

FIRST REGULAR SESSION

HOUSE BILL NO. 514

92ND GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES COOPER (120), STEVENSON, SUTHERLAND, GOODMAN,
SMITH (118) AND YATES (Co-sponsors).

Read 1st time February 19, 2003, and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

1211L.021

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to income taxation.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

2. There shall be added to [his] **the taxpayer'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;

(c) The amount of any deduction that is included in the computation of federal taxable income [under] **pursuant to** Section 168 of the Internal Revenue Code as amended by the Job

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

16 Creation and Worker Assistance Act of 2002 to the extent the amount deducted relates to
17 property purchased on or after July 1, 2002, but before July 1, 2003, and to the extent the amount
18 deducted exceeds the amount that would have been deductible [under] **pursuant to** Section 168
19 of the Internal Revenue Code of 1986 as in effect on January 1, 2002; and

20 (d) The amount of any deduction that is included in the computation of federal taxable
21 income for net operating loss allowed by Section 172 of the Internal Revenue Code of 1986, as
22 amended, [except for any deduction] **other than the deduction allowed by Section**
23 **172(b)(1)(G) and Section 172(i) of the Internal Revenue Code of 1986, as amended,** for a
24 net operating loss the taxpayer claims in the tax year in which the net operating loss occurred or
25 carries forward for a period [not to exceed] **of more than** twenty years and carries backward for
26 [not] more than two years. **Any amount of net operating loss taken against federal income**
27 **taxes but disallowed against Missouri income taxes pursuant to this paragraph since July**
28 **1, 2002, may be carried forward and taken against any loss on the Missouri income tax**
29 **return for a period of not more than twenty years from the year of the initial loss.**

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

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

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

47 (c) The amount necessary to prevent the taxation [under sections 143.011 to 143.996]
48 **pursuant to chapter 143** of any annuity or other amount of income or gain which was properly
49 included in income or gain and was taxed [under] **pursuant to** the laws of Missouri for a taxable
50 year prior to January 1, 1973, to the taxpayer, or to a decedent by reason of whose death the
51 taxpayer acquired the right to receive the income or gain, or to a trust or estate from which the

52 taxpayer received the income or gain;

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

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

57 (f) The portion of capital gain specified in [subsection 3 of section 144.747] **section**
58 **135.357**, RSMo, that would otherwise be included in federal adjusted gross income; and

59 (g) The amount that would have been deducted in the computation of federal taxable
60 income [under] **pursuant to** Section 168 of the Internal Revenue Code as in effect on January
61 1, 2002, to the extent that amount relates to property purchased on or after July 1, 2002, but
62 before July 1, 2003, and to the extent that amount exceeds the amount actually deducted [under]
63 **pursuant to** Section 168 of the Internal Revenue Code as amended by the Job Creation and
64 Worker Assistance Act of 2002.

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

67 5. There shall be added to or subtracted from [his] **the taxpayer's** federal adjusted gross
68 income the modifications provided in section 143.411.