

# FORM MO-A

## Information to Complete Form MO-A

### PART 1 MISSOURI MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

Form MO-A, Part 1, computes Missouri modifications to federal adjusted gross income. Modifications on Lines 1, 2, and 3 **include income** that is exempt from federal tax, but taxable for state tax purposes. Modifications on Lines 5, 6, 7, 8, and 9 **exclude income** that is exempt from state tax, but taxable for federal tax purposes. If after reviewing the instructions for Part 1, you have no modifications, enter on Form MO-1040, Lines 3 and 5, the same amount(s) entered on Form MO-1040, Line 1.

#### LINE 1 — INTEREST ON STATE AND LOCAL OBLIGATIONS

If you received income from an obligation of a state or political subdivision **other than Missouri**, enter the amount of that income, reduced by the related expenses incurred (management fees, trustee fees, interest, etc.) if the expenses are more than \$500.

#### LINE 2 — PARTNERSHIP, FIDUCIARY, S CORPORATION, OTHER

Enter positive adjustments (additions) reported from partnerships, fiduciaries, S corporations, or other sources. The partnership, fiduciary, or S corporation must notify you of the amount of any such adjustment (addition) to which you are entitled. Check the boxes applicable on Line 2 and attach a copy of the notification received.

**Net Operating Loss — Carryback/Carryforward:** In the year of your net operating loss, enter on Form MO-A, Part 1, Line 2, as an addition modification, the amount of your eligible net operating loss to be carried back or carried forward from the loss year. Enter the sum of the current year's net operating loss (Federal Form 1045, Schedule A, Line 25) expressed as a positive number, plus any unused net operating losses from prior years (Federal Form 1045, Schedule A, Line 24). If your net operating loss carries forward from the carryback year, enter as an addition modification the unused portion of your net operating loss, as computed on Federal Form 1045, Schedule B, Line 10, or Federal Form 1045, Line 10. Please attach Federal Form 1045, Schedules A and B, and/or the calculation of your net operating loss carryback/carryforward.

**Non-medical Withdrawal from Individual Medical Account (IMA):** Any monies you withdraw from your Individual Medical Account (IMA) for non-medical purposes are taxable to Missouri. The interest earned on such monies is also taxable to Missouri. These taxable monies are reported on the statement provided by the administrator of the IMA.

**Non-qualified Withdrawal from Family Development Account:** The amount of annual deposits previously subtracted must be added to your federal adjusted gross income if the withdrawal from the account was not for a qualified use.

#### LINE 3 — MISSOURI SAVINGS FOR TUITION PROGRAM (MOST) AND/OR MISSOURI HIGHER EDUCATION DEPOSIT PROGRAM (529 PLAN)

Any distribution made by the Missouri Savings for Tuition Program (MOST) and/or 529 plan administered by the Missouri Higher Education Deposit Program, not used for qualified higher education expenses, must be added to the participant's (taxpayer who made contributions to the plan) federal adjusted gross income. Early distributions (distributions not held for the minimum time established by the Missouri Higher Education Savings Program board) must be added to the participant's federal adjusted gross income. The amount of the distribution that must be added includes contributions previously exempt from state tax and deductible earnings generated from the program (if the earnings are not already included in federal adjusted gross income). The participant is responsible for adding the nonqualified distribution amount to his/her federal adjusted gross income. If the participant is deceased, the beneficiary of the savings program must claim the nonqualified taxable distribution as an addition to federal adjusted gross income on the Missouri income tax return.

#### LINE 4 — TOTAL ADDITIONS

Add Lines 1 through 3. Enter the totals on Form MO-A, Part 1, Line 4 and on Form MO-1040, Line 2.

