

FIRST REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 364
94TH GENERAL ASSEMBLY

Reported from the Committee on Ways and Means February 28, 2007 with recommendation that House Committee Substitute for House Bill No. 364 Do Pass. Referred to the Committee on Rules pursuant to Rule 25(21)(f).

D. ADAM CRUMBLISS, Chief Clerk

0714L.03C

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to Missouri adjusted gross income calculations.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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:

(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 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;

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.

14 (c) The amount of any deduction that is included in the computation of federal taxable
15 income pursuant to Section 168 of the Internal Revenue Code as amended by the Job Creation
16 and Worker Assistance Act of 2002 to the extent the amount deducted relates to property
17 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 pursuant to Section 168 of the
19 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, other than the deduction allowed by Section 172(b)(1)(G) and Section 172(i) of the
23 Internal Revenue Code of 1986, as amended, for a net operating loss the taxpayer claims in the
24 tax year in which the net operating loss occurred or carries forward for a period of more than
25 twenty years and carries backward for more than two years. Any amount of net operating loss
26 taken against federal taxable income but disallowed for Missouri income tax purposes pursuant
27 to this paragraph after June 18, 2002, may be carried forward and taken against any income on
28 the Missouri income tax return for a period of not more than twenty years from the year of the
29 initial loss.

30 3. There shall be subtracted from 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 pursuant to the laws of the United States. The amount
35 subtracted pursuant to this paragraph shall be reduced by any interest on indebtedness incurred
36 to carry the described obligations or securities and by any expenses incurred in the production
37 of interest or dividend income described in this paragraph. The reduction in the previous
38 sentence shall only apply to the extent that such expenses including amortizable bond premiums
39 are deducted in determining the taxpayer's federal adjusted gross income or included in the
40 taxpayer's Missouri itemized deduction. The reduction shall only be made if the expenses total
41 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 pursuant to this chapter of any annuity
48 or other amount of income or gain which was properly included in income or gain and was taxed
49 pursuant to the laws of Missouri for a taxable year prior to January 1, 1973, to the taxpayer, or

50 to a decedent by reason of whose death the taxpayer acquired the right to receive the income or
51 gain, or to a trust or estate from which the taxpayer received the income or gain;

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

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

56 (f) The portion of capital gain specified in section 135.357, RSMo, that would otherwise
57 be included in federal adjusted gross income;

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

64 (h) For all tax years beginning on or after January 1, 2005, the amount of any income
65 received for military service while the taxpayer serves in a combat zone which is included in
66 federal adjusted gross income and not otherwise excluded therefrom. As used in this section,
67 "combat zone" means any area which the President of the United States by Executive Order
68 designates as an area in which armed forces of the United States are or have engaged in combat.
69 Service is performed in a combat zone only if performed on or after the date designated by the
70 President by Executive Order as the date of the commencing of combat activities in such zone,
71 and on or before the date designated by the President by Executive Order as the date of the
72 termination of combatant activities in such zone; and

73 (i) For all tax years ending on or after July 1, 2002, with respect to qualified property that
74 is sold or otherwise disposed of during a taxable year by a taxpayer and for which an addition
75 modification was made under paragraph (c) of subsection 2 of this section, the amount by which
76 addition modification made under paragraph (c) of subsection 2 of this section on qualified
77 property has not been recovered through the additional subtractions provided in paragraph (g)
78 of this subsection.

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

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

83 6. In addition to the modifications to a taxpayer's federal adjusted gross income in this
84 section, to calculate Missouri adjusted gross income there shall be subtracted from the taxpayer's
85 federal adjusted gross income any gain recognized pursuant to Section 1033 of the Internal

86 Revenue Code of 1986, as amended, arising from compulsory or involuntary conversion of
87 property as a result of condemnation or the imminence thereof.

88 **7. (1) As used in this subsection, "qualified health insurance premium" means the**
89 **amount paid during the tax year by such taxpayer for any insurance policy primarily**
90 **providing health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's**
91 **dependents.**

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

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