

FIRST REGULAR SESSION

# HOUSE BILL NO. 456

102ND GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE COLEMAN.

0873H.011

DANA RADEMAN MILLER, Chief Clerk

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## AN ACT

To repeal sections 143.124 and 143.125, RSMo, and to enact in lieu thereof two new sections relating to income tax.

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*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Section A. Sections 143.124 and 143.125, RSMo, are repealed and two new sections  
2 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  
2 ending on or before December 31, 2006, the total amount of all annuities, pensions, or  
3 retirement allowances above the amount of six thousand dollars annually provided by any law  
4 of this state, the United States, or any other state to any person except as provided in  
5 subsection 4 of this section, shall be subject to tax pursuant to the provisions of this chapter,  
6 in the same manner, to the same extent and under the same conditions as any other taxable  
7 income received by the person receiving it. For purposes of this section, "annuity, pension,  
8 retirement benefit, or retirement allowance" shall be defined as an annuity, pension or  
9 retirement allowance provided by the United States, this state, any other state or any political  
10 subdivision or agency or institution of this or any other state. For all tax years beginning on  
11 or after January 1, 1998, for purposes of this section, annuity, pension or retirement allowance  
12 shall be defined to include 401(k) plans, deferred compensation plans, self-employed  
13 retirement plans, also known as Keogh plans, annuities from a defined pension plan and  
14 individual retirement arrangements, also known as IRAs, as described in the Internal Revenue  
15 Code, but not including Roth IRAs, as well as an annuity, pension or retirement allowance  
16 provided by the United States, this state, any other state or any political subdivision or agency  
17 or institution of this or any other state. An individual taxpayer shall only be allowed a

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.

18 maximum deduction equal to the amounts provided under this section for each taxpayer on  
19 the combined return.

20         2. For the period beginning July 1, 1989, and ending December 31, 1989, there shall  
21 be subtracted from Missouri adjusted gross income for that period, determined pursuant to  
22 section 143.121, the first three thousand dollars of retirement benefits received by each  
23 taxpayer:

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

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

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

31         3. For the tax years beginning on or after January 1, 1990, but ending on or before  
32 December 31, 2006, there shall be subtracted from Missouri adjusted gross income,  
33 determined pursuant to section 143.121, a maximum of the first six thousand dollars of  
34 retirement benefits received by each taxpayer from sources other than privately funded  
35 sources, and for tax years beginning on or after January 1, 1998, there shall be subtracted  
36 from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of  
37 the first one thousand dollars of any retirement allowance received from any privately funded  
38 source for tax years beginning on or after January 1, 1998, but before January 1, 1999, and a  
39 maximum of the first three thousand dollars of any retirement allowance received from any  
40 privately funded source for tax years beginning on or after January 1, 1999, but before  
41 January 1, 2000, and a maximum of the first four thousand dollars of any retirement  
42 allowance received from any privately funded source for tax years beginning on or after  
43 January 1, 2000, but before January 1, 2001, and a maximum of the first five thousand dollars  
44 of any retirement allowance received from any privately funded source for tax years  
45 beginning on or after January 1, 2001, but before January 1, 2002, and a maximum of the first  
46 six thousand dollars of any retirement allowance received from any privately funded sources  
47 for tax years beginning on or after January 1, 2002. A taxpayer shall be entitled to the  
48 maximum exemption provided by this subsection:

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

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

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

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

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

91 privately funded sources, to the extent such benefits are included in the taxpayer's federal  
92 adjusted gross income; or sixty-five percent of the retirement benefits received from sources  
93 other than privately funded sources in the tax year, but not to exceed the maximum Social  
94 Security benefit available for such tax year. For the tax year beginning on or after January 1,  
95 2011, but ending on or before December 31, 2011, there shall be subtracted from Missouri  
96 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount  
97 equal to the greater of: six thousand dollars in retirement benefits received from sources other  
98 than privately funded sources, to the extent such benefits are included in the taxpayer's federal  
99 adjusted gross income; or eighty percent of the retirement benefits received from sources  
100 other than privately funded sources in the tax year, but not to exceed the maximum Social  
101 Security benefit available for such tax year. For all tax years beginning on or after January 1,  
102 2012, there shall be subtracted from Missouri adjusted gross income, determined pursuant to  
103 section 143.121, a maximum of an amount equal to one hundred percent of the retirement  
104 benefits received from sources other than privately funded sources in the tax year, but not to  
105 exceed the maximum Social Security benefit available for such tax year. **For all tax years**  
106 **ending on or before December 31, 2023**, a taxpayer shall be entitled to the maximum  
107 exemption provided by this subsection:

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

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

113

114 **For all tax years beginning on or after January 1, 2024, a taxpayer shall be entitled to**  
115 **the maximum exemption provided by this subsection regardless of the taxpayer's filing**  
116 **status or the amount of the taxpayer's Missouri adjusted gross income.**

117 6. **For all tax years ending on or before December 31, 2023**, if a taxpayer's  
118 adjusted gross income exceeds the adjusted gross income ceiling for such taxpayer's filing  
119 status, as provided in subdivisions (1) and (2) of subsection 5 of this section, such taxpayer  
120 shall be entitled to an exemption, less any applicable reduction provided under subsection 7  
121 of this section, equal to the greater of zero or the maximum exemption provided in subsection  
122 5 of this section reduced by one dollar for every dollar such taxpayer's income exceeds the  
123 ceiling for his or her filing status.