#### LINE 5 — INTEREST ON EXEMPT FEDERAL OBLIGATIONS

Interest from **direct obligations** of the U.S. Government, such as U.S. savings bonds, U.S. treasury bills, bonds, and notes is exempt from state taxation under the laws of the United States. **Attach a detailed list or all Federal Form 1099(s).** Taxpayers who claim exclusion for interest from direct U.S. obligations must identify the specific securities owned, e.g., "U.S. savings bond". A general description such as "interest on U.S. obligation" or "U.S. Government securities" **is not acceptable.** (See Regulation 12 CSR 10-2.150 for the taxability of various U.S. Government related obligations.) **Failure to identify the specific security will result in the disallowance of the deduction.**

A federally taxed distribution received from a mutual fund investing exclusively in direct U.S. Government obligations is exempt. If the mutual fund invests in both exempt (direct) and non-exempt (indirect) federal obligations, the deduction allowed will be the distribution received from the mutual fund attributable to the interest on the direct U.S. Government obligations, as determined by the mutual fund. **Attach a copy of the year-end statement** received from the mutual fund showing either the amount of monies received or the percentage of funds received from direct U.S. Government obligations, or a summary statement received from the mutual fund which clearly identifies the exempt and non-exempt portions of the U.S. Government obligation interest. The statement does not need to list each obligation separately. **Failure to attach the requested document will result in the disallowance of the deduction.**

To arrive at the amount of related expenses, you may use actual expenses or a reasonable estimate. In general, you should use the same or similar method used to compute related expenses for federal income tax purposes, provided that the method reasonably reflects related expenses for Missouri-exempt income.

If you fail to compute reasonable related expenses, the Director of Revenue will make an adjustment based on the best information made available. If sufficient information is not made available or if your records do not provide sufficient information, the Director of Revenue will use the following formula to compute related expenses:

$$\frac{\text{Exempt income}}{\text{Total income}} \times \text{Expense items} = \text{Reduction to exempt income}$$

The principal expense item in this formula is interest expense; however, the Director of Revenue may include other expense items because of their direct relationship to the production of exempt income. You may propose an alternative method provided that it properly reflects the amount of related expenses.

#### LINE 6 — STATE INCOME TAX REFUND

Enter the amount of any state income tax refund included in your federal adjusted gross income on Form MO-1040, Line 1 (from Federal Form 1040, Line 10). **Attach a copy of Federal Form 1040 (pages 1 and 2).**

#### LINE 7 — PARTNERSHIP, FIDUCIARY, S CORPORATION, RAILROAD RETIREMENT BENEFITS, OTHER

Enter negative adjustments (subtractions), reported from partnerships, fiduciaries, and S corporations. The partnership, fiduciary, and S corporation must notify you of the amount of any such adjustment (subtraction) to which you are entitled. Check the boxes applicable on Line 7 and attach a copy of the notification received. **Failure to attach a copy of the notification furnished to you will**

result in the disallowance of the modification.

**Railroad Retirement Benefits Administered by the Railroad Retirement Board**, such as all Tier I and Tier II benefits and any railroad retirement sick pay, disability, and unemployment benefits, included in federal adjusted gross income (Form MO-1040, Line 1), are exempt from state taxation.

If you have other sources of negative adjustments, indicate the source on the line provided. Other sources of negative adjustments may be:

1. **Contributions into a Missouri Individual Medical Account (IMA).** Contributions that were made by your employer into an Individual Medical Account (IMA) and used to pay your health care expenses are exempt from Missouri income tax. The interest income earned on the IMA account is also exempt from Missouri income tax. The IMA contribution is identified in Box 14 of your Form W-2, Wage and Tax Statement. Reduce the amount of contributions by the amount of medical and dental expenses deducted on Federal Form 1040, Schedule A, Line 4, but paid for by the IMA and included in Missouri itemized deductions.
2. **Additional Capital Gain Deduction Due to Difference in Basis.** If during the taxable year you realized a gain from the sale of property or other capital assets that had a higher tax basis for Missouri tax purposes than for federal tax purposes, you may exclude the gain or the difference in the basis of the property so disposed, whichever is smaller. If the gain was considered a long-term capital gain for federal income tax purposes, the exclusion is limited to the gain or 50 percent of the difference, whichever is smaller. No difference in basis can be claimed for any property obtained after December 31, 1972. If your basis for Missouri purposes is less than the basis for federal income tax purposes, no adjustment is required.
3. **Accumulation Distribution.** If during 2006, you received a distribution as beneficiary of a trust that was made from accumulated earnings of prior years and you filed Federal Form 4970, the amount may be excluded from Missouri income to the extent

that it was reported in your federal adjusted gross income.

