

FIRST REGULAR SESSION
[TRULY AGREED TO AND FINALLY PASSED]
SENATE SUBSTITUTE NO. 2 FOR
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR

**HOUSE BILL NOS. 444, 217, 225, 239,
243, 297, 402 & 172**

94TH GENERAL ASSEMBLY

0761S.11T

2007

AN ACT

To repeal sections 143.121, 143.124, and 143.431, RSMo, and to enact in lieu thereof five new sections relating to income taxation.

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

Section A. Sections 143.121, 143.124, and 143.431, RSMo, are repealed and five new
2 sections enacted in lieu thereof, to be known as sections 143.121, 143.124, 143.125, 143.431,
3 and 143.1008, 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
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

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.

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; [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 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**
32 **another state for which a deduction was allowed on such nonresident's federal return in**
33 **the taxable year.**

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

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

46 (b) The portion of any gain, from the sale or other disposition of property having a higher
47 adjusted basis to the taxpayer for Missouri income tax purposes than for federal income tax

48 purposes on December 31, 1972, that does not exceed such difference in basis. If a gain is
49 considered a long-term capital gain for federal income tax purposes, the modification shall be
50 limited to one-half of such portion of the gain;

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

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

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

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

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

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

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

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

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

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

92 **7. (1) As used in this subsection, "qualified health insurance premium" means the**
93 **amount paid during the tax year by such taxpayer for any insurance policy primarily**
94 **providing health care coverage for the taxpayer, the taxpayer's spouse, or the taxpayer's**
95 **dependents.**

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

143.124. 1. Other provisions of law to the contrary notwithstanding, **for tax years**
2 **ending on or before December 31, 2006**, the total amount of all annuities, pensions, or
3 retirement allowances above the amount of six thousand dollars annually provided by any law
4 of this state, the United States, or any other state to any person except as provided in subsection
5 4 of this section, shall be subject to tax pursuant to the provisions of this chapter, in the same
6 manner, to the same extent and under the same conditions as any other taxable income received
7 by the person receiving it. For purposes of this section, annuity, pension, or retirement allowance
8 shall be defined as an annuity, pension or retirement allowance provided by the United States,
9 this state, any other state or any political subdivision or agency or institution of this or any other
10 state. For all tax years beginning on or after January 1, 1998, for purposes of this section,
11 annuity, pension or retirement allowance shall be defined to include 401(k) plans, deferred
12 compensation plans, self-employed retirement plans, also known as Keogh plans, annuities from
13 a defined pension plan and individual retirement arrangements, also known as IRAs, as described
14 in the Internal Revenue Code, but not including Roth IRAs, as well as an annuity, pension or
15 retirement allowance provided by the United States, this state, any other state or any political
16 subdivision or agency or institution of this or any other state. An individual taxpayer shall only
17 be allowed a maximum deduction [of six thousand dollars pursuant to this section. Taxpayers
18 filing combined returns shall only be allowed a maximum deduction of six thousand dollars]

19 **equal to the amounts provided under this section** for each taxpayer on the combined return.

20 2. For the period beginning July 1, 1989, and ending December 31, 1989, there shall be
21 subtracted from Missouri adjusted gross income for that period, determined pursuant to section
22 143.121, the first three thousand dollars of retirement benefits received by each taxpayer:

23 (1) If the taxpayer's filing status is single, head of household or qualifying widow(er) and
24 the taxpayer's Missouri adjusted gross income is less than twelve thousand five hundred dollars;
25 or

26 (2) If the taxpayer's filing status is married filing combined and their combined Missouri
27 adjusted gross income is less than sixteen thousand dollars; or

28 (3) If the taxpayer's filing status is married filing separately and the taxpayer's Missouri
29 adjusted gross income is less than eight thousand dollars.

