

1996 MISSOURI CORPORATION INCOME TAX GENERAL INSTRUCTIONS

THESE INSTRUCTIONS ARE FOR GUIDANCE ONLY AND DO NOT STATE THE COMPLETE LAW.

CORPORATIONS REQUIRED TO MAKE RETURNS:

Every corporation, as defined in Chapter 143, RSMo, is required to file a return of income in Missouri for each year it is required to file a federal income tax return and has gross income within Missouri of \$100 or more. The tax on corporations will not apply to:

- (1) A corporation which by reason of its purposes and activities is exempt from federal income tax. The preceding sentence shall not apply to unrelated business taxable income and other income on which Chapter 1 of the Internal Revenue Code imposes the federal income tax or any other tax measured by income;
- (2) An express company which pays an annual tax on its gross receipts in this state;
- (3) An insurance company which pays an annual tax on its gross premium receipts in this state;
- (4) A Missouri mutual or an extended Missouri mutual insurance company organized under Chapter 380, RSMo;
- (5) Any other corporation that is exempt from Missouri income taxation under the laws of Missouri or the laws of the United States; and
- (6) Any corporation filing a Federal Form 990, 990EZ or 990PF should NOT send a copy of the federal form to the Department of Revenue.

Corporations reporting taxable income on a federal return other than a Federal Form 1120 or 1120A (such as Federal Forms 1120POL, 1120H, 1120F, 1120REIT, 990T or 990C), shall attach a copy of the appropriate federal form and make the computations on Form MO-1120.

S corporation - An S corporation, as defined by Section 1361(a)(1) of the Internal Revenue Code, is not subject to income tax and is not required to file Form MO-1120. S corporations must file a Form MO-1120S if Federal Form 1120S is required to be filed and the S corporation has (1) a shareholder that is a Missouri resident or (2) any income derived from Missouri sources (Section 143.471, RSMo 1994).

MISSOURI REGISTRATION:

Every corporation and S corporation required to file a Missouri return of income must register with the Department of Revenue to receive a MITS/Missouri Tax Identification Number. To register, contact the DEPARTMENT OF REVENUE, TAX ADMINISTRATION BUREAU, P.O. BOX 3300, JEFFERSON CITY, MO 65105-3300 or phone (573) 751-5860.

TIME AND PLACE FOR FILING AND PAYMENT OF TAXES:

A corporation must file its income tax return along with all required information on or before the fifteenth day of the fourth month following the close of its taxable year and pay any tax due to the Missouri Director of Revenue. When the due date falls on a Saturday, Sunday or legal holiday, the return and payment will be considered timely if made on the next business day (Section 143.851, RSMo 1994). Installment payments may not be made (12 CSR 10-2.705). Include the MITS/Missouri Tax Identification Number on the check or money order.

Mail returns to the DEPARTMENT OF REVENUE, P.O. BOX 700, JEFFERSON CITY, MO 65105-0700.

CONSOLIDATED FEDERAL RETURN/SEPARATE MISSOURI RETURN:

A corporation which is a member of an affiliated group filing a consolidated federal income tax return shall (if no Missouri consolidated return is filed) determine its federal taxable income as if it had filed a separate federal income tax return for the year.

The corporation must attach to its Form MO-1120 a pro forma Federal Form 1120, together with all pertinent schedules, wherein its separate federal taxable income is computed. The first four pages of the actual consolidated federal income tax return and an income statement, or a summary of profit companies for the year, must be attached. The complete consolidated federal return may be required upon an audit of the Missouri return. The corporation's federal income tax deduction will be the amount from the consolidated Federal Form 1120, Schedule J, Line 10 plus Line 4a multiplied by the ratio of the individual profit company divided by the total profit companies of the corporation. This amount will be divided by two to arrive at the Missouri corporation return's federal income tax deduction. For further clarification, see 12 CSR 10-2.090. The computed federal income tax deduction must be divided by 2. See Form MO-1120, Part 3.

SUBSIDIARIES INCLUDED IN THE FILING OF THIS RETURN:

If the corporation is filing a consolidated Missouri return, attach a separate schedule which lists the names of the subsidiaries, Federal Employer Identification Numbers (FEIN), and MITS/ Missouri Tax Identification Numbers.

