

SECOND REGULAR SESSION

SENATE BILL NO. 847

100TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR EIGEL.

Read 1st time January 9, 2020, and ordered printed.

ADRIANE D. CROUSE, Secretary.

4616S.011

AN ACT

To repeal sections 143.124 and 143.125, RSMo, and to enact in lieu thereof two new sections relating to income tax.

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

Section A. Sections 143.124 and 143.125, RSMo, are repealed and two new
2 sections enacted in lieu thereof, to be known as sections 143.124 and 143.125, to
3 read as follows:

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

20 or any other state. An individual taxpayer shall only be allowed a maximum
21 deduction equal to the amounts provided under this section for each taxpayer on
22 the combined return.

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

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

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

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

35 3. For the tax years beginning on or after January 1, 1990, but ending on
36 or before December 31, 2006, there shall be subtracted from Missouri adjusted
37 gross income, determined pursuant to section 143.121, a maximum of the first six
38 thousand dollars of retirement benefits received by each taxpayer from sources
39 other than privately funded sources, and for tax years beginning on or after
40 January 1, 1998, there shall be subtracted from Missouri adjusted gross income,
41 determined pursuant to section 143.121, a maximum of the first one thousand
42 dollars of any retirement allowance received from any privately funded source for
43 tax years beginning on or after January 1, 1998, but before January 1, 1999, and
44 a maximum of the first three thousand dollars of any retirement allowance
45 received from any privately funded source for tax years beginning on or after
46 January 1, 1999, but before January 1, 2000, and a maximum of the first four
47 thousand dollars of any retirement allowance received from any privately funded
48 source for tax years beginning on or after January 1, 2000, but before January 1,
49 2001, and a maximum of the first five thousand dollars of any retirement
50 allowance received from any privately funded source for tax years beginning on
51 or after January 1, 2001, but before January 1, 2002, and a maximum of the first
52 six thousand dollars of any retirement allowance received from any privately
53 funded sources for tax years beginning on or after January 1, 2002. A taxpayer
54 shall be entitled to the maximum exemption provided by this subsection:

55 (1) If the taxpayer's filing status is single, head of household or qualifying

56 widow(er) and the taxpayer's Missouri adjusted gross income is less than
57 twenty-five thousand dollars; or

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

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

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

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

92 ending on or before December 31, 2009, there shall be subtracted from Missouri
93 adjusted gross income, determined pursuant to section 143.121, a maximum of an
94 amount equal to the greater of: six thousand dollars in retirement benefits
95 received from sources other than privately funded sources, to the extent such
96 benefits are included in the taxpayer's federal adjusted gross income; or fifty
97 percent of the retirement benefits received from sources other than privately
98 funded sources in the tax year, but not to exceed the maximum Social Security
99 benefit available for such tax year. For the tax year beginning on or after
100 January 1, 2010, but ending on or before December 31, 2010, there shall be
101 subtracted from Missouri adjusted gross income, determined pursuant to section
102 143.121, a maximum of an amount equal to the greater of: six thousand dollars
103 in retirement benefits received from sources other than privately funded sources,
104 to the extent such benefits are included in the taxpayer's federal adjusted gross
105 income; or sixty-five percent of the retirement benefits received from sources
106 other than privately funded sources in the tax year, but not to exceed the
107 maximum Social Security benefit available for such tax year. For the tax year
108 beginning on or after January 1, 2011, but ending on or before December 31,
109 2011, there shall be subtracted from Missouri adjusted gross income, determined
110 pursuant to section 143.121, a maximum of an amount equal to the greater of:
111 six thousand dollars in retirement benefits received from sources other than
112 privately funded sources, to the extent such benefits are included in the
113 taxpayer's federal adjusted gross income; or eighty percent of the retirement
114 benefits received from sources other than privately funded sources in the tax
115 year, but not to exceed the maximum Social Security benefit available for such
116 tax year. For all tax years beginning on or after January 1, 2012, there shall be
117 subtracted from Missouri adjusted gross income, determined pursuant to section
118 143.121, a maximum of an amount equal to one hundred percent of the retirement
119 benefits received from sources other than privately funded sources in the tax
120 year, but not to exceed the maximum Social Security benefit available for such
121 tax year. **For all tax years ending on or before December 31, 2020, a**
122 **taxpayer shall be entitled to the maximum exemption provided by this subsection:**
123 (1) If the taxpayer's filing status is married filing combined, and their
124 combined Missouri adjusted gross income is equal to or less than one hundred
125 thousand dollars; or
126 (2) If the taxpayer's filing status is single, head of household, qualifying
127 widow(er), or married filing separately, and the taxpayer's Missouri adjusted

128 gross income is equal to or less than eighty-five thousand dollars.