30 3. For the tax years beginning on or after January 1, 1990, **but ending on or before**
31 **December 31, 2006**, there shall be subtracted from Missouri adjusted gross income, determined
32 pursuant to section 143.121, a maximum of the first six thousand dollars of retirement benefits
33 received by each taxpayer from sources other than privately funded sources, and for tax years
34 beginning on or after January 1, 1998, there shall be subtracted from Missouri adjusted gross
35 income, determined pursuant to section 143.121, a maximum of the first one thousand dollars
36 of any retirement allowance received from any privately funded source for tax years beginning
37 on or after January 1, 1998, but before January 1, 1999, and a maximum of the first three
38 thousand dollars of any retirement allowance received from any privately funded source for tax
39 years beginning on or after January 1, 1999, but before January 1, 2000, and a maximum of the
40 first four thousand dollars of any retirement allowance received from any privately funded source
41 for tax years beginning on or after January 1, 2000, but before January 1, 2001, and a maximum
42 of the first five thousand dollars of any retirement allowance received from any privately funded
43 source for tax years beginning on or after January 1, 2001, but before January 1, 2002, and a
44 maximum of the first six thousand dollars of any retirement allowance received from any
45 privately funded sources for tax years beginning on or after January 1, 2002. A taxpayer shall
46 be entitled to the maximum exemption provided by this subsection:

47 (1) If the taxpayer's filing status is single, head of household or qualifying widow(er) and
48 the taxpayer's Missouri adjusted gross income is less than twenty-five thousand dollars; or

49 (2) If the taxpayer's filing status is married filing combined and their combined Missouri
50 adjusted gross income is less than thirty-two thousand dollars; or

51 (3) If the taxpayer's filing status is married filing separately and the taxpayer's Missouri
52 adjusted gross income is less than sixteen thousand dollars.

53 4. If a taxpayer's adjusted gross income exceeds the adjusted gross income ceiling for
54 such taxpayer's filing status, as provided in subdivisions (1), (2) and (3) of subsection 3 of this

55 section, such taxpayer shall be entitled to an exemption equal to the greater of zero or the
56 maximum exemption provided in subsection 3 of this section reduced by one dollar for every
57 dollar such taxpayer's income exceeds the ceiling for his or her filing status.

58 **5. For the tax year beginning on or after January 1, 2007, but ending on or before**
59 **December 31, 2007, for taxpayers sixty-two years of age and older there shall be subtracted**
60 **from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum**
61 **of an amount equal to the greater of: six thousand dollars in retirement benefits received**
62 **from sources other than privately funded sources, to the extent such benefits are included**
63 **in the taxpayer's federal adjusted gross income; or twenty percent of the retirement**
64 **benefits received from sources other than privately funded sources in the tax year, but not**
65 **to exceed the maximum Social Security benefit available for such tax year. For the tax year**
66 **beginning on or after January 1, 2008, but ending on or before December 31, 2008, for**
67 **taxpayers sixty-two years of age and older there shall be subtracted from Missouri**
68 **adjusted gross income, determined pursuant to section 143.121, a maximum of an amount**
69 **equal to the greater of: six thousand dollars in retirement benefits received from sources**
70 **other than privately funded sources, to the extent such benefits are included in the**
71 **taxpayer's federal adjusted gross income; or thirty-five percent of the retirement benefits**
72 **received from sources other than privately funded sources in the tax year, but not to exceed**
73 **the maximum Social Security benefit available for such tax year. For the tax year**
74 **beginning on or after January 1, 2009, but ending on or before December 31, 2009, for**
75 **taxpayers sixty-two years of age and older there shall be subtracted from Missouri**
76 **adjusted gross income, determined pursuant to section 143.121, a maximum of an amount**
77 **equal to the greater of: six thousand dollars in retirement benefits received from sources**
78 **other than privately funded sources, to the extent such benefits are included in the**
79 **taxpayer's federal adjusted gross income; or fifty percent of the retirement benefits**
80 **received from sources other than privately funded sources in the tax year, but not to exceed**
81 **the maximum Social Security benefit available for such tax year. For the tax year**
82 **beginning on or after January 1, 2010, but ending on or before December 31, 2010, for**
83 **taxpayers sixty-two years of age and older there shall be subtracted from Missouri**
84 **adjusted gross income, determined pursuant to section 143.121, a maximum of an amount**
85 **equal to the greater of: six thousand dollars in retirement benefits received from sources**
86 **other than privately funded sources, to the extent such benefits are included in the**
87 **taxpayer's federal adjusted gross income; or sixty-five percent of the retirement benefits**
88 **received from sources other than privately funded sources in the tax year, but not to exceed**
89 **the maximum Social Security benefit available for such tax year. For the tax year**
90 **beginning on or after January 1, 2011, but ending on or before December 31, 2011, for**