DECLARATION OF ESTIMATED TAX:

Every corporation subject to income tax in this state must make a declaration of its estimated tax for the taxable year on Form MO-1120ES, if its Missouri estimated tax can reasonably be expected to be at least \$250 (Section 143.521, RSMo 1994).

If an affiliated group of corporations files a Missouri consolidated income tax return for the taxable year, its Missouri estimated tax payments may be combined on Form MO-1120 (12 CSR 10-2.045(39)).

A corporation may amend its declaration on Form MO-1120ES.

Mail declaration of estimated tax payments to the DEPARTMENT OF REVENUE, P.O. BOX 3020, JEFFERSON CITY, MO 65105-3020.

Do not include your franchise tax payment.

EXTENSION OF TIME TO FILE AND PAY:

If a corporation has been granted an extension of time to file its federal income tax return, the time for filing the Missouri income tax return is automatically extended for a similar period of time. A copy of the Federal Extension, Form 7004, must be attached to the Form MO-1120 when filed.

If a corporation has been granted an extension of time to pay its federal income tax, the time for paying the Missouri income tax is automatically extended for a similar period of time. A copy of the federal extension of time to pay must be attached to the Form MO-1120 when filed.

An extension of time to file an income tax return does not extend the time for payment of the tax. The corporation must pay, on or before the original due date, the amount properly estimated as its tax for the taxable year. Submit this amount with Form MO-60 and mail to the DEPARTMENT OF REVENUE, P.O. BOX 3400, JEFFERSON CITY, MO 65105-3400.

Do not include your franchise tax payment.

If a corporation files a Form MO-60, it should attach a copy of the federal extension. To obtain a Form MO-60, call (800) 877-6881.

FILING AMENDED RETURNS:

If the corporation is filing an amended return for 1996, the corporation must use a 1996 Form MO-1120. Check Box H on Form MO-1120, Page 1 to indicate that it is an amended return. The corporation must complete the entire return using the corrected figures. If the corporation is filing an amended return for tax year 1992 and prior, the corporation must use Form MO-1120X. If the corporation is filing an amended return for tax year 1993 through 1996, the corporation must use Form MO-1120, for the corresponding year amended. (NOTE: Part 5 and 6 must be completed when applicable.)

A corporation must file an amended return within ninety days of filing an amended federal income tax return. The corporation must also file an amended return within 90 days after the final determination of changes made by the Internal Revenue Service (12 CSR 10-2.105 and Section 143.601, RSMo 1994). Attach a copy of the amended federal return with applicable schedules (e.g. Federal Revenue Agent's Report, Form 1139, Form 1120X) or, if the federal return was not amended, explain why the corporation is amending the Missouri return and accompany the explanation with applicable schedules. For Missouri forms, call (800) 877-6881.

ROUNDING ON MISSOURI RETURNS:

You must round all cents to the nearest whole dollar on your return. For cents .01 through .49, round down to the previous whole dollar amount. For cents .50 through .99, round up to the next whole dollar amount. For your convenience, we have already placed zeros in the cents columns on the return.

AMERICANS WITH DISABILITIES ACT (ADA):

The state of Missouri offers a Dual Party Relay Service (DPRS) for individuals with speech/hearing impairments. This service was implemented in accordance with the Americans with Disabilities Act (ADA). An individual with speech/hearing impairments may call a voice user at (800) 735-2966.

1996 MISSOURI CORPORATION INCOME TAX FORM MO-1120 LINE-BY-LINE INSTRUCTIONS

At the top of the return, check the appropriate box to indicate a calendar year or fiscal year. For a fiscal year or short year, fill in the blanks indicating the beginning and ending dates of the tax period. The corporation's accounting period and method for Missouri income tax purposes must be the same as for federal income tax purposes (12 CSR 10-2.030, 12 CSR 10-2.035 and Sections 143.271 and 143.281, RSMo 1994).

A. Consolidated Missouri Return

Check this box if filing a consolidated Missouri return. In order to file a consolidated Missouri return, the corporation must be part of a consolidated federal return and derive 50% or more of its income (for the first Consolidated Missouri Return) from sources within Missouri (12 CSR 10-2.045 and Section 143.431, RSMo 1994). Form MO-22 must be included for each member

of the consolidated group when filing the initial consolidated Form MO-1120 and for each new member added thereafter.

