

SECOND REGULAR SESSION

HOUSE BILL NO. 1725

100TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE SCHNELTING.

3699H.011

DANA RADEMAN MILLER, Chief Clerk

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Section A. Sections 143.124 and 143.125, RSMo, are repealed and two new sections enacted in lieu thereof, to be known as sections 143.124 and 143.125, to read as follows: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 or any political subdivision or agency or institution of this or any other state. An individual

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

For all tax years ending on or before December 31, 2020, 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.

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

6. **For all tax years ending on or before December 31, 2020,** 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 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

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

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

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

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

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

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 gross
151 income, determined under section 143.121, any retirement benefits received by any taxpayer as
152 a result of the taxpayer's service in the Armed Forces of the United States, including reserve
153 components and the National Guard of this state, as defined in Sections 101(3) and 109 of Title
154 32, United States Code, and any other military force organized under the laws of this state, to the
155 extent such benefits are included in the taxpayer's federal adjusted gross income and not
156 otherwise deducted from the taxpayer's federal adjusted gross income in the calculation of
157 Missouri taxable income. Such retirement benefits shall be subtracted as provided in the
158 following schedule:

- 159 (1) For the tax year beginning on January 1, 2010, fifteen percent of such retirement
160 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 retirement
164 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 retirement
170 benefits;
- 171 (7) For tax years beginning on or after January 1, 2016, one hundred percent of such
172 retirement benefits.

143.125. 1. As used in this section, the following terms mean: (1) "Benefits", any Social
2 Security benefits received by a taxpayer age sixty-two years of age and older, or Social Security
3 disability benefits; (2) "Taxpayer", any resident individual.

4 2. For the taxable year beginning on or after January 1, 2007, any taxpayer shall be
5 allowed to subtract from the taxpayer's Missouri adjusted gross income to determine Missouri
6 taxable income a maximum of an amount equal to twenty percent of the amount of any benefits
7 received by the taxpayer and that are included in federal adjusted gross income under Section 86
8 of the Internal Revenue Code of 1986, as amended. For the taxable year beginning on or after
9 January 1, 2008, any taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted
10 gross income to determine Missouri taxable income a maximum of an amount equal to thirty-five
11 percent of the amount of any benefits received by the taxpayer and that are included in federal
12 adjusted gross income under Section 86 of the Internal Revenue Code of 1986, as amended. For
13 the taxable year beginning on or after January 1, 2009, any taxpayer shall be allowed to subtract
14 from the taxpayer's Missouri adjusted gross income to determine Missouri taxable income a
15 maximum of an amount equal to fifty percent of the amount of any benefits received by the
16 taxpayer and that are included in federal adjusted gross income under Section 86 of the Internal
17 Revenue Code of 1986, as amended. For the taxable year beginning on or after January 1, 2010,
18 any taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted gross income to
19 determine Missouri taxable income a maximum of an amount equal to sixty-five percent of the
20 amount of any benefits received by the taxpayer and that are included in federal adjusted gross
21 income under Section 86 of the Internal Revenue Code of 1986, as amended. For the taxable
22 year beginning on or after January 1, 2011, any taxpayer shall be allowed to subtract from the

23 taxpayer's Missouri adjusted gross income to determine Missouri taxable income a maximum
24 of an amount equal to eighty percent of the amount of any benefits received by the taxpayer and
25 that are included in federal adjusted gross income under Section 86 of the Internal Revenue Code
26 of 1986, as amended. For all taxable years beginning on or after January 1, 2012, any taxpayer
27 shall be allowed to subtract from the taxpayer's Missouri adjusted gross income to determine
28 Missouri taxable income a maximum of an amount equal to one hundred percent of the amount
29 of any benefits received by the taxpayer and that are included in federal adjusted gross income
30 under Section 86 of the Internal Revenue Code of 1986, as amended. **For all tax years ending**
31 **on or before December 31, 2020**, a taxpayer shall be entitled to the maximum exemption
32 provided by this subsection:

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

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

38

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

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

48 4. The director of the department of revenue may promulgate rules to implement the
49 provisions of this section. Any rule or portion of a rule, as that term is defined in section
50 536.010, that is created under the authority delegated in this section shall become effective only
51 if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section
52 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the
53 general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove
54 and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority
55 and any rule proposed or adopted after August 28, 2007, shall be invalid and void.

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