4. **Capital Gain Exclusion on Sale of Low Income Housing.** If during 2006, you sold a federally subsidized (HUD) low income housing project to a nonprofit or governmental organization, and at least 40 percent of the units are occupied by persons or families having incomes of 60 percent or less of the median income, you may exclude 25 percent of the capital gain from Missouri tax. However, the buyer of the property must agree to preserve or increase the low income occupancy of the project. To use this exclusion, enter as "other" 25 percent of the capital gain reported on your Federal Form 1040. **Attach a copy of your Federal Form 1040 (pages 1 and 2), Federal Form 4797, and an explanation.**
5. **Family Development Account.** A family development account holder may subtract the amount of annual deposits made to the account (not to exceed \$2,000). Approved withdrawals from the family development account are also exempt from state tax. Interest earned by a family development account is exempt from state taxation and may be subtracted from an account holder's federal adjusted gross income. Any money withdrawn for an unapproved use is subject to tax. **Attach proper certification and a copy of your Form 1099.**
6. **Federally Taxable—Missouri Exempt Obligations.** The amount of any bond issued by the Missouri Higher Education Loan Authority (MOHELA) including interest or proceeds resulting from the sale of the bond is exempt from Missouri tax. If the amount is included in federal adjusted gross income, the amount can be subtracted for Missouri tax purposes pursuant to Section 173.440, RSMo.
7. **Military Income of Nonresident Military Personnel.** Enter the amount of any military income received by nonresident military personnel stationed in Missouri. The Civil Relief Act, H.R. 100, prohibits states from including the military income of a nonresident servicemember when determining the individual income tax rate for either the servicemember or the servicemember's spouse on a

combined return. Nonresident active duty military servicemembers who are required to file a 2006 Missouri return may subtract the military income received from their federal adjusted gross income.

**Attach a copy of the Form W-2 reporting your military income.**

8. **Combat Pay Included in Federal Adjusted Gross Income Earned by Military Personnel with a Missouri Home of Record.** The IRS allows enlisted members, warrant officers and commissioned warrant officers to exclude their military pay received while serving in a combat zone, or while hospitalized as a result of injuries incurred while serving in a combat zone. The exclusion of combat pay received by a commissioned officer (other than a commissioned warrant officer) is limited to the highest rate of enlisted pay. Subtract all military income received while serving in a combat zone, which is included in Federal Adjusted Gross Income (FAGI) and is not otherwise excluded. In most cases combat pay is not included in Box 1, Wages, of Form W-2 and therefore is not included in FAGI. However if Box 1 includes combat pay, the portion consisting of combat pay may be taken as a subtraction for Missouri purposes.

**EXAMPLE 1:** A resident of Missouri, is an enlisted member of the military. He enters a combat zone in July and is there through December. He earns \$12,000 January through June, and earns \$20,000 July through December. Box 1 of his Form W-2 should only indicate the \$12,000 he received prior to entering the combat zone. He is **not** entitled to a subtraction, as his combat pay is not included in his FAGI.

**EXAMPLE 2:** A resident of Missouri, is a high-ranking commissioned officer. He enters a combat zone in July and is there through December. He earns \$50,000 January through June, and earns \$70,000 July through December. The IRS limits his exclusion to \$40,000, causing Box 1 of his Form W-2 to indicate \$80,000. He is entitled to a subtraction of \$30,000, which represents the portion of Box 1

## FORM MO-NFT, No Franchise Tax Due

Form MO-NFT is only for **corporations**. Complete Form MO-NFT and attach to your individual income tax return (Form MO-1040) if your **corporation's** assets or apportioned assets are \$1,000,000 or less and no corporation franchise tax is due. **Note:** If a corporation fails or neglects to file a Missouri corporation franchise tax report pursuant to Chapter 147, the Director of Revenue will notify the secretary of state to begin administrative dissolution proceedings.

of Form W-2 attributable to combat pay that is included in his FAGI.

