

SECOND REGULAR SESSION

HOUSE BILL NO. 2657

102ND GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MCGIRL.

5498H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to private pension taxation.

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Section A. Section 143.124, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.124, to read as follows: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 or any political subdivision or agency 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, **but before January 1, 2025, and a**
48 **maximum of the first twelve thousand dollars of any retirement allowance received from**
49 **any privately funded sources for tax years beginning on or after January 1, 2025.** A
50 taxpayer shall be entitled to the maximum exemption provided by this subsection:

51 (1) If the taxpayer's filing status is single, head of household or qualifying widow(er)
52 and the taxpayer's Missouri adjusted gross income is less than [~~twenty-five~~] **fifty** thousand
53 dollars; or

54 (2) If the taxpayer's filing status is married filing combined and their combined
55 Missouri adjusted gross income is less than ~~[thirty-two]~~ **sixty-four** thousand dollars; or

56 (3) If the taxpayer's filing status is married filing separately and the taxpayer's
57 Missouri adjusted gross income is less than ~~[sixteen]~~ **thirty-two** thousand **six hundred**
58 dollars.

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

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

91 ending on or before December 31, 2010, there shall be subtracted from Missouri adjusted
92 gross income, determined pursuant to section 143.121, a maximum of an amount equal to the
93 greater of: six thousand dollars in retirement benefits received from sources other than
94 privately funded sources, to the extent such benefits are included in the taxpayer's federal
95 adjusted gross income; or sixty-five percent of the retirement benefits received from sources
96 other than privately funded sources in the tax year, but not to exceed the maximum Social
97 Security benefit available for such tax year. For the tax year beginning on or after January 1,
98 2011, but ending on or before December 31, 2011, there shall be subtracted from Missouri
99 adjusted gross income, determined pursuant to section 143.121, a maximum of an amount
100 equal to the greater of: six thousand dollars in retirement benefits received from sources other
101 than privately funded sources, to the extent such benefits are included in the taxpayer's federal
102 adjusted gross income; or eighty percent of the retirement benefits received from sources
103 other than privately funded sources in the tax year, but not to exceed the maximum Social
104 Security benefit available for such tax year. For all tax years beginning on or after January 1,
105 2012, there shall be subtracted from Missouri adjusted gross income, determined pursuant to
106 section 143.121, a maximum of an amount equal to one hundred percent of the retirement
107 benefits received from sources other than privately funded sources in the tax year, but not to
108 exceed the maximum Social Security benefit available for such tax year. For all tax years
109 beginning on or before December 31, 2023, a taxpayer shall be entitled to the maximum
110 exemption provided by this subsection:

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

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

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

120 6. For all tax years beginning on or before December 31, 2023, if a taxpayer's
121 adjusted gross income exceeds the adjusted gross income ceiling for such taxpayer's filing
122 status, as provided in subdivisions (1) and (2) of subsection 5 of this section, such taxpayer
123 shall be entitled to an exemption, less any applicable reduction provided under subsection 7
124 of this section, equal to the greater of zero or the maximum exemption provided in subsection
125 5 of this section reduced by one dollar for every dollar such taxpayer's income exceeds the
126 ceiling for his or her filing status.

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

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

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

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

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

149 12. The exemptions provided for in this section shall not affect the calculation of the
150 income to be used to determine the property tax credit provided in sections 135.010 to
151 135.035.

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

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