B. Consolidated Federal/Separate Missouri Return

Check this box if filing a consolidated federal return and a separate Missouri return. The following information must be included with the Form MO-1120: (1) pro forma Federal Form 1120 plus schedules, (2) consolidated Federal Form 1120, (3) consolidated Schedule J, and (4) income statement showing the income and loss of all corporations included in the consolidated group.

C. Final Return

Check this box if the corporation ceased doing business during the tax period for which this return is being filed.

D. Name and Address Change

Check this box if the corporation's name or address has changed since filing the previous Form MO-1120, Corporation Income Tax Return.

E. FEIN Change

Check this box if the corporation's FEIN (Federal Employer Identification Number) has changed since filing the previous Form MO-1120, Corporation Income Tax Return.

F. Bankruptcy

Check this box if the corporation has filed for bankruptcy since filing the previous Form MO-1120, Corporation Income Tax Return.

G. Initial Return

Check this box if this is the first Missouri return filed for the corporation.

H. Amended Return

Check this box if the corporation is filing an amended return for the 1996 tax year.

I. Limited Liability Company

Check this box if the limited liability company is being taxed as a corporation.

J. Filing Federal Form 990C/990T

Enter C in this box if the corporation filed Federal Form 990C. Per Section 143.511, RSMo 1994, the effective due date for entities filing Federal Form 990C is the same as the federal due date. For calendar year filers, this is September 15, 1997. For fiscal year filers, the due date is the 15th day of the 9th month following the close of the taxable year.

Enter T in this box if the corporation filed Federal Form 990T. Per Section 143.511, RSMo 1994, the effective due date for entities filing Federal Form 990T is the same as the federal due date. For calendar year filers, this is May 15, 1997. For fiscal year filers, the due date is the 15th day of the 5th month following the close of the taxable year.

NAME AND ADDRESS LABEL

A pre-addressed label has been provided for the corporation's convenience and to guarantee accurate processing. Please be certain that all information is correct before attaching the label to the return. Place the label in the space provided on the form. If any information on the label is incorrect, type or print the corporation's name and address in the space provided. The corporation's MITS/Missouri Tax Identification Number, Missouri Incorporation Number (Charter or Certification of Authority Number), and Federal Employer Identification Number (FEIN), must be entered in the spaces provided. Failure to include the MITS/Missouri Tax Identification Number will delay the processing of the return. If a consolidated federal return is filed, the parent's name and FEIN must be entered in the spaces provided.

INCOME AND DEDUCTIONS

Line 1 Federal Taxable Income

Enter the total amount of federal taxable income (but not less than zero) from Federal Form 1120, Line 30. The line numbers for federal taxable income will differ on other federal forms (1120A, 1120POL, 1120H, 1120F, 1120REIT, 990T and 990C). By federal definition, federal taxable income cannot be less than zero. Therefore, per Section 143.431, RSMo 1994, Line 1 cannot be less than zero.

Net operating loss deductions – Attach a schedule showing the computation of the net operating loss deduction reported on Federal Form 1120, Line 29a or Federal Form 1120-A, Line 25a. Your net operating loss deduction may be disallowed for failure to provide the schedule of your net operating deduction.

If Federal Form 1120, Line 29a consists of non-Missouri source net operating loss, from a year when the loss company was not subjected to taxation by the state of Missouri, this may not be used to determine Missouri taxable income (12 CSR 10-2.165(3)).

Line 2 Missouri Corporation Income Tax and Corporation Income Tax of Other States Deducted in Determining Federal Taxable Income

Enter the amount of Missouri corporation income tax deducted in determining federal taxable income (Section 143.141(1), RSMo 1994), and the amount of corporation income taxes from other states, their subdivisions and the District of Columbia deducted in determining federal taxable income (12 CSR 10-2.160 and Section 143.141(2), RSMo 1994). Do not include St. Louis or Kansas City earnings taxes. **A schedule must be attached showing the breakdown of taxes on Federal Form 1120, Line 17 or from Federal Form 1120-A, Line 17.**

Line 3 Missouri Modifications - Additions

Enter the net amount from Page 2, Part 1, Line 3. See instructions on Page 6 for completing Part 1.