9. **Net Operating Loss:** Any amount of net operating loss taken against federal taxable income but disallowed for Missouri income tax purposes after June 18, 2002, (when choosing the five year option at the federal level) may be carried forward and taken against any income on the Missouri income tax return for a period of up to 20 years from the year of the initial loss. **Attach Federal Form 1045, Schedule A and B, and/or the calculation of your net operating loss carryback/carryforward.**
10. **Condemnation of Property:** If you included in your Federal Adjusted Gross Income any gain recognized pursuant to Section 1033 of the IRC, arising from compulsory or involuntary conversion of property as a result of condemnation or the imminence thereof, you may exclude that gain from Missouri tax. **Attach a copy of your Federal Form 1040, Schedule D, and Federal Form 4797.**

#### LINE 8 — EXEMPT CONTRIBUTIONS — MISSOURI SAVINGS FOR TUITION PROGRAM (MOST) AND/OR MISSOURI HIGHER EDUCATION DEPOSIT PROGRAM (529 PLAN)

The state of Missouri allows a subtraction from federal adjusted gross income for the amount of annual contributions made to the Missouri Savings for Tuition Program (MOST) and/or qualified 529 plan administered by the Missouri Higher Education Deposit Program. The maximum annual exempt contribution **per taxpayer** is \$8,000. The subtraction cannot result in a negative Missouri adjusted gross income for either taxpayer. If you are a participant claiming a subtraction for a contribution made to the savings program, you must **attach your statement provided by the program manager**. The statement must be in the name of the taxpayer claiming the subtraction.

#### LINE 9 — DEPRECIATION ADJUSTMENT

If you purchased an asset between July 1, 2002, and June 30, 2003, and you elected to use the 30 percent depreciation on your federal return, you may be able to subtract a portion of the depreciation. Enter the additional depreciation created by the Job Creation and Worker Assistance Act previously added back in prior years to the extent allowable by Missouri Law (RSMo, 143.121). This amount is computed by figuring the allowable depreciation prior to the Job Creation and Worker Assistance Act less the depreciation taken on your federal return. If you have previously taken an addition modification for a qualifying property, but have sold or disposed of the property during the taxable year, check the box on Line 9 and take a subtraction for the

amount not previously recovered. More information and examples can be found on the department's web site at [www.dor.mo.gov/tax](http://www.dor.mo.gov/tax).

#### LINE 10 — TOTAL SUBTRACTIONS

Add Lines 5, 6, 7, 8, and 9. Enter the total on Form MO-A, Part 1, Line 10 and on Form MO-1040, Line 4.

**Note:** Do not include income earned in other states on Line 10. Complete Form MO-NRI (Missouri Income Percentage) or Form MO-CR (Credit for Income Taxes Paid to Other States or Political Subdivisions). See Form MO-1040, Line 25 or Line 26.

## PART 2 MISSOURI ITEMIZED DEDUCTIONS

**You cannot itemize your Missouri deductions if you took the standard deduction on your federal return. See Page 4, Line 14.**

**You must itemize your Missouri deductions if you were required to itemize on your federal return.**

#### LINE 1 — FEDERAL ITEMIZED DEDUCTIONS

Include your total federal itemized deductions from Federal Form 1040, Line 40, and any **approved** cultural contributions (literary, musical, scholastic, or artistic) to a tax exempt agency or institution that is operated on a not-for-profit basis. **Cash contributions do not qualify.** Contact the Department of Revenue at (573) 751-3505 to determine if your contribution qualifies.

#### LINE 2 AND 3 — SOCIAL SECURITY TAX (FICA)

Social security tax is the amount in social security tax withheld box on your Form W-2(s). **This amount cannot exceed \$5,840.** Medicare is the amount in the Medicare tax withheld box on your Form W-2(s). Enter the total on Line 2. Repeat for **your spouse** and enter the total on Line 3.

#### LINE 4 AND 5 — RAILROAD RETIREMENT TAX

Include the amount of railroad retirement tax withheld from your wages, Tier I and Tier II, during 2006. **This amount cannot exceed \$8,916.** (Tier I maximum of \$5,840 and Tier II maximum of \$3,076.) Enter the total on Line 4. Repeat for **your spouse** and enter the total on Line 5.

