

SENATE SUBSTITUTE

FOR

SENATE COMMITTEE SUBSTITUTE

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HOUSE COMMITTEE SUBSTITUTE

FOR

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

AN ACT

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

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,
AS FOLLOWS:

1 Section A. Section 143.124, RSMo, is repealed and two new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

4 143.124. 1. Other provisions of law to the contrary
5 notwithstanding, for tax years ending on or before December 31,
6 2006, the total amount of all annuities, pensions, or retirement
7 allowances above the amount of six thousand dollars annually
8 provided by any law of this state, the United States, or any
9 other state to any person except as provided in subsection 4 of
10 this section, shall be subject to tax pursuant to the provisions
11 of this chapter, in the same manner, to the same extent and under
12 the same conditions as any other taxable income received by the
13 person receiving it. For purposes of this section, annuity,
14 pension, or retirement allowance shall be defined as an annuity,

1 pension or retirement allowance provided by the United States,
2 this state, any other state or any political subdivision or
3 agency or institution of this or any other state. For all tax
4 years beginning on or after January 1, 1998, for purposes of this
5 section, annuity, pension or retirement allowance shall be
6 defined to include 401(k) plans, deferred compensation plans,
7 self-employed retirement plans, also known as Keogh plans,
8 annuities from a defined pension plan and individual retirement
9 arrangements, also known as IRAs, as described in the Internal
10 Revenue Code, but not including Roth IRAs, as well as an annuity,
11 pension or retirement allowance provided by the United States,
12 this state, any other state or any political subdivision or
13 agency or institution of this or any other state. An individual
14 taxpayer shall only be allowed a maximum deduction [of six
15 thousand dollars pursuant to this section. Taxpayers filing
16 combined returns shall only be allowed a maximum deduction of six
17 thousand dollars] 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
20 December 31, 1989, there shall be subtracted from Missouri
21 adjusted gross income for that period, determined pursuant to
22 section 143.121, the first three thousand dollars of retirement
23 benefits received by each taxpayer:

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

28 (2) If the taxpayer's filing status is married filing

1 combined and their combined Missouri adjusted gross income is
2 less than sixteen thousand dollars; or

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

6 3. For the tax years beginning on or after January 1, 1990,
7 but ending on or before December 31, 2006, there shall be
8 subtracted from Missouri adjusted gross income, determined
9 pursuant to section 143.121, a maximum of the first six thousand
10 dollars of retirement benefits received by each taxpayer from
11 sources other than privately funded sources, and for tax years
12 beginning on or after January 1, 1998, there shall be subtracted
13 from Missouri adjusted gross income, determined pursuant to
14 section 143.121, a maximum of the first one thousand dollars of
15 any retirement allowance received from any privately funded
16 source for tax years beginning on or after January 1, 1998, but
17 before January 1, 1999, and a maximum of the first three thousand
18 dollars of any retirement allowance received from any privately
19 funded source for tax years beginning on or after January 1,
20 1999, but before January 1, 2000, and a maximum of the first four
21 thousand dollars of any retirement allowance received from any
22 privately funded source for tax years beginning on or after
23 January 1, 2000, but before January 1, 2001, and a maximum of the
24 first five thousand dollars of any retirement allowance received
25 from any privately funded source for tax years beginning on or
26 after January 1, 2001, but before January 1, 2002, and a maximum
27 of the first six thousand dollars of any retirement allowance
28 received from any privately funded sources for tax years

beginning on or after January 1, 2002. A taxpayer shall be entitled to the maximum exemption provided by this subsection:

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

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

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

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

5. For the tax year beginning on or after January 1, 2007, but ending on or before December 31, 2007, for taxpayers sixty-two years of age and older there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, an amount equal to the greater of six thousand dollars in retirement benefits received from sources other than privately funded sources, to the extent such benefits are included in the taxpayer's federal adjusted gross income, or twenty percent of