Line 4 Total Additions

Enter the total of Lines 2 and 3.

Line 5 Missouri Modifications - Subtractions

Enter the net amount from Page 2, Part 2, Line 7. See instructions on Page 7 for completing Part 2.

Line 6 Balance

Enter the total of Lines 1 and 4 less Line 5.

Line 7 Federal Income Tax - Current Year

Enter the amount from Page 2, Part 3, Line 3. See the instructions on Page 7 for completing Part 3. Consolidated federal/ separate Missouri filers must compute the federal income tax deduction per 12 CSR 10-2.090.

Line 8 Missouri Taxable Income - All Sources

Enter the total of Line 6 less Line 7.

Line 9 Missouri Taxable Income

If taxable income is 100% from Missouri sources, enter the amount from Line 8. If taxable income is not 100% from Missouri sources, complete Form MO-MS. Enter the apportionment method number used (such as apportionment election 1, 2, 3, 4, 5, 6 or 7) and the percentage (rounded to three digits to the right of the decimal point, such as 12.345%), in the boxes provided. These boxes must be completed even if Missouri taxable income is zero. Enter on Line 9 the amount from Form MO-MS, Part A, Line 7. Nonbusiness income will only be considered if a detailed explanation is attached. Non-Missouri source income will only be considered if a list itemizing the source of income is attached. See Form MO-MS instructions on Page 8 for additional information.

Line 10 Missouri Dividends Deduction

If income is 100% from Missouri sources, calculate the net dividend deduction by subtracting Federal Form 1120, Line 29b from Federal Form 1120, Line 4.

Single Factor Apportionment - Complete Form MO-C and allocate dividends according to the location of payor. If payor is commercially domiciled in Missouri, the dividends are Missouri source dividends. The total Missouri dividends shall be multiplied by a percentage factor. This percentage factor is from Form MO-MS, Part B, Line 7. After multiplying the Missouri source dividends by the apportionment factor, enter this amount on Form MO-C, Line 22 and on Form MO-1120, Line 10.

Three Factor Apportionment - Calculate the net dividend deduction by subtracting Federal Form 1120, Line 29b, from Federal Form 1120, Line 4. This amount is then multiplied by the apportionment factor from Form MO-MS, Part D, Line 4. Enter this amount on Form MO-1120, Line 10.

NOTE: If you are claiming nonbusiness dividends, determine the nonbusiness dividends from Missouri sources by allocation and include on Form MO-MS, Part D, Line 9. Determine nonbusiness dividends from all sources and include on Form MO-MS, Part D, Line 6. Determine business dividends from Missouri sources by multiplying business dividends by the apportionment factor from Form MO-MS, Part D, Line 4. The dividend deduction entered on Form MO-1120, Line 10, is the sum of business dividends from Missouri sources and nonbusiness dividends from Missouri sources.

Line 11 Enterprise Zone Income Modification

Enter the amount of modification as approved by the Missouri Department of Economic Development.

Line 12 Missouri Taxable Income

Enter the total of Line 9 less Line 10 and Line 11.

TAX

Line 13 Missouri Tax

Enter the amount of Line 12 times 6.25%.

Missouri tax cannot be prorated or annualized. The 1996 Form MO-1120 should only be used to file for the 1996 tax year.

Line 14 Recapture of Missouri Low Income Housing Credit

If your corporation is required to recapture a portion of any federal low income housing credit(s) taken on a low income project, your corporation is also required to recapture a portion of any Missouri credits. The Missouri recapture amount is equal to the proportion of the Missouri credit that equals the proportion the federal recapture amount bears to the original federal low income housing credit amount subject to recapture (Section 135.355.2, RSMo 1994). You must attach to your Missouri return a copy of your Federal Form 8611.

Line 15 Total Tax

Enter the total of Lines 13 and 14.

CREDITS AND PAYMENTS

Line 16 Total Credits

Enter the total from Form MO-TC, Line 19.

