

FIRST REGULAR SESSION

# HOUSE BILL NO. 1434

## 101ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE GREGORY (96).

2516H.011

DANA RADEMAN MILLER, Chief Clerk

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### AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to income tax.

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

Section A. Section 143.124, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.124, to read as follows:

143.124. 1. Other provisions of law to the contrary notwithstanding, for tax years ending on or before December 31, 2006, the total amount of all annuities, pensions, or retirement allowances above the amount of six thousand dollars annually provided by any law of this state, the United States, or any other state to any person except as provided in subsection 4 of this section, shall be subject to tax pursuant to the provisions of this chapter, in the same manner, to the same extent and under the same conditions as any other taxable income received by the person receiving it. For purposes of this section, "annuity, pension, retirement benefit, or retirement allowance" shall be defined as an annuity, pension or retirement allowance provided by the United States, this state, any other state or any political subdivision or agency or institution of this or any other state. For all tax years beginning on or after January 1, 1998, for purposes of this section, annuity, pension or retirement allowance shall be defined to include 401(k) plans, deferred compensation plans, self-employed retirement plans, also known as Keogh plans, annuities from a defined pension plan and individual retirement arrangements, also known as IRAs, as described in the Internal Revenue Code, but not including Roth IRAs, as well as an annuity, pension or retirement allowance provided by the United States, this state, any other state or any political subdivision or agency or institution of this or any other state. An individual

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.

17 taxpayer shall only be allowed a maximum deduction equal to the amounts provided under this  
18 section for each taxpayer on the combined return.

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

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

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

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

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

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

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

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

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

57           5. For purposes of this subsection, the term "maximum Social Security benefit available"  
58 shall mean thirty-two thousand five hundred dollars for the tax year beginning on or after January  
59 1, 2007, and for each subsequent tax year such amount shall be increased by the percentage  
60 increase in the Consumer Price Index for All Urban Consumers, or its successor index, as such  
61 index is defined and officially reported by the United States Department of Labor, or its  
62 successor agency. For the tax year beginning on or after January 1, 2007, but ending on or before  
63 December 31, 2007, there shall be subtracted from Missouri adjusted gross income, determined  
64 pursuant to section 143.121, a maximum of an amount equal to the greater of: six thousand  
65 dollars in retirement benefits received from sources other than privately funded sources, to the  
66 extent such benefits are included in the taxpayer's federal adjusted gross income; or twenty  
67 percent of the retirement benefits received from sources other than privately funded sources in  
68 the tax year, but not to exceed the maximum Social Security benefit available for such tax year.  
69 For the tax year beginning on or after January 1, 2008, but ending on or before December 31,  
70 2008, there shall be subtracted from Missouri adjusted gross income, determined pursuant to  
71 section 143.121, a maximum of an amount equal to the greater of: six thousand dollars in  
72 retirement benefits received from sources other than privately funded sources, to the extent such  
73 benefits are included in the taxpayer's federal adjusted gross income; or thirty-five percent of the  
74 retirement benefits received from sources other than privately funded sources in the tax year, but  
75 not to exceed the maximum Social Security benefit available for such tax year. For the tax year  
76 beginning on or after January 1, 2009, but ending on or before December 31, 2009, there shall  
77 be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a  
78 maximum of an amount equal to the greater of: six thousand dollars in retirement benefits  
79 received from sources other than privately funded sources, to the extent such benefits are  
80 included in the taxpayer's federal adjusted gross income; or fifty percent of the retirement  
81 benefits received from sources other than privately funded sources in the tax year, but not to  
82 exceed the maximum Social Security benefit available for such tax year. For the tax year  
83 beginning on or after January 1, 2010, but ending on or before December 31, 2010, there shall  
84 be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a  
85 maximum of an amount equal to the greater of: six thousand dollars in retirement benefits  
86 received from sources other than privately funded sources, to the extent such benefits are  
87 included in the taxpayer's federal adjusted gross income; or sixty-five percent of the retirement

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

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

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

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

113 7. For purposes of calculating the subtraction provided in subsection 5 of this section,  
114 such subtraction shall be decreased by an amount equal to any Social Security benefit exemption  
115 provided under section 143.125.

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

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

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

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

132         11. For purposes of this section, retirement benefits received shall not include any  
133 withdrawals from qualified retirement plans which are subsequently rolled over into another  
134 retirement plan.

135         12. The exemptions provided for in this section shall not affect the calculation of the  
136 income to be used to determine the property tax credit provided in sections 135.010 to 135.035.

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

143         14. In addition to all other subtractions authorized in this section, for all tax years  
144 beginning on or after January 1, 2010, there shall be subtracted from Missouri adjusted gross  
145 income, determined under section 143.121, any retirement benefits received by any taxpayer as  
146 a result of the taxpayer's service in the Armed Forces of the United States, including reserve  
147 components and the National Guard of this state, as defined in Sections 101(3) and 109 of Title  
148 32, United States Code, and any other military force organized under the laws of this state, to the  
149 extent such benefits are included in the taxpayer's federal adjusted gross income and not  
150 otherwise deducted from the taxpayer's federal adjusted gross income in the calculation of  
151 Missouri taxable income. Such retirement benefits shall be subtracted as provided in the  
152 following schedule:

153         (1) For the tax year beginning on January 1, 2010, fifteen percent of such retirement  
154 benefits;

155         (2) For the tax year beginning on January 1, 2011, thirty percent of such retirement  
156 benefits;

157         (3) For the tax year beginning on January 1, 2012, forty-five percent of such retirement  
158 benefits;

159 (4) For the tax year beginning on January 1, 2013, sixty percent of such retirement  
160 benefits;

161 (5) For the tax year beginning on January 1, 2014, seventy-five percent of such  
162 retirement benefits;

163 (6) For the tax year beginning on January 1, 2015, ninety percent of such retirement  
164 benefits;

165 (7) For tax years beginning on or after January 1, 2016, one hundred percent of such  
166 retirement benefits.

167 **15. In addition to all other subtractions authorized under this section and**  
168 **notwithstanding any provision of this section or any other provision of law to the contrary,**  
169 **for all tax years beginning on or after January 1, 2022, there shall be subtracted from**  
170 **Missouri adjusted gross income, determined under section 143.121, the total amount of any**  
171 **retirement benefits received by a taxpayer with an age of at least sixty-five years, to the**  
172 **extent that such amount is included in such a taxpayer's federal adjusted gross income and**  
173 **not otherwise deducted from the taxpayer's federal adjusted gross income in the**  
174 **calculation of Missouri taxable income. For purposes of this subsection, the term**  
175 **"retirement benefits" shall include, but not be limited to, any withdrawals or distributions**  
176 **from any retirement account.**

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