

FIRST REGULAR SESSION

HOUSE BILL NO. 774

95TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES GRILL (Sponsor) AND ATKINS (Co-sponsor).

1413L.01I

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to certain retirement amounts subtracted from Missouri adjusted gross income.

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Section A. Section 143.124, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.124, to read as follows: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

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 a maximum deduction equal to the amounts provided under this section for each taxpayer on the
18 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 the tax year beginning on or after January 1, 2007, but ending on or before
58 December 31, 2007, for taxpayers sixty-two years of age and older there shall be subtracted from
59 Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of an
60 amount equal to the greater of: six thousand dollars in retirement benefits received from sources
61 other than privately funded sources, to the extent such benefits are included in the taxpayer's
62 federal adjusted gross income; or twenty percent of the retirement benefits received from sources
63 other than privately funded sources in the tax year, but not to exceed the maximum Social
64 Security benefit available for such tax year. For the tax year beginning on or after January 1,
65 2008, but ending on or before December 31, 2008, for taxpayers sixty-two years of age and older
66 there shall be subtracted from Missouri adjusted gross income, determined pursuant to section
67 143.121, a maximum of an amount equal to the greater of: six thousand dollars in retirement
68 benefits received from sources other than privately funded sources, to the extent such benefits
69 are included in the taxpayer's federal adjusted gross income; or thirty-five percent of the
70 retirement benefits received from sources other than privately funded sources in the tax year, but
71 not to exceed the maximum Social Security benefit available for such tax year. For the tax year
72 beginning on or after January 1, 2009, but ending on or before December 31, 2009, for taxpayers
73 sixty-two years of age and older there shall be subtracted from Missouri adjusted gross income,
74 determined pursuant to section 143.121, a maximum of an amount equal to the greater of: six
75 thousand dollars in retirement benefits received from sources other than privately funded
76 sources, to the extent such benefits are included in the taxpayer's federal adjusted gross income;
77 or fifty percent of the retirement benefits received from sources other than privately funded
78 sources in the tax year, but not to exceed the maximum Social Security benefit available for such
79 tax year. For the tax year beginning on or after January 1, 2010, but ending on or before
80 December 31, 2010, for taxpayers sixty-two years of age and older there shall be subtracted from
81 Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of an
82 amount equal to the greater of: six thousand dollars in retirement benefits received from sources
83 other than privately funded sources, to the extent such benefits are included in the taxpayer's
84 federal adjusted gross income; or sixty-five percent of the retirement benefits received from
85 sources other than privately funded sources in the tax year, but not to exceed the maximum
86 Social Security benefit available for such tax year. For the tax year beginning on or after January
87 1, 2011, but ending on or before December 31, 2011, for taxpayers sixty-two years of age and

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

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

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

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

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

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

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

123 regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
124 be accordingly adjusted to the same exemption levels.

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

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

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

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

142 **14. (1) This subsection shall be known and may be cited as the "Federal**
143 **Retirement Exemption Act".**

144 **(2) As used in this subsection, the following terms mean:**

145 **(a) "Federal employee", any person who is sixty-two years of age or older, has an**
146 **annual Missouri taxable income of eighty-five thousand dollars or less, and has retired**
147 **from employment by the United States;**

148 **(b) "Retirement income", the total amount of any annuity, pension, retirement**
149 **allowance, or similar retirement arrangement provided by the United States to any federal**
150 **employee.**

151 **(3) Notwithstanding any other provision of law to the contrary, for all tax years**
152 **beginning on or after January 1, 2010, retirement income earned by a federal employee**
153 **shall be exempt from the tax on income imposed in this chapter.**

✓