91 taxpayers sixty-two years of age and older there shall be subtracted from Missouri
92 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount
93 equal to the greater of: six thousand dollars in retirement benefits received from sources
94 other than privately funded sources, to the extent such benefits are included in the
95 taxpayer's federal adjusted gross income; or eighty percent of the retirement benefits
96 received from sources other than privately funded sources in the tax year, but not to exceed
97 the maximum Social Security benefit available for such tax year. For all tax years
98 beginning on or after January 1, 2012, for taxpayers sixty-two years of age and older there
99 shall be subtracted from Missouri adjusted gross income, determined pursuant to section
100 143.121, a maximum of an amount equal to one hundred percent of the retirement benefits
101 received from sources other than privately funded sources in the tax year, but not to exceed
102 the maximum Social Security benefit available for such tax year. A taxpayer shall be
103 entitled to the maximum exemption provided by this subsection:

104 (1) If the taxpayer's filing status is married filing combined, and their combined
105 Missouri adjusted gross income is equal to or less than one hundred thousand dollars; or

106 (2) If the taxpayer's filing status is single, head of household, qualifying widow(er),
107 or married filing separately, and the taxpayer's Missouri adjusted gross income is equal
108 to or less than eighty-five thousand dollars.

109 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income ceiling
110 for such taxpayer's filing status, as provided in subdivisions (1) and (2) of subsection 5 of
111 this section, such taxpayer shall be entitled to an exemption, less any applicable reduction
112 provided under subsection 7 of this section, equal to the greater of zero or the maximum
113 exemption provided in subsection 5 of this section reduced by one dollar for every dollar
114 such taxpayer's income exceeds the ceiling for his or her filing status.

115 7. For purposes of calculating the subtraction provided in subsection 5 of this
116 section, such subtraction shall be decreased by an amount equal to any Social Security
117 benefits received by the taxpayer which are not included in such taxpayer's Missouri
118 adjusted gross income.

119 8. For purposes of this section, any Social Security benefits otherwise included in
120 Missouri adjusted gross income shall be subtracted; but Social Security benefits shall not be
121 subtracted for purposes of other computations pursuant to this chapter, and are not to be
122 considered as retirement benefits for purposes of this section.

123 [6.] 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section shall
124 apply during all tax years in which the federal Internal Revenue Code provides exemption levels
125 for calculation of the taxability of Social Security benefits that are the same as the levels in
126 subdivisions (1) and (2) of subsection 3 of this section. If the exemption levels for the

127 calculation of the taxability of Social Security benefits are adjusted by applicable federal law or
128 regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
129 be accordingly adjusted to the same exemption levels.

130 [7.] **10.** The portion of a taxpayer's lump sum distribution from an annuity or other
131 retirement plan not otherwise included in Missouri adjusted gross income as calculated pursuant
132 to this chapter but subject to taxation under Internal Revenue Code Section 402 shall be taxed
133 in an amount equal to ten percent of the taxpayer's federal liability on such distribution for the
134 same tax year.

135 [8.] **11.** For purposes of this section, retirement benefits received shall not include any
136 withdrawals from qualified retirement plans which are subsequently rolled over into another
137 retirement plan.

138 [9.] **12.** The exemptions provided for in this section shall not affect the calculation of the
139 income to be used to determine the property tax credit provided in sections 135.010 to 135.035,
140 RSMo.