You may be eligible for certain tax credits. The total amount of tax credit is computed by completing Form MO-TC, Miscellaneous Income Tax Credits. The following is a list of available credits and the agency to contact for information, forms, and approval to claim each credit:

- (1) **TAX CREDITS ADMINISTERED BY THE DEPARTMENT OF ECONOMIC DEVELOPMENT** – contact the MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT, TAX BENEFIT PROGRAMS, P.O. BOX 118, JEFFERSON CITY, MO 65102-0118, or call (573) 751-6835 for information on these credits:

- New or expanded business facility credit
- Development reserve credit
- Infrastructure development credit
- Export finance credit
- Missouri business modernization and technology (seed capital) tax credit
- Neighborhood assistance credit (including homeless assistance credit)
- Enterprise zone credit
- Small business incubator credit
- Small business investment credit
- Community bank investment credit
- Qualified research expense credit
- Abandoned property tax credit
- Youth opportunities tax credit

- (2) **OTHER MISSOURI TAX CREDITS:**

- Missouri low income housing credit – contact the MISSOURI HOUSING DEVELOPMENT COMMISSION, 3435 BROADWAY, KANSAS CITY, MO 64111 or call (816) 756-6662.
- Special needs adoption tax credit – contact the MISSOURI DIVISION OF FAMILY SERVICES, P.O. BOX 88, JEFFERSON CITY, MO 65103-0088
- Affordable housing assistance credit – contact the MISSOURI HOUSING DEVELOPMENT COMMISSION, 3435 BROADWAY, KANSAS CITY, MO 64111 or call (816) 756-6662.
- Higher education scholarship fund credit – contact the MISSOURI DEPARTMENT OF HIGHER EDUCATION, P.O. BOX 6730, JEFFERSON CITY, MO 65102 or call (573) 751-3940 or (800) 473-6757.

Line 17 Estimated Tax Payment(s)

Enter the total 1996 estimated payment(s) made with Form MO-1120ES. Include any approved overpayment credited from 1995. If the requested overpayment credited from 1995 has been adjusted, you must use the adjusted amount.

If filing a consolidated Missouri return, a complete list of subsidiary payments must be attached to Form MO-1120. The list must include each corporation's MITS/Missouri Identification Number.

Line 18 Payments on Form MO-60

Enter the total payment(s) made with Form MO-60. The beginning and ending dates of the Form MO-60 and Form MO-1120 must be the same.

Line 19 AMENDED RETURN ONLY: Tax paid with (or after) the filing of the original return

Enter the amount of tax previously paid by check or money order on the original return and any previously filed amended return. Do not include any previous interest, addition to tax, or penalties.

Line 20 Subtotal

Enter the total of Lines 16 through 19.

Line 21 AMENDED RETURN ONLY: Overpayment, if any, as shown on original return or as later adjusted

Enter the amount of overpayment received (or expected to be received) or the amount to be credited to estimated tax, as shown or adjusted on the original return. Any refund due on the original return will be refunded separately from any additional refund claimed on the amended return.

Line 22 Total

Enter Line 20 less Line 21.

REFUND OR TAX DUE

Line 23 Overpayment

Enter the overpayment if Line 22 is greater than Line 15.

Line 24 Trust Fund Contributions

Enter on Line 24a, 24b and 24c any portion of your overpayment you wish to contribute to the following trust funds. If you file a balance due return and wish to contribute to the Children's Trust Fund, Veterans Trust Fund or Elderly Home Delivered Meals Trust Fund, enter the amount on Line 24a, 24b or 24c and attach a SEPARATE CHECK for this amount. The amount contributed must be \$2.00 or more for each trust fund.



Children's Trust Fund – The Children's Trust Fund is the only statewide organization dedicated to preventing child abuse and neglect in Missouri. In fiscal years 1997-98 the Children's Trust Fund will provide financial support to 47 community-based programs designed to prevent child abuse. These programs will provide parenting education,

crisis nursery, respite and home visitation services and school-linked prevention classes to more than 50,000 children and families. Comprehensive family resource centers located throughout the state will be developed to provide child abuse prevention services. The Children's Trust Fund educates the general public about the problem of child abuse and the importance of investing in prevention. For more information, please write CHILDREN'S TRUST FUND, P.O. BOX 1641, JEFFERSON CITY, MO 65102-1641, or call (573) 751-5147.