124 7. For purposes of calculating the subtraction provided in subsection 5 of this section,  
125 such subtraction shall be decreased by an amount equal to any Social Security benefit  
126 exemption provided under section 143.125.

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

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

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

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

146           12. The exemptions provided for in this section shall not affect the calculation of the  
147 income to be used to determine the property tax credit provided in sections 135.010 to  
148 135.035.

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

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

2           (1) "Benefits"[;]:

3           **(a) On or before December 31, 2023, any Social Security benefits received by a**  
4 **taxpayer age sixty-two years of age and older, or Social Security disability benefits;**

5           **(b) On or after January 1, 2024, all Social Security benefits received by a**  
6 **taxpayer, regardless of age, including retirement, disability, survivors, and supplemental**  
7 **benefits;**

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

9           2. For the taxable year beginning on or after January 1, 2007, any taxpayer shall be  
10 allowed to subtract from the taxpayer's Missouri adjusted gross income to determine Missouri  
11 taxable income a maximum of an amount equal to twenty percent of the amount of any  
12 benefits received by the taxpayer and that are included in federal adjusted gross income under  
13 Section 86 of the Internal Revenue Code of 1986, as amended. For the taxable year beginning  
14 on or after January 1, 2008, any taxpayer shall be allowed to subtract from the taxpayer's  
15 Missouri adjusted gross income to determine Missouri taxable income a maximum of an  
16 amount equal to thirty-five percent of the amount of any benefits received by the taxpayer and  
17 that are included in federal adjusted gross income under Section 86 of the Internal Revenue  
18 Code of 1986, as amended. For the taxable year beginning on or after January 1, 2009, any  
19 taxpayer shall be allowed to subtract from the taxpayer's Missouri adjusted gross income to  
20 determine Missouri taxable income a maximum of an amount equal to fifty percent of the  
21 amount of any benefits received by the taxpayer and that are included in federal adjusted  
22 gross income under Section 86 of the Internal Revenue Code of 1986, as amended. For the  
23 taxable year beginning on or after January 1, 2010, any taxpayer shall be allowed to subtract  
24 from the taxpayer's Missouri adjusted gross income to determine Missouri taxable income a  
25 maximum of an amount equal to sixty-five percent of the amount of any benefits received by  
26 the taxpayer and that are included in federal adjusted gross income under Section 86 of the  
27 Internal Revenue Code of 1986, as amended. For the taxable year beginning on or after  
28 January 1, 2011, any taxpayer shall be allowed to subtract from the taxpayer's Missouri  
29 adjusted gross income to determine Missouri taxable income a maximum of an amount equal  
30 to eighty percent of the amount of any benefits received by the taxpayer and that are included  
31 in federal adjusted gross income under Section 86 of the Internal Revenue Code of 1986, as  
32 amended. For all taxable years beginning on or after January 1, 2012, any taxpayer shall be  
33 allowed to subtract from the taxpayer's Missouri adjusted gross income to determine Missouri  
34 taxable income a maximum of an amount equal to one hundred percent of the amount of any  
35 benefits received by the taxpayer and that are included in federal adjusted gross income under  
36 Section 86 of the Internal Revenue Code of 1986, as amended. **For all tax years ending on**  
37 **or before December 31, 2023,** a taxpayer shall be entitled to the maximum exemption  
38 provided by this subsection:

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

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

44

45 **For all tax years beginning on or after January 1, 2024, a taxpayer shall be entitled to**  
46 **the maximum exemption provided by this subsection regardless of the taxpayer's filing**  
47 **status or the amount of the taxpayer's Missouri adjusted gross income.**

48 3. **For all tax years ending on or before December 31, 2023,** if a taxpayer's  
49 adjusted gross income exceeds the adjusted gross income ceiling for such taxpayer's filing  
50 status, as provided in subdivisions (1) and (2) of subsection 2 of this section, such taxpayer  
51 shall be entitled to an exemption equal to the greater of zero or the maximum exemption  
52 provided in subsection 2 of this section reduced by one dollar for every dollar such taxpayer's  
53 income exceeds the ceiling for his or her filing status.

54 4. The director of the department of revenue may promulgate rules to implement the  
55 provisions of this section. Any rule or portion of a rule, as that term is defined in section  
56 536.010, that is created under the authority delegated in this section shall become effective  
57 only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable,  
58 section 536.028. This section and chapter 536 are nonseverable and if any of the powers  
59 vested with the general assembly pursuant to chapter 536 to review, to delay the effective  
60 date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant  
61 of rulemaking authority and any rule proposed or adopted after August 28, 2007, shall be  
62 invalid and void.

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