141 [10.] **13.** The exemptions provided for in this section shall apply to any annuity, pension,
142 or retirement allowance as defined in subsection 1 of this section to the extent that such amounts
143 are included in the taxpayer's federal adjusted gross income and not otherwise deducted from the
144 taxpayer's federal adjusted gross income in the calculation of Missouri taxable income. This
145 subsection shall not apply to any individual who qualifies under federal guidelines to be one
146 hundred percent disabled.

143.125. 1. As used in this section, the following terms mean:

2 (1) "Benefits", any Social Security benefits received by a taxpayer age sixty-two
3 years of age and older, or Social Security disability benefits;

4 (2) "Taxpayer", any resident individual.

5 **2. For the taxable year beginning on or after January 1, 2007, any taxpayer shall**
6 **be allowed to subtract from the taxpayer's Missouri adjusted gross income to determine**
7 **Missouri taxable income a maximum of an amount equal to twenty percent of the amount**
8 **of any benefits received by the taxpayer and that are included in federal adjusted gross**
9 **income under Section 86 of the Internal Revenue Code of 1986, as amended. For the**
10 **taxable year beginning on or after January 1, 2008, any taxpayer shall be allowed to**
11 **subtract from the taxpayer's Missouri adjusted gross income to determine Missouri taxable**
12 **income a maximum of an amount equal to thirty-five percent of the amount of any benefits**
13 **received by the taxpayer and that are included in federal adjusted gross income under**
14 **Section 86 of the Internal Revenue Code of 1986, as amended. For the taxable year**
15 **beginning on or after January 1, 2009, any taxpayer shall be allowed to subtract from the**
16 **taxpayer's Missouri adjusted gross income to determine Missouri taxable income a**

17 maximum of an amount equal to fifty percent of the amount of any benefits received by the
18 taxpayer and that are included in federal adjusted gross income under Section 86 of the
19 Internal Revenue Code of 1986, as amended. For the taxable year beginning on or after
20 January 1, 2010, any taxpayer shall be allowed to subtract from the taxpayer's Missouri
21 adjusted gross income to determine Missouri taxable income a maximum of an amount
22 equal to sixty-five percent of the amount of any benefits received by the taxpayer and that
23 are included in federal adjusted gross income under Section 86 of the Internal Revenue
24 Code of 1986, as amended. For the taxable year beginning on or after January 1, 2011, any
25 taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted gross income
26 to determine Missouri taxable income a maximum of an amount equal to eighty percent
27 of the amount of any benefits received by the taxpayer and that are included in federal
28 adjusted gross income under Section 86 of the Internal Revenue Code of 1986, as amended.
29 For all taxable years beginning on or after January 1, 2012, any taxpayer shall be allowed
30 to subtract from the taxpayer's Missouri adjusted gross income to determine Missouri
31 taxable income a maximum of an amount equal to one hundred percent of the amount of
32 any benefits received by the taxpayer and that are included in federal adjusted gross
33 income under Section 86 of the Internal Revenue Code of 1986, as amended. A taxpayer
34 shall be entitled to the maximum exemption provided by this subsection:

35 (1) If the taxpayer's filing status is married filing combined, and their combined
36 Missouri adjusted gross income is equal to or less than one hundred thousand dollars; or

37 (2) If the taxpayer's filing status is single, head of household, qualifying widow(er),
38 or married filing separately, and the taxpayer's Missouri adjusted gross income is equal
39 to or less than eighty-five thousand dollars.

40 3. If a taxpayer's adjusted gross income exceeds the adjusted gross income ceiling
41 for such taxpayer's filing status, as provided in subdivisions (1) and (2) of subsection 2 of
42 this section, such taxpayer shall be entitled to an exemption equal to the greater of zero or
43 the maximum exemption provided in subsection 2 of this section reduced by one dollar for
44 every dollar such taxpayer's income exceeds the ceiling for his or her filing status.

