

FIRST REGULAR SESSION

# SENATE BILL NO. 609

94TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR CALLAHAN.

Read 1st time February 27, 2007, and ordered printed.

TERRY L. SPIELER, Secretary.

2252S.021

## AN ACT

To amend chapter 143, RSMo, by adding thereto one new section relating to an income tax exemption for Social Security benefits.

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

Section A. Chapter 143, RSMo, is amended by adding thereto one new section, 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;

(c) The amount of any deduction that is included in the computation of federal taxable income pursuant to Section 168 of the Internal Revenue Code as amended by the Job Creation and Worker Assistance Act of 2002 to the extent the amount deducted relates to property purchased on or after July 1, 2002, but

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

20 before July 1, 2003, and to the extent the amount deducted exceeds the amount  
21 that would have been deductible pursuant to Section 168 of the Internal Revenue  
22 Code of 1986 as in effect on January 1, 2002; and

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

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

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

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

55 (c) The amount necessary to prevent the taxation pursuant to this chapter

56 of any annuity or other amount of income or gain which was properly included in  
57 income or gain and was taxed pursuant to the laws of Missouri for a taxable year  
58 prior to January 1, 1973, to the taxpayer, or to a decedent by reason of whose  
59 death the taxpayer acquired the right to receive the income or gain, or to a trust  
60 or estate from which the taxpayer received the income or gain;

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

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

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

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

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

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

92           **(j) For all tax years beginning on or after January 1, 2007, for**  
93 **any individual taxpayer with federal adjusted gross income equal to or**  
94 **less than seventy thousand dollars, or any taxpayers filing combined**  
95 **returns with combined federal adjusted gross income equal to or less**  
96 **than one hundred thousand dollars, one hundred percent of the amount**  
97 **of any Social Security benefits included in federal adjusted gross**  
98 **income by a taxpayer under Section 86 of the Internal Revenue**  
99 **Code. For purposes of this section, the term "Social Security benefits"**  
100 **shall mean any Social Security benefits, Social Security disability**  
101 **benefits, or benefits received by the taxpayer from a public retirement**  
102 **system or any other retirement system if such taxpayer is not subject**  
103 **to full Social Security coverage as a result of participation in the public**  
104 **retirement system or other retirement system.**

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

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

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

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