Veterans Trust Fund – The Veterans Trust Fund was created as a means to raise monies necessary to meet the growing needs of Missouri's 580,000 veterans and their 1,000,000 dependents and survivors. The Veterans Trust Fund expands the Missouri Veterans Commission's ability to provide quality healthcare at its five veterans homes, and to assist veterans and dependents through its Service to Veterans Program. Contributions may be made at any time directly to: VETERANS TRUST FUND, C/O THE MISSOURI VETERANS COMMISSION, P.O. DRAWER 147, JEFFERSON CITY, MO 65102-0147.



Elderly Home Delivered Meals Trust Fund – The Elderly Home Delivered Meals Trust Fund provides an opportunity to support the home delivered meals program for Missouri's senior citizens. Over 3 million meals are provided each year to home bound senior citizens. These nutritionally balanced meals, delivered to the homes of seniors on the average of one meal per day, five days per week, help them live independently in their homes. The need for home delivered meals increases yearly as persons are living longer and may need assistance. For more information, please contact: ELDERLY HOME DELIVERED MEALS TRUST FUND, C/O DIVISION OF AGING, P.O. BOX 1337, JEFFERSON CITY, MO 65102, or call (573) 751-3082.

Line 25 Credit to Estimated Tax

Enter the amount of overpayment to be applied to the corporation's estimated tax account for 1997.

Line 26 Refund

Enter the total of Line 23 less Lines 24a, 24b, 24c and 25. This is the amount to be refunded. No refund of less than \$1.00 will be made. If there is any other liability owed the state of Missouri, the income tax refund may be applied to that liability (Sections 143.781, 143.782, 143.783 and 143.784, RSMo 1994). The corporation will be notified if any debts are offset with the refund.

Line 27 Underpayment

Enter the underpayment if Line 15 is larger than Line 22.

Line 28 Underpayment of Estimated Tax

Enter the additions to tax for underpayment of estimated tax from Form MO-2220, Line 27. If the total payment and credit amount on Line 22 is less than 90% of the amount on Line 15, or if the estimated tax payments were not paid in full or timely, an additions to tax for failure to pay enough estimated taxes may be owed. However, the corporation may be able to meet one of the exceptions explained on Form MO-2220. Attach a completed Form MO-2220. If there is an overpayment on Line 23, the Department of Revenue will reduce the overpayment by the additions to tax amount (12 CSR 10-2.067 and Section 143.761, RSMo 1994).

Line 29 Interest

Enter the amount of interest computed. Simple interest is charged on all delinquent taxes from the due date of the return until the payment is received. The simple interest rate, effective January 1, 1997, is 8% per annum (Section 32.065, RSMo 1994).

Line 30 Additions To Tax

Enter the amount of addition to tax computed. If the return is not filed by the due date, including extensions of time to file, an addition to tax of 5% per month (not to exceed 25% in the aggregate) is charged during the period of such failure (12 CSR 10-2.055 and Section 143.741, RSMo 1994).

If the tax due is not paid, unless an extension of time to pay has been granted, an addition to tax of 5% is charged with respect to that part of the total tax for the year which is not paid by the original due date of the return. The addition to tax will be waived if (a) the amount of tax paid on or before the original due date of the return is at least 90% and (b) the balance of the tax due is paid on or before the due date of the return, including extensions of time (12 CSR 10-2.060 and Section 143.751, RSMo 1994).

Line 31 Total Due

Enter the total of Lines 27 through 30. Attach a check or money order for the amount due made payable to the Missouri Director of Revenue. Include the corporation's MITS/Missouri Tax Identification Number on the check or money order (U.S. Funds Only). **The payment should be for Missouri corporation income taxes only.**

MISSOURI MODIFICATIONS (ADDITIONS/SUBTRACTIONS)

Modifications are allowed only per Sections 143.121, 143.141 and 143.143, RSMo 1994. Any modifications taken that are not related to these sections, will be disallowed. A detailed explanation of any modification must be attached to the return. Failure to attach such explanation will delay the processing of the return.

PART 1 – MISSOURI MODIFICATIONS - ADDITIONS

Line 1 State and Local Bond Interest (Except Missouri)

Enter on Line 1a all interest from state and local bonds, excluding Missouri (Section 143.121.2(b), RSMo 1994).

