

SECOND REGULAR SESSION
[TRULY AGREED TO AND FINALLY PASSED]
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 1440
93RD GENERAL ASSEMBLY

3878S.03T

2006

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof two new sections relating to Missouri income tax.

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

Section A. Section 143.121, RSMo, is repealed and two new sections enacted in lieu thereof, to be known as sections 143.121 and 143.1007, to read as follows: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

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.

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 [taxes] but disallowed [against] **for** Missouri income
27 [taxes] **tax purposes** pursuant to this paragraph [since July 1,] **after June 18, 2002**, may be
28 carried forward and taken against any [loss] **income** on the Missouri income tax return for a
29 period of not more than twenty years from the year of the 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; [and]

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**
74 **property that is sold or otherwise disposed of during a taxable year by a taxpayer and for**
75 **which an addition modification was made under paragraph (c) of subsection 2 of this**
76 **section, the amount by which addition modification made under paragraph (c) of**
77 **subsection 2 of this section on qualified property has not been recovered through the**
78 **additional subtractions provided in paragraph (g) 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.

143.1007. 1. For all tax years beginning on or after January 1, 2006, each
2 **individual or corporation entitled to a tax refund in an amount sufficient to make an**
3 **irrevocable designation under this section may designate that any amount, on a single or**
4 **a combined return, of the refund due be credited to the Missouri public services health**
5 **fund established in section 192.900, RSMo. The director of revenue shall establish a**

6 method that allows the contribution designations authorized by this section to be indicated
7 on the first page of each income tax return form provided by this state. The method may
8 allow for a separate instruction list for the tax return that lists each authorized
9 contribution designation. If any individual or corporation which is not entitled to a tax
10 refund in an amount sufficient to make a designation under this section wishes to make a
11 contribution to the fund, such individual or corporation may, by separate check, draft, or
12 other negotiable instrument, send in with the payment of taxes, or may send in separately,
13 that amount, clearly designated for the fund, and the department of revenue shall forward
14 such amount to the state treasurer for deposit to the designated fund as provided in this
15 section.

16 2. The director of revenue shall transfer at least monthly all contributions
17 designated by individuals under this section to the state treasurer for deposit to the
18 designated fund.

19 3. The director of revenue shall transfer at least monthly all contributions
20 designated by corporations under this section, less one percent of the amount in the fund
21 at the time of the transfer for the cost of collection and handling by the department of
22 revenue, to be deposited in the state's general revenue fund, to the state treasurer for
23 deposit to the designated fund.

24 4. A contribution designated under this section shall only be transferred and
25 deposited in the designated fund after all other claims against the refund from which such
26 contribution is to be made have been satisfied.

27 5. The moneys transferred and deposited under this section shall be administered
28 by the department of health and senior services, and shall be used solely for the following
29 purposes:

30 (1) To provide information on cervical cancer, early detection, testing, and
31 prevention to the public and healthcare providers in this state;

32 (2) To collect statistical information on cervical cancer, including but not limited
33 to age, ethnicity, region, and socioeconomic status of women in this state; and

34 (3) To provide services and funding for early detection, testing, and prevention of
35 cervical cancer.

36 6. Not more than twenty percent of the moneys collected under this section shall be
37 used for the costs of administering this section. Not more than thirty percent of the moneys
38 collected under this section shall be used for the purposes listed in subdivision (1) of
39 subsection 5 of this section. Not more than fifty percent of the moneys collected under this
40 section shall be used for the purposes listed in subdivision (3) of subsection 5 of this section.

41 **7. The directors of revenue and the department of health and senior services are**
42 **authorized to promulgate rules and regulations necessary to administer and enforce this**
43 **section. Any rule or portion of a rule, as that term is defined in section 536.010, RSMo,**
44 **that is created under the authority delegated in this section shall become effective only if**
45 **it complies with and is subject to all of the provisions of chapter 536, RSMo, and, if**
46 **applicable, section 536.028, RSMo. This section and chapter 536, RSMo, are nonseverable**
47 **and if any of the powers vested with the general assembly pursuant to chapter 536, RSMo,**
48 **to review, to delay the effective date, or to disapprove and annul a rule are subsequently**
49 **held unconstitutional, then the grant of rulemaking authority and any rule proposed or**
50 **adopted after August 28, 2006, shall be invalid and void.**

51 **8. The director of the department of health and senior services shall determine no**
52 **later than January 31, 2010, whether moneys sufficient to carry out the provisions of this**
53 **section have been transferred and deposited under this section. Upon a determination that**
54 **insufficient moneys have been transferred and deposited under this section, this section**
55 **shall expire on February 1, 2010, and any moneys remaining in the fund established in this**
56 **section shall be used solely for existing cancer programs administered by the department**
57 **of health and senior services. The director shall notify the revisor of statutes upon such**
58 **determination that this section has expired.**

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