

FIRST REGULAR SESSION  
SENATE COMMITTEE SUBSTITUTE FOR  
HOUSE COMMITTEE SUBSTITUTE FOR  
**HOUSE BILL NO. 82**  
95TH GENERAL ASSEMBLY

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Reported from the Committee on Veterans' Affairs, Pensions and Urban Affairs, April 23, 2009, with recommendation that the Senate Committee Substitute do pass.

TERRY L. SPIELER, Secretary.

0269S.05C

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**AN ACT**

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to an income tax exemption for certain retirement benefits.

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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Section A. Section 143.124, RSMo, is repealed and one new section  
2 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  
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

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

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

90 privately funded sources, to the extent such benefits are included in the  
91 taxpayer's federal adjusted gross income; or thirty-five percent of the retirement  
92 benefits received from sources other than privately funded sources in the tax  
93 year, but not to exceed the maximum Social Security benefit available for such  
94 tax year. For the tax year beginning on or after January 1, 2009, but ending on  
95 or before December 31, 2009, [for taxpayers sixty-two years of age and older]  
96 there shall be subtracted from Missouri adjusted gross income, determined  
97 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
98 six thousand dollars in retirement benefits received from sources other than  
99 privately funded sources, to the extent such benefits are included in the  
100 taxpayer's federal adjusted gross income; or fifty percent of the retirement  
101 benefits received from sources other than privately funded sources in the tax  
102 year, but not to exceed the maximum Social Security benefit available for such  
103 tax year. For the tax year beginning on or after January 1, 2010, but ending on  
104 or before December 31, 2010, [for taxpayers sixty-two years of age and older]  
105 there shall be subtracted from Missouri adjusted gross income, determined  
106 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
107 six thousand dollars in retirement benefits received from sources other than  
108 privately funded sources, to the extent such benefits are included in the  
109 taxpayer's federal adjusted gross income; or sixty-five percent of the retirement  
110 benefits received from sources other than privately funded sources in the tax  
111 year, but not to exceed the maximum Social Security benefit available for such  
112 tax year. For the tax year beginning on or after January 1, 2011, but ending on  
113 or before December 31, 2011, [for taxpayers sixty-two years of age and older]  
114 there shall be subtracted from Missouri adjusted gross income, determined  
115 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
116 six thousand dollars in retirement benefits received from sources other than  
117 privately funded sources, to the extent such benefits are included in the  
118 taxpayer's federal adjusted gross income; or eighty 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 beginning on or after January 1, 2012, [for taxpayers  
122 sixty-two years of age and older] there shall be subtracted from Missouri adjusted  
123 gross income, determined pursuant to section 143.121, a maximum of an amount  
124 equal to one hundred percent of the retirement benefits received from sources  
125 other than privately funded sources in the tax year, but not to exceed the

126 maximum Social Security benefit available for such tax year. A taxpayer shall  
127 be entitled to the maximum exemption provided by this subsection:

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

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

134 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income  
135 ceiling for such taxpayer's filing status, as provided in subdivisions (1) and (2) of  
136 subsection 5 of this section, such taxpayer shall be entitled to an exemption, less  
137 any 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 [benefits received by the taxpayer which are not included in such  
144 taxpayer's Missouri adjusted gross income] **benefit exemption provided**  
145 **under section 143.125.**

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

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

159 10. The portion of a taxpayer's lump sum distribution from an annuity or  
160 other retirement plan not otherwise included in Missouri adjusted gross income  
161 as calculated pursuant to this chapter but subject to taxation under Internal

162 Revenue Code Section 402 shall be taxed in an amount equal to ten percent of the  
163 taxpayer's federal liability on such distribution for the same tax year.

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

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

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

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

190 (1) **For the tax year beginning on January 1, 2010, fifteen percent**  
191 **of such retirement benefits;**

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

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

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

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

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

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

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