**If you have both FICA and railroad retirement tax, the maximum deduction allowed is the amount withheld as shown on the Form W-2(s) less, either the amount entered on Federal Form 1040, Line 67, or, if only one employer, the amount refunded by the employer.**

#### LINE 6 — SELF-EMPLOYMENT TAX

Include as your self-employment tax the amount from Federal Form 1040, Line 27.

#### LINE 8 — STATE AND LOCAL INCOME TAXES

Include the amount of **income taxes** from Federal Form 1040, Schedule A, Line 5. Do not include general **sales taxes** on Line 8. The amount you paid in state **income taxes** included in your federal itemized deductions, must be subtracted to determine Missouri itemized deductions.

**If your federal adjusted gross income from Federal Form 1040, Line 37, is greater than \$150,500 (\$75,250 for married filing separate), skip Lines 8 and 9. Complete the Worksheet for Line 10 to determine the correct amount to subtract. If you do not complete the worksheet, your Missouri itemized deductions will be lower than they should be, and you will pay too much tax.**

For Lines 1 and 2 of the worksheet, you will need your Federal Itemized Deduction Worksheet found on page A-7 of the Federal Schedule A instructions.

#### LINE 9 — EARNINGS TAXES

If you entered an amount on Line 8 and you live or work in the Kansas City or St. Louis area, you may have included earnings taxes. Include on Line 9 the amount of earnings taxes withheld shown on Form W-2(s). See Diagram 1, Page 12, Box 19.

#### LINE 11 — TOTAL MISSOURI ITEMIZED DEDUCTIONS

If your total Missouri itemized deductions are less than your standard deduction (see Page 7, Line 14), you should take the standard deduction on Form MO-1040, Line 14, unless you were required to itemize your federal deductions.

## PART 3 PENSION EXEMPTION

#### LINE 2 — TAXABLE SOCIAL SECURITY

Include the taxable amount of your 2006 social security benefits. See below to locate your social security benefits on your federal return.

- Federal Form 1040A—Line 14b
- Federal Form 1040—Line 20b

#### LINE 6 — TAXABLE PENSION

Include the total amount of taxable pension received in 2006. See the following to determine the taxable amount on your federal return:

- Federal Form 1040A—Pension amount included on Lines 11b and 12b
- Federal Form 1040—Pension amount included on Lines 15b and 16b

**Do not include any payments from social security benefits or railroad retirement payments on this line. (Exception: If you are 100 percent disabled, you may consider railroad retirement as a taxable pension.)**



**LINE 7 — PENSION**

Each recipient's total pension exemption cannot exceed \$6,000. Enter the amount from Line 6Y or \$6,000, whichever is less. Repeat for Line 6S.

**LINE 9 — TOTAL PENSION EXEMPTION**

Your pension exemption must be reduced by the amount your income exceeds the income limitations. Your total pension exemption cannot exceed \$6,000 or \$12,000 if filing combined and both you and your spouse have pensions.

**Diagram 1: Form W-2**

<b>a</b> Control number		22222		OMB No. 1545-0008	
<b>b</b> Employer identification number (EIN)			<b>1</b> Wages, tips, other compensation	<b>2</b> Federal income tax withheld	
<b>c</b> Employer's name, address, and ZIP code			<b>3</b> Social security wages	<b>4</b> Social security tax withheld	
			<b>5</b> Medicare wages and tips	<b>6</b> Medicare tax withheld	
			<b>7</b> Social security tips	<b>8</b> Allocated tips	
<b>d</b> Employee's social security number			<b>9</b> Advance EIC payment	<b>10</b> Dependent care benefits	
<b>e</b> Employee's first name and initial      Last name      Suff.			<b>11</b> Nonqualified plans	<b>12a</b>	
			<b>13</b> Statutory employee      Retirement plan      Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>12b</b>	
			<b>14</b> Other	<b>12c</b>	
				<b>12d</b>	
<b>f</b> Employee's address and ZIP code					
<b>15</b> State	Employer's state ID number	<b>16</b> State wages, tips, etc.	<b>17</b> State income tax	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax
					<b>20</b> Locality name

**Form W-2 Wage and Tax Statement**  
Copy 1—For State, City, or Local Tax Department

**2006**

Department of the Treasury—Internal Revenue Service

Missouri Taxes Withheld

Earnings Tax