1 the retirement benefits received from sources other than
2 privately funded sources in the tax year, but not to exceed the
3 maximum Social Security benefit available for such tax year. For
4 the tax year beginning on or after January 1, 2008, but ending on
5 or before December 31, 2008, for taxpayers sixty-two years of age
6 and older there shall be subtracted from Missouri adjusted gross
7 income, determined pursuant to section 143.121, an amount equal
8 to the greater of six thousand dollars in retirement benefits
9 received from sources other than privately funded sources, to the
10 extent such benefits are included in the taxpayer's federal
11 adjusted gross income, or thirty-five percent of the retirement
12 benefits received from sources other than privately funded
13 sources in the tax year, but not to exceed the maximum Social
14 Security benefit available for such tax year. For the tax year
15 beginning on or after January 1, 2009, but ending on or before
16 December 31, 2009, for taxpayers sixty-two years of age and older
17 there shall be subtracted from Missouri adjusted gross income,
18 determined pursuant to section 143.121, an amount equal to the
19 greater of six thousand dollars in retirement benefits received
20 from sources other than privately funded sources, to the extent
21 such benefits are included in the taxpayer's federal adjusted
22 gross income, or fifty percent of the retirement benefits
23 received from sources other than privately funded sources in the
24 tax year, but not to exceed the maximum Social Security benefit
25 available for such tax year. For the tax year beginning on or
26 after January 1, 2010, but ending on or before December 31, 2010,
27 for taxpayers sixty-two years of age and older there shall be
28 subtracted from Missouri adjusted gross income, determined

1 pursuant to section 143.121, an amount equal to the greater of
2 six thousand dollars in retirement benefits received from sources
3 other than privately funded sources, to the extent such benefits
4 are included in the taxpayer's federal adjusted gross income, or
5 sixty-five percent of the retirement benefits received from
6 sources other than privately funded sources in the tax year, but
7 not to exceed the maximum Social Security benefit available for
8 such tax year. For the tax year beginning on or after January 1,
9 2011, but ending on or before December 31, 2011, for taxpayers
10 sixty-two years of age and older there shall be subtracted from
11 Missouri adjusted gross income, determined pursuant to section
12 143.121, an amount equal to the greater of six thousand dollars
13 in retirement benefits received from sources other than privately
14 funded sources, to the extent such benefits are included in the
15 taxpayer's federal adjusted gross income, or eighty percent of
16 the retirement benefits received from sources other than
17 privately funded sources in the tax year, but not to exceed the
18 maximum Social Security benefit available for such tax year. For
19 all tax years beginning on or after January 1, 2012, for
20 taxpayers sixty-two years of age and older there shall be
21 subtracted from Missouri adjusted gross income, determined
22 pursuant to section 143.121, an amount equal to one hundred
23 percent of the retirement benefits received from sources other
24 than privately funded sources in the tax year, but not to exceed
25 the maximum Social Security benefit available for such tax year.
26 6. For purposes of calculating the subtraction provided in
27 subsection 5 of this section, such subtraction shall be decreased
28 by an amount equal to any Social Security benefits received by

1 the taxpayer which are not included in such taxpayer's federal
2 adjusted gross income.

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

9 [6.] 7. The provisions of subdivisions (1) and (2) of
10 subsection 3 of this section shall apply during all tax years in
11 which the federal Internal Revenue Code provides exemption levels
12 for calculation of the taxability of Social Security benefits
13 that are the same as the levels in subdivisions (1) and (2) of
14 subsection 3 of this section. If the exemption levels for the
15 calculation of the taxability of Social Security benefits are
16 adjusted by applicable federal law or regulation, the exemption
17 levels in subdivisions (1) and (2) of subsection 3 of this
18 section shall be accordingly adjusted to the same exemption
19 levels.

20 [7.] 8. The portion of a taxpayer's lump sum distribution
21 from an annuity or other retirement plan not otherwise included
22 in Missouri adjusted gross income as calculated pursuant to this
23 chapter but subject to taxation under Internal Revenue Code
24 Section 402 shall be taxed in an amount equal to ten percent of
25 the taxpayer's federal liability on such distribution for the
26 same tax year.

