

FIRST REGULAR SESSION
[TRULY AGREED TO AND FINALLY PASSED]
SENATE COMMITTEE SUBSTITUTE FOR
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NO. 82
95TH GENERAL ASSEMBLY

0269S.05T

2009

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.

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Section A. Section 143.124, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.124, to read as follows: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

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.

16 or any political subdivision or agency or institution of this or any other state. An individual
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**
58 **available" shall mean thirty-two thousand five hundred dollars for the tax year beginning**
59 **on or after January 1, 2007, and for each subsequent tax year such amount shall be**
60 **increased by the percentage increase in the Consumer Price Index for All Urban**
61 **Consumers, or its successor index, as such index is defined and officially reported by the**
62 **United States Department of Labor, or its successor agency.** For the tax year beginning on
63 or after January 1, 2007, but ending on or before December 31, 2007, [for taxpayers sixty-two
64 years of age and older] there shall be subtracted from Missouri adjusted gross income,
65 determined pursuant to section 143.121, a maximum of an amount equal to the greater of: six
66 thousand dollars in retirement benefits received from sources other than privately funded
67 sources, to the extent such benefits are included in the taxpayer's federal adjusted gross income;
68 or twenty percent of the retirement benefits received from sources other than privately funded
69 sources in the tax year, but not to exceed the maximum Social Security benefit available for such
70 tax year. For the tax year beginning on or after January 1, 2008, but ending on or before
71 December 31, 2008, [for taxpayers sixty-two years of age and older] there shall be subtracted
72 from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of
73 an amount equal to the greater of: six thousand dollars in retirement benefits received from
74 sources other than privately funded sources, to the extent such benefits are included in the
75 taxpayer's federal adjusted gross income; or thirty-five percent of the retirement benefits received
76 from sources other than privately funded sources in the tax year, but not to exceed the maximum
77 Social Security benefit available for such tax year. For the tax year beginning on or after January
78 1, 2009, but ending on or before December 31, 2009, [for taxpayers sixty-two years of age and
79 older] there shall be subtracted from Missouri adjusted gross income, determined pursuant to
80 section 143.121, a maximum of an amount equal to the greater of: six thousand dollars in
81 retirement benefits received from sources other than privately funded sources, to the extent such
82 benefits are included in the taxpayer's federal adjusted gross income; or fifty percent of the
83 retirement benefits received from sources other than privately funded sources in the tax year, but
84 not to exceed the maximum Social Security benefit available for such tax year. For the tax year
85 beginning on or after January 1, 2010, but ending on or before December 31, 2010, [for taxpayers
86 sixty-two years of age and older] there shall be subtracted from Missouri adjusted gross income,
87 determined pursuant to section 143.121, a maximum of 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 sixty-five percent of the retirement benefits received from sources other than privately funded sources in the tax year, but not to exceed the maximum Social Security benefit available for such tax year. For the tax year beginning on or after January 1, 2011, but ending on or before December 31, 2011, [for taxpayers sixty-two years of age and older] there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of 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 eighty percent of the retirement benefits received from sources other than privately funded sources in the tax year, but not to exceed the maximum Social Security benefit available for such tax year. For all tax years beginning on or after January 1, 2012, [for taxpayers sixty-two years of age and older] there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of an amount equal to one hundred percent of the retirement benefits received from sources other than privately funded sources in the tax year, but not to exceed the maximum Social Security benefit available for such tax year. A taxpayer shall be entitled to the maximum exemption provided by this subsection:

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

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

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

7. For purposes of calculating the subtraction provided in subsection 5 of this section, such subtraction shall be decreased by an amount equal to any Social Security [benefits received by the taxpayer which are not included in such taxpayer's Missouri adjusted gross income] **benefit exemption provided under section 143.125.**

8. For purposes of this section, any Social Security benefits otherwise included in Missouri adjusted gross income shall be subtracted; but Social Security benefits shall not be

123 subtracted for purposes of other computations pursuant to this chapter, and are not to be
124 considered as retirement benefits for purposes of this section.

125 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section shall apply
126 during all tax years in which the federal Internal Revenue Code provides exemption levels for
127 calculation of the taxability of Social Security benefits that are the same as the levels in
128 subdivisions (1) and (2) of subsection 3 of this section. If the exemption levels for the
129 calculation of the taxability of Social Security benefits are adjusted by applicable federal law or
130 regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
131 be accordingly adjusted to the same exemption levels.

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

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

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

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

149 **14. In addition to all other subtractions authorized in this section, for all tax years**
150 **beginning on or after January 1, 2010, there shall be subtracted from Missouri adjusted**
151 **gross income, determined under section 143.121, any retirement benefits received by any**
152 **taxpayer as a result of the taxpayer's service in the armed forces of the United States,**
153 **including reserve components and the national guard of this state, as defined in Sections**
154 **101(3) and 109 of Title 32, United States Code, and any other military force organized**
155 **under the laws of this state, to the extent such benefits are included in the taxpayer's**
156 **federal adjusted gross income and not otherwise deducted from the taxpayer's federal**
157 **adjusted gross income in the calculation of Missouri taxable income. Such retirement**
158 **benefits shall be subtracted as provided in the following schedule:**

- 159 (1) For the tax year beginning on January 1, 2010, fifteen percent of such
160 retirement benefits;
- 161 (2) For the tax year beginning on January 1, 2011, thirty percent of such retirement
162 benefits;
- 163 (3) For the tax year beginning on January 1, 2012, forty-five percent of such
164 retirement benefits;
- 165 (4) For the tax year beginning on January 1, 2013, sixty percent of such retirement
166 benefits;
- 167 (5) For the tax year beginning on January 1, 2014, seventy-five percent of such
168 retirement benefits;
- 169 (6) For the tax year beginning on January 1, 2015, ninety percent of such
170 retirement benefits;
- 171 (7) For tax years beginning on or after January 1, 2016, one hundred percent of
172 such retirement benefits.

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