45 4. The director of the department of revenue may promulgate rules to implement
46 the provisions of this section. Any rule or portion of a rule, as that term is defined in
47 section 536.010, RSMo, that is created under the authority delegated in this section shall
48 become effective only if it complies with and is subject to all of the provisions of chapter
49 536, RSMo, and, if applicable, section 536.028, RSMo. This section and chapter 536,
50 RSMo, are nonseverable and if any of the powers vested with the general assembly
51 pursuant to chapter 536, RSMo, to review, to delay the effective date, or to disapprove and
52 annul a rule are subsequently held unconstitutional, then the grant of rulemaking

53 **authority and any rule proposed or adopted after August 28, 2007, shall be invalid and**
54 **void.**

143.431. 1. The Missouri taxable income of a corporation taxable under sections
2 143.011 to 143.996 shall be so much of its federal taxable income for the taxable year, with the
3 modifications specified in subsections 2 to 4 of this section, as is derived from sources within
4 Missouri as provided in section 143.451. The tax of a corporation shall be computed on its
5 Missouri taxable income at the rates provided in section 143.071.

6 2. There shall be added to or subtracted from federal taxable income the modifications
7 to adjusted gross income provided in section 143.121, **with the exception of subdivision (e) of**
8 **subsection 2 of section 143.121**, and the applicable modifications to itemized deductions
9 provided in section 143.141. There shall be subtracted the federal income tax deduction
10 provided in section 143.171. There shall be subtracted, to the extent included in federal taxable
11 income, corporate dividends from sources within Missouri.

12 3. (1) If an affiliated group of corporations files a consolidated income tax return for the
13 taxable year for federal income tax purposes and fifty percent or more of its income is derived
14 from sources within this state as determined in accordance with section 143.451, then it may
15 elect to file a Missouri consolidated income tax return. The federal consolidated taxable income
16 of the electing affiliated group for the taxable year shall be its federal taxable income.

17 (2) So long as a federal consolidated income tax return is filed, an election made by an
18 affiliated group of corporations to file a Missouri consolidated income tax return may be
19 withdrawn or revoked only upon substantial change in the law or regulations adversely changing
20 tax liability under this chapter, or with permission of the director of revenue upon the showing
21 of good cause for such action. After such a withdrawal or revocation with respect to an affiliated
22 group, it may not file a Missouri consolidated income tax return for five years thereafter, except
23 with the approval of the director of revenue, and subject to such terms and conditions as he may
24 prescribe.

25 (3) No corporation which is part of an affiliated group of corporations filing a Missouri
26 consolidated income tax return shall be required to file a separate Missouri corporate income tax
27 return for the taxable year.

28 (4) For each taxable year an affiliated group of corporations filing a federal consolidated
29 income tax return does not file a Missouri consolidated income tax return, for purposes of
30 computing the Missouri income tax, the federal taxable income of each member of the affiliated
31 group shall be determined as if a separate federal income tax return had been filed by each such
32 member.

33 (5) The director of revenue may prescribe such regulations not inconsistent with the
34 provisions of this chapter as he may deem necessary in order that the tax liability of any affiliated

35 group of corporations making a Missouri consolidated income tax return, and of each corporation
36 in the group, before, during, and after the period of affiliation, may be returned, determined,
37 computed, assessed, collected, and adjusted, in such manner as clearly to reflect the Missouri
38 taxable income derived from sources within this state and in order to prevent avoidance of such
39 tax liability.

40 4. If a net operating loss deduction is allowed for the taxable year, there shall be added
41 to federal taxable income the amount of the net operating loss modification for each loss year
42 as to which a portion of the net operating loss deduction is attributable. As used in this
43 subsection, the following terms mean:

44 (1) "Loss year", the taxable year in which there occurs a federal net operating loss that
45 is carried back or carried forward in whole or in part to another taxable year;

46 (2) "Net addition modification", for any taxable year, the amount by which the sum of
47 all required additions to federal taxable income provided in this chapter, except for the net
48 operating loss modification, exceeds the combined sum of the amount of all required subtractions
49 from federal taxable income provided in this chapter;