Enter on Line 1b the amount of expenses associated with the state and local bond interest shown on Line 1a. The expenses must exceed \$500. Refer to Section 143.121.2(b), RSMo 1994, for further explanation.

Enter on Line 1 the net amount of Line 1a less Line 1b.

Line 2 Fiduciary and Partnership Adjustment (From Form MO-1041 and Form MO-1065)

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 15 and Form MO-1065, Line 15 (Section 143.121.4 and 5, RSMo 1994). A copy of Forms MO-1041 and MO-1065, must be attached to the Form MO-1120.

Line 3 Total

Add Lines 1 and 2. Enter the amount on Line 3 and on Form MO-1120, Page 1, Line 3.

PART 2 – MISSOURI MODIFICATIONS – SUBTRACTIONS

Line 1 Interest and Dividends From Exempt Federal Obligations (Must attach schedule)

Enter on Line 1a the amount of interest and dividends from federal obligations to the extent they are exempt from Missouri income tax, but subject to federal tax (12 CSR 10-2.150 and Section 143.121.3(a), RSMo 1994). A detailed list showing the amount of monies received or the percentage of funds received from **direct** U.S. Government obligations must be attached to Form MO-1120.

Enter on Line 1b the amount of interest on indebtedness and expenses associated with the production of interest and dividend income on federal obligations shown on Line 1a. The expenses must exceed \$500. Refer to Section 143.121.3(a), RSMo 1994, for further explanation.

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

If a taxpayer fails to compute reasonable related expenses, the Director of Revenue will make adjustments based on the best information made available. If sufficient information is not made available or if the taxpayer's records do not provide sufficient information, the Director of Revenue will use the following formula to compute related expenses:

Exempt income x Expense items = Reduction to exempt income
Total 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. The taxpayer may propose an alternative method provided that it properly reflects the amount of related expenses.

Enter on Line 1 the net amount of Line 1a less Line 1b.

Line 2 Reductions in Gain Due to Basis Difference

Enter the amount of reduction in gain due to basis difference. If a taxpayer's federal taxable income prior to January 1, 1973 included any gain from a sale or other disposition of property which had a higher adjusted basis to the taxpayer for Missouri income tax purposes than for federal income tax purposes, a modification must be made to adjust for the difference in basis (12 CSR 10-2.020 and Section 143.121.3(b), RSMo 1994).

Line 3 Previously Taxed Income

Enter the amount of any income or gain included in federal taxable income to the extent it was properly reported as income or gain on a prior Form MO-1120, Corporation Income Tax Return filed under Missouri laws in effect prior to January 1, 1973 (12 CSR 10-2.025 and Section 143.121.3(c), RSMo 1994).

Line 4 Amount of Any State Income Tax Refund Included in Federal Taxable Income

Enter the amount of any state income tax refund for a prior year which was included in the federal taxable income for the current year (Section 143.121.3(e), RSMo 1994).

Line 5 Capital Gain Exclusion From the Sale of Low Income Housing Project

Enter the excludable amount of gain resulting from the sale of a low income project subsidized by the Federal Department of Housing and Urban Development to a nonprofit or governmental organization, agreeing to preserve or increase the low income occupancy of the project. A copy of Federal Form 4797 must be attached to verify credit.

For those owners whose low income project has at least 40% of its units occupied by persons or families having income of 60% or less of the median income, the exclusion shall equal 25% of the capital gain.

Line 6 Fiduciary and Partnership Adjustment (From Form MO-1041 and Form MO-1065)

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 16 and Form MO-1065, Line 16 (Section 143.121.4 and 5, RSMo 1994). A copy of Forms MO-1041 and MO-1065 must be attached to the Form MO-1120.

Line 7 Total

Add Lines 1 through 6. Enter the amount on Line 7 and on Form MO-1120, Page 1, Line 5.

