

FIRST REGULAR SESSION

HOUSE BILL NO. 662

102ND GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE EVANS.

1264H.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Section A. Sections 143.124 and 143.125, RSMo, are repealed and two new sections
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, any 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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