50 (3) "Net operating loss deduction", a net operating loss deduction allowed for federal
51 income tax purposes under Section 172 of the Internal Revenue Code of 1986, as amended, or
52 a net operating loss deduction allowed for Missouri income tax purposes under paragraph (d) of
53 subsection 2 of section 143.121, but not including any net operating loss deduction that is
54 allowed for federal income tax purposes but disallowed for Missouri income tax purposes under
55 paragraph (d) of subsection 2 of section 143.121;

56 (4) "Net operating loss modification", an amount equal to the lesser of the amount of the
57 net operating loss deduction attributable to that loss year or the amount by which the total net
58 operating loss in the loss year is less than the sum of:

59 (a) The net addition modification for that loss year; and

60 (b) The cumulative net operating loss deductions attributable to that loss year allowed
61 for the taxable year and all prior taxable years.

62 5. For all tax years ending on or after July 1, 2002, federal taxable income may be a
63 positive or negative amount. Subsection 4 of this section shall be effective for all tax years with
64 a net operating loss deduction attributable to a loss year ending on or after July 1, 2002, and the
65 net operating loss modification shall only apply to loss years ending on or after July 1, 2002.

**143.1008. 1. In each taxable year beginning on or after January 1, 2008, each
2 individual or corporation entitled to a tax refund in an amount sufficient to make a
3 designation under this section may designate that one dollar or any amount in excess of one
4 dollar on a single return, and two dollars or any amount in excess of two dollars on a
5 combined return, of the refund due be credited to the after-school retreat reading and**

6 assessment grant program fund. The contribution designation authorized by this section
7 shall be clearly and unambiguously printed on the first page of each income tax return
8 form provided by this state. If any individual or corporation that is not entitled to a tax
9 refund in an amount sufficient to make a designation under this section wishes to make a
10 contribution to the after-school retreat reading and assessment grant program fund, such
11 individual or corporation may, by separate check, draft, or other negotiable instrument,
12 send in with the payment of taxes, or may send in separately, that amount, clearly
13 designated for the after-school retreat reading and assessment grant program fund, the
14 individual or corporation wishes to contribute. The department of revenue shall deposit
15 such amount to the after-school retreat reading and assessment grant program fund as
16 provided in subsection 2 of this section.

17 2. The director of revenue shall deposit at least monthly all contributions
18 designated by individuals under this section to the state treasurer for deposit to the after-
19 school retreat reading and assessment grant program fund. The fund shall be
20 administered by the department of elementary and secondary education with moneys in
21 the fund distributed as provided under section 167.680, RSMo.

22 3. The director of revenue shall deposit at least monthly all contributions
23 designated by the corporations under this section, less an amount sufficient to cover the
24 cost of collection, handling, and administration by the department of revenue during fiscal
25 year 2008, to the after-school retreat reading and assessment grant program fund.

26 4. A contribution designated under this section shall only be deposited in the after-
27 school retreat reading and assessment grant program fund after all other claims against
28 the refund from which such contribution is to be made have been satisfied.

29 5. Moneys deposited in the after-school retreat reading and assessment grant
30 program fund shall be distributed by the department of elementary and secondary
31 education in accordance with the provisions of this section and section 167.680, RSMo.

32 6. The state treasurer shall invest moneys in the fund in the same manner as other
33 funds are invested. Any interest and moneys earned on such investments shall be credited
34 to the fund.

35 7. Pursuant to section 23.253, RSMo, of the Missouri sunset act:

36 (1) The provisions of the new program authorized under this section shall
37 automatically sunset six years after August 28, 2007, unless reauthorized by an act of the
38 general assembly; and

39 (2) If such program is reauthorized, the program authorized under this section
40 shall automatically sunset twelve years after the effective date of the reauthorization of this
41 section; and

42 **(3) This section shall terminate on December thirty-first of the calendar year**
43 **immediately following the calendar year in which the program authorized under this**
44 **section is sunset.**

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