27 [8.] 9. For purposes of this section, retirement benefits
28 received shall not include any withdrawals from qualified

1 retirement plans which are subsequently rolled over into another
2 retirement plan.

3 [9.] 10. The exemptions provided for in this section shall
4 not affect the calculation of the income to be used to determine
5 the property tax credit provided in sections 135.010 to 135.035,
6 RSMo.

7 [10.] 11. The exemptions provided for in this section shall
8 apply to any annuity, pension, or retirement allowance as defined
9 in subsection 1 of this section to the extent that such amounts
10 are included in the taxpayer's federal adjusted gross income and
11 not otherwise deducted from the taxpayer's federal adjusted gross
12 income in the calculation of Missouri taxable income. This
13 subsection shall not apply to any individual who qualifies under
14 federal guidelines to be one hundred percent disabled.

15 143.125. 1. As used in this section, the following terms
16 mean:

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

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

21 2. For the taxable year beginning on or after January 1,
22 2007, any taxpayer shall be allowed to subtract from the
23 taxpayer's Missouri adjusted gross income to determine Missouri
24 taxable income an amount equal to twenty percent of the amount of
25 any benefits received by the taxpayer and that are included in
26 federal adjusted gross income under Section 86 of the Internal
27 Revenue Code of 1986, as amended. For the taxable year beginning
28 on or after January 1, 2008, any taxpayer shall be allowed to

1 subtract from the taxpayer's Missouri adjusted gross income to
2 determine Missouri taxable income an amount equal to thirty-five
3 percent of the amount of any benefits received by the taxpayer
4 and that are included in federal adjusted gross income under
5 Section 86 of the Internal Revenue Code of 1986, as amended. For
6 the taxable year beginning on or after January 1, 2009, any
7 taxpayer shall be allowed to subtract from the taxpayer's
8 Missouri adjusted gross income to determine Missouri taxable
9 income an amount equal to fifty percent of the amount of any
10 benefits received by the taxpayer and that are included in
11 federal adjusted gross income under Section 86 of the Internal
12 Revenue Code of 1986, as amended. For the taxable year beginning
13 on or after January 1, 2010, any taxpayer shall be allowed to
14 subtract from the taxpayer's Missouri adjusted gross income to
15 determine Missouri taxable income an amount equal to sixty-five
16 percent of the amount of any benefits received by the taxpayer
17 and that are included in federal adjusted gross income under
18 Section 86 of the Internal Revenue Code of 1986, as amended. For
19 the taxable year beginning on or after January 1, 2011, any
20 taxpayer shall be allowed to subtract from the taxpayer's
21 Missouri adjusted gross income to determine Missouri taxable
22 income an amount equal to eighty percent of the amount of any
23 benefits received by the taxpayer and that are included in
24 federal adjusted gross income under Section 86 of the Internal
25 Revenue Code of 1986, as amended. For all taxable years
26 beginning on or after January 1, 2012, any taxpayer shall be
27 allowed to subtract from the taxpayer's Missouri adjusted gross
28 income to determine Missouri taxable income an amount equal to

1 the amount of any benefits received by the taxpayer and that are
2 included in federal adjusted gross income under Section 86 of the
3 Internal Revenue Code of 1986, as amended.

4 3. The director of the department of revenue may promulgate
5 rules to implement the provisions of this section. Any rule or
6 portion of a rule, as that term is defined in section 536.010,
7 RSMo, that is created under the authority delegated in this
8 section shall become effective only if it complies with and is
9 subject to all of the provisions of chapter 536, RSMo, and, if
10 applicable, section 536.028, RSMo. This section and chapter 536,
11 RSMo, are nonseverable and if any of the powers vested with the
12 general assembly pursuant to chapter 536, RSMo, to review, to
13 delay the effective date, or to disapprove and annul a rule are
14 subsequently held unconstitutional, then the grant of rulemaking
15 authority and any rule proposed or adopted after August 28, 2007,
16 shall be invalid and void.