

SECOND REGULAR SESSION

# SENATE BILL NO. 658

90TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR CHILDERS.

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3014S.011

TERRY L. SPIELER, Secretary.

## AN ACT

To repeal sections 143.121 and 143.141, RSMo 1994, relating to taxation, and to enact in lieu thereof two new sections relating to the same subject.

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

Section A. Sections 143.121 and 143.141, RSMo 1994, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.121 and 143.141, to read as follows:

143.121. 1. The Missouri adjusted gross income of a resident individual shall be his federal adjusted gross income subject to the modifications in this section.

2. There shall be added to his 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 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 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 the laws of the United States. The amount subtracted under 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 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 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 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 1] **section 135.357, RSMo**, that would otherwise be included in federal adjusted gross income;

**(g) For all tax years beginning on or after January 1, 2001, the amount of taxes imposed by section 3101 of the Internal Revenue Code, relating to the tax on employees under the Federal Insurance Contributions Act, not to exceed six thousand dollars per taxpayer, to the extent that such taxes are not otherwise deducted from the taxpayer's federal adjusted gross income under the Internal Revenue Code, as amended.**

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.

143.141. If federal taxable income of a resident individual is determined by itemizing deductions from his federal adjusted gross income, he may elect to deduct his Missouri itemized deduction in lieu of his Missouri standard deduction. The Missouri itemized deduction of a resident individual means the allowable federal itemized deductions which consist of allowable

federal deductions other than those allowable in arriving at federal adjusted gross income and other than the federal deductions for personal and dependency exemptions, with the following modifications:

(1) Reduced by the proportional amount thereof representing the tax imposed by sections 143.011 to 143.998;

(2) Reduced by the proportional amount thereof representing any income taxes imposed by another state of the United States or a political subdivision thereof or the District of Columbia;

(3) Increased by the fair market value of a literary, musical, scholarly, or artistic composition contributed to any tax exempt agency or institution which is operated on a not for profit basis by any taxpayer whose personal efforts created such composition less the amount deducted from federal adjusted gross income attributable to such contribution. The fair market value of such literary, musical, scholarly or artistic composition shall be determined by written appraisal of the property by a person qualified to make such an appraisal other than the taxpayer, the donee, or any "related taxpayer" within the meaning of such term as defined by sections 267(b) and 1313(c) of the Internal Revenue Code, as amended. The appraisal shall be made within one year of the date of the donation and attached to the taxpayer's income tax return;

(4) Increased to the extent not otherwise deductible, by the taxes for the same taxable year for which the return is being filed that are imposed by the following provisions of the Internal Revenue Code:

(a) **For all tax years beginning before January 1, 2001**, section 3101, relating to the tax on employees under the Federal Insurance Contributions Act **unless and to the extent such tax is subtracted from federal adjusted gross income pursuant to section 143.121 for that taxable year**;

(b) Sections 3201 and 3211, relating to the taxes on railroad employees and railroad employee representatives under the Railroad Retirement Tax Act;

(c) Section 1401, relating to tax on self-employment income, to the extent that such taxes were not deducted in the computation of the taxpayer's federal adjusted gross income under the Internal Revenue Code of 1986, as amended.

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