

FIRST REGULAR SESSION

HOUSE BILL NO. 708

95TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE TRACY.

1349L.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal section 143.121, RSMo, and to enact in lieu thereof one new section relating to an income tax exemption for MO HealthNet reimbursements.

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Section A. Section 143.121, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.121, to read as follows: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

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

(2) 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 (1) of subsection 3 of this section. The amount added pursuant to this subdivision 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) 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 before July 1, 2003, and to the extent the amount

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.

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 (4) 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 subdivision 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 (5) 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 a state, or the District of Columbia allows a subtraction
34 from income for property taxes paid to this state for purposes of calculating income for the
35 income tax for such state, political subdivision of a state, or the District of Columbia.

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

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

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

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

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

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

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

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

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

79 (9) For all tax years ending on or after July 1, 2002, with respect to qualified property
80 that is sold or otherwise disposed of during a taxable year by a taxpayer and for which an
81 addition modification was made under subdivision (3) of subsection 2 of this section, the amount
82 by which addition modification made under subdivision (3) of subsection 2 of this section on
83 qualified property has not been recovered through the additional subtractions provided in
84 subdivision (7) of this subsection.

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

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

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

94 7. (1) As used in this subsection, "qualified health insurance premium" means the
95 amount paid during the tax year by such taxpayer for any insurance policy primarily providing
96 health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents.

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

102 8. (1) Beginning January 1, 2009, in addition to the subtractions provided in this section,
103 one hundred percent of the cost incurred by a taxpayer for a home energy audit conducted by an
104 entity certified by the department of natural resources under section 640.153, RSMo, or the
105 implementation of any energy efficiency recommendations made in such an audit shall be
106 subtracted from the taxpayer's federal adjusted gross income to the extent the amount paid for
107 any such activity is included in federal taxable income. The taxpayer shall provide the
108 department of revenue with a summary of any recommendations made in a qualified home
109 energy audit, the name and certification number of the qualified home energy auditor who
110 conducted the audit, and proof of the amount paid for any activities under this subsection for
111 which a deduction is claimed. The taxpayer shall also provide a copy of the summary of any
112 recommendations made in a qualified home energy audit to the department of natural resources.

113 (2) At no time shall a deduction claimed under this subsection by an individual taxpayer
114 or taxpayers filing combined returns exceed one thousand dollars per year or cumulatively
115 exceed two thousand dollars per taxpayer or taxpayers filing combined returns.

116 (3) Any deduction claimed under this subsection shall be claimed for the tax year in
117 which the qualified home energy audit was conducted or in which the implementation of the
118 energy efficiency recommendations occurred. If implementation of the energy efficiency
119 recommendations occurred during more than one year, the deduction may be claimed in more
120 than one year, subject to the limitations provided under subdivision (2) of this subsection.

121 (4) A deduction shall not be claimed for any otherwise eligible activity under this
122 subsection if such activity qualified for and received any rebate or other incentive through a
123 state-sponsored energy program or through an electric corporation, gas corporation, electric
124 cooperative, or municipally owned utility.

125 9. The provisions of subsection 8 of this section shall expire on December 31, 2013.

126 **10. (1) As used in this subsection, "reimbursed MO HealthNet expenses" shall**
127 **mean reimbursements received under the provisions of the MO HealthNet program**
128 **created under chapter 208, RSMo, for services actually rendered by a taxpayer who either**
129 **is a physician licensed under the provisions of chapter 334, RSMo, or is licensed under the**
130 **provisions of chapters 332 or 335, RSMo, to provide health care in this state.**

131 **(2) In addition to the modifications to a taxpayer's federal adjusted gross income**
132 **in this section, to calculate Missouri adjusted gross income there shall be subtracted from**
133 **the taxpayer's federal adjusted gross income any reimbursed MO HealthNet expenses to**
134 **the extent such expenses are included in federal adjusted gross income.**

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