PART 3 – FEDERAL INCOME TAX - CURRENT YEAR

Enter the amounts of federal income tax on Lines 1 and 2. The instructions for entering the federal income tax are found on each line number. The line numbers will differ on other federal forms (1120A, 1120POL, 1120H, 1120F, 1120REIT, 990T and 990C). **Add Lines 1 and 2; divide the total by 2; and enter the result on Line 3 and on Form MO-1120, Page 1, Line 7.**

If filing a consolidated federal and separate Missouri return, the federal income tax deduction must be computed as follows:

Enter on Part 3, Line 1, federal tax from the consolidated Schedule J, Line 10. Enter on Part 3, Line 2, the foreign tax credit from the consolidated Schedule J, Line 4a. Enter on Part 3, Line 3, half of Lines 1 and 2. Enter on Part 3, Line 4, the numerator (the amount of separate company federal taxable income). Enter on Part 3, Line 5, the denominator (total of all positive separate company federal taxable incomes; companies which incurred a loss must not be included in the denominator). Divide Line 4 by Line 5 and enter the percentage in the box on Line 6 (round percentage to four digits to the right of the decimal point, such as 12.3456%). Multiply Line 3 by the percentage and enter on Part 3, Line 6 and on Form MO-1120, Page 1, Line 7. Refer to 12 CSR 10-2.090 and 12 CSR 10-2.165 for further explanation. Attach the consolidated Federal Form 1120, consolidated Schedule J, and an income statement or summary of profit companies.

PART 4 – COMPLETE THIS PART USING THE FORM MO-MS

Refer to the apportionment election used and check the appropriate box. Enter on Part 4, Lines 1 through 9 the amounts from Form MO-MS that apply to the three factor apportionment or single factor apportionment. **Do not complete this part if apportionment method three, four, five, six or seven is used, but attach a detailed explanation showing the computations. If apportionment method seven is used, a letter of approval from the Missouri Director of Revenue must be attached.**

PART 5 – REASON FOR AMENDMENT

Check the box which indicates the reason for filing this amended return. **A separate Form MO-1120 must be completed for each reason.** The applicable Federal Form 1139, 1120X, 4549, 4549A, 870AD and/or 5278 must be attached.

PART 6 – LOSS CARRYBACK OR TAX CREDIT CARRYBACK – AMENDED RETURN ONLY

Complete Part 6 when there is a loss carryback and/or credit carryback. A loss would include a net operating loss, capital loss, or product liability loss. A loss carryback is required to be filed by the 15th day of the 39th month following the end of the loss year (Section 143.801.6, RSMo 1994).

AUTHORIZATION

Check the "yes" box for authorization of release of confidential information. This authorizes the Missouri Director of Revenue or delegate to discuss this return and attachments with the preparer whose signature appears on the Form MO-1120 or with any member of his/her firm. If the authorization box is checked "no", or if no box is checked, the Missouri Director of Revenue or delegate can only discuss this return with an officer of the corporation. Refer to Section 32.057, RSMo 1994.

SIGNATURE

The Department of Revenue requires the return to be signed by an officer of the corporation. Enter the date signed, the title of the person whose signature is affixed and the corporation's telephone number. Lines are provided for the preparer's signature (other than taxpayer), address, Federal Employer Identification Number (FEIN), telephone number and date.

RELEASE OF INFORMATION

The Department of Revenue can only release confidential information to corporate officers, authorized individuals having power of attorney or the preparer when the authorization box is checked.

The Department of Revenue strives to assist taxpayers in their inquiries, however, the Department of Revenue is bound by confidentiality statutes dealing with the release of confidential information. If you are contacting the Department of Revenue regarding financial information of a corporation, refund issuance, or filing status of a corporation, you will be asked to identify your position with the corporation. If you are the preparer, the authorization box on the form must have been checked for us to release financial information. To prevent delays in answering questions, you should provide the Department of Revenue with a Form 2827, Power of Attorney, prior to making the inquiry. This also applies to employees of the corporation. This form should list the tax type, the tax form, and tax year(s) in question.

The corporation should try to ensure the Department of Revenue has an updated list of officers on file and any changes to officers' status should be filed with the Tax Administration Bureau as soon as the change takes effect. To update corporate officers, send the information to: TAX ADMINISTRATION BUREAU, P.O. BOX 3300, JEFFERSON CITY, MO 65105-3300. These procedures are meant to protect the taxpayer from unauthorized disclosure of financial records.