129 **For all tax years beginning on or after January 1, 2021, a taxpayer shall**
130 **be entitled to the maximum exemption provided by this subsection**
131 **regardless of the taxpayer's filing status or the amount of the**
132 **taxpayer's Missouri adjusted gross income.**

133 6. **For all tax years ending on or before December 31, 2020**, if a
134 taxpayer's adjusted gross income exceeds the adjusted gross income ceiling for
135 such taxpayer's filing status, as provided in subdivisions (1) and (2) of subsection
136 5 of this section, such taxpayer shall be entitled to an exemption, less any
137 applicable reduction provided under subsection 7 of this section, equal to the
138 greater of zero or the maximum exemption provided in subsection 5 of this section
139 reduced by one dollar for every dollar such taxpayer's income exceeds the ceiling
140 for his or her filing status.

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

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

149 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section
150 shall apply during all tax years in which the federal Internal Revenue Code
151 provides exemption levels for calculation of the taxability of Social Security
152 benefits that are the same as the levels in subdivisions (1) and (2) of subsection
153 3 of this section. If the exemption levels for the calculation of the taxability of
154 Social Security benefits are adjusted by applicable federal law or regulation, the
155 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
156 be accordingly adjusted to the same exemption levels.

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

162 11. For purposes of this section, retirement benefits received shall not
163 include any withdrawals from qualified retirement plans which are subsequently

164 rolled over into another retirement plan.

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

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

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

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

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

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

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

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

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

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

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

2 (1) "Benefits", any Social Security benefits received by a taxpayer age
3 sixty-two 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
6 taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted gross
7 income to determine Missouri taxable income a maximum of an amount equal to
8 twenty percent of the amount of any benefits received by the taxpayer and that
9 are included in federal adjusted gross income under Section 86 of the Internal
10 Revenue Code of 1986, as amended. For the taxable year beginning on or after
11 January 1, 2008, any taxpayer shall be allowed to subtract from the taxpayer's
12 Missouri adjusted gross income to determine Missouri taxable income a maximum
13 of an amount equal to thirty-five percent of the amount of any benefits received
14 by the taxpayer and that are included in federal adjusted gross income under
15 Section 86 of the Internal Revenue Code of 1986, as amended. For the taxable
16 year beginning on or after January 1, 2009, any taxpayer shall be allowed to
17 subtract from the taxpayer's Missouri adjusted gross income to determine
18 Missouri taxable income a maximum of an amount equal to fifty percent of the
19 amount of any benefits received by the taxpayer and that are included in federal
20 adjusted gross income under Section 86 of the Internal Revenue Code of 1986, as
21 amended. For the taxable year beginning on or after January 1, 2010, any
22 taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted gross
23 income to determine Missouri taxable income a maximum of an amount equal to
24 sixty-five percent of the amount of any benefits received by the taxpayer and that
25 are included in federal adjusted gross income under Section 86 of the Internal
26 Revenue Code of 1986, as amended. For the taxable year beginning on or after
27 January 1, 2011, any taxpayer shall be allowed to subtract from the taxpayer's
28 Missouri adjusted gross income to determine Missouri taxable income a maximum
29 of an amount equal to eighty percent of the amount of any benefits received by
30 the taxpayer and that are included in federal adjusted gross income under Section
31 86 of the Internal Revenue Code of 1986, as amended. For all taxable years
32 beginning on or after January 1, 2012, any taxpayer shall be allowed to subtract
33 from the taxpayer's Missouri adjusted gross income to determine Missouri taxable
34 income a maximum of an amount equal to one hundred percent of the amount of
35 any benefits received by the taxpayer and that are included in federal adjusted
36 gross income under Section 86 of the Internal Revenue Code of 1986, as

37 amended. **For all tax years ending on or before December 31, 2020**, a
38 taxpayer shall be entitled to the maximum exemption provided by this subsection:

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

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

45 **For all tax years beginning on or after January 1, 2021, a taxpayer shall**
46 **be entitled to the maximum exemption provided by this subsection**
47 **regardless of the taxpayer's filing status or the amount of the**
48 **taxpayer's Missouri adjusted gross income.**

49 3. **For all tax years ending on or before December 31, 2020**, if a
50 taxpayer's adjusted gross income exceeds the adjusted gross income ceiling for
51 such taxpayer's filing status, as provided in subdivisions (1) and (2) of subsection
52 2 of this section, such taxpayer shall be entitled to an exemption equal to the
53 greater of zero or the maximum exemption provided in subsection 2 of this section
54 reduced by one dollar for every dollar such taxpayer's income exceeds the ceiling
55 for his or her filing status.

56 4. The director of the department of revenue may promulgate rules to
57 implement the provisions of this section. Any rule or portion of a rule, as that
58 term is defined in section 536.010, that is created under the authority delegated
59 in this section shall become effective only if it complies with and is subject to all
60 of the provisions of chapter 536 and, if applicable, section 536.028. This section
61 and chapter 536 are nonseverable and if any of the powers vested with the
62 general assembly pursuant to chapter 536 to review, to delay the effective date,
63 or to disapprove and annul a rule are subsequently held unconstitutional, then
64 the grant of rulemaking authority and any rule proposed or adopted after August
65 28, 2007, shall be invalid and void.

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