by the taxpayer during the taxable year for custodial care and durable medical equipment not compensated for by insurance or otherwise, to the extent such amount is included in federal adjusted gross income and is not allowed as a credit pursuant to the Internal Revenue Code or six thousand dollars, whichever is less.

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

5. There shall be added to or subtracted from [his] federal adjusted gross income the modifications provided in section 143.411.

Section B. Section A of this act shall become effective on January 1, 2002, and shall apply to all taxable years beginning after December 31, 2001.