

SECOND REGULAR SESSION

[PERFECTED]

HOUSE BILL NO. 1661

94TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES LeVOTA (Sponsor), JETTON, TALBOY, SILVEY, SKAGGS,
PRATT, HUGHES, COOPER (120) AND SCAVUZZO (Co-sponsors).

Read 1st time January 15, 2008 and copies ordered printed.

Read 2nd time January 16, 2008 and referred to the Special Committee on Tax Reform January 24, 2008.

Reported from the Special Committee on Tax Reform January 29, 2008 with recommendation that the bill Do Pass. Referred to the Committee on Rules pursuant to Rule 25(21)(f).

Reported from the Committee on Rules January 31, 2008 with recommendation that the bill Do Pass, with no time limit for debate on Perfection.

Taken up for Perfection February 6, 2008. Bill ordered Perfected and printed.

D. ADAM CRUMBLISS, Chief Clerk

3325L.02P

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to state taxable 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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu
2 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
2 taxpayer's federal adjusted gross income subject to the modifications in this section.

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

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

6 (b) Interest on certain governmental obligations excluded from federal gross income by
7 Section 103 of the Internal Revenue Code. The previous sentence shall not apply to interest on
8 obligations of the state of Missouri or any of its political subdivisions or authorities and shall not

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.

9 apply to the interest described in subdivision (a) of subsection 3 of this section. The amount
10 added pursuant to this paragraph shall be reduced by the amounts applicable to such interest that
11 would have been deductible in computing the taxable income of the taxpayer except only for the
12 application of Section 265 of the Internal Revenue Code. The reduction shall only be made if
13 it is at least five hundred dollars;

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;

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; and

30 (e) For nonresident individuals in all taxable years ending on or after December 31,
31 2006, the amount of any property taxes paid to another state or a political subdivision of another
32 state for which a deduction was allowed on such nonresident's federal return in the taxable year
33 **unless such state, political subdivision of another state, or the District of Columbia allows**
34 **a subtraction from income for property taxes paid to this state for purposes of calculating**
35 **income for the income tax for such state, political subdivision of another state, or the**
36 **District of Columbia.**

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

39 (a) Interest or dividends on obligations of the United States and its territories and
40 possessions or of any authority, commission or instrumentality of the United States to the extent
41 exempt from Missouri income taxes pursuant to the laws of the United States. The amount
42 subtracted pursuant to this paragraph shall be reduced by any interest on indebtedness incurred
43 to carry the described obligations or securities and by any expenses incurred in the production
44 of interest or dividend income described in this paragraph. The reduction in the previous

45 sentence shall only apply to the extent that such expenses including amortizable bond premiums
46 are deducted in determining the taxpayer's federal adjusted gross income or included in the
47 taxpayer's Missouri itemized deduction. The reduction shall only be made if the expenses total
48 at least five hundred dollars;

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

54 (c) The amount necessary to prevent the taxation pursuant to this chapter of any annuity
55 or other amount of income or gain which was properly included in income or gain and was taxed
56 pursuant to the laws of Missouri for a taxable year prior to January 1, 1973, to the taxpayer, or
57 to a decedent by reason of whose death the taxpayer acquired the right to receive the income or
58 gain, or to a trust or estate from which the taxpayer received the income or gain;

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

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

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

65 (g) The amount that would have been deducted in the computation of federal taxable
66 income pursuant to Section 168 of the Internal Revenue Code as in effect on January 1, 2002,
67 to the extent that amount relates to property purchased on or after July 1, 2002, but before July
68 1, 2003, and to the extent that amount exceeds the amount actually deducted pursuant to Section
69 168 of the Internal Revenue Code as amended by the Job Creation and Worker Assistance Act
70 of 2002;

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

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

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

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

90 6. In addition to the modifications to a taxpayer's federal adjusted gross income in this
91 section, to calculate Missouri adjusted gross income there shall be subtracted from the taxpayer's
92 federal adjusted gross income any gain recognized pursuant to Section 1033 of the Internal
93 Revenue Code of 1986, as amended, arising from compulsory or involuntary conversion of
94 property as a result of condemnation or the imminence thereof.

95 7. (1) As used in this subsection, "qualified health insurance premium" means the
96 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
97 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

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