

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR
HOUSE BILL NOS. 1762 & 2059
103RD GENERAL ASSEMBLY

4983H.02C

JOSEPH ENGLER, 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Section A. Section 143.124, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.124, to read as follows: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
46 first six thousand dollars of any retirement allowance received **by each taxpayer** from any
47 privately funded sources for tax years beginning on or after January 1, 2002, **but before**
48 **January 1, 2027, and a maximum of the first twelve thousand dollars of any retirement**
49 **allowance received from any privately funded sources for tax years beginning on or**
50 **after January 1, 2027.** A taxpayer shall be entitled to the maximum exemption provided by
51 this subsection:

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

54 **for all tax years beginning on or before December 31, 2026, and less than fifty thousand**
55 **dollars for all tax years beginning on or after January 1, 2027; or**

56 (2) If the taxpayer's filing status is married filing combined and their combined
57 Missouri adjusted gross income is less than thirty-two thousand dollars **for all tax years**
58 **beginning on or before December 31, 2026, and less than sixty-four thousand dollars for**
59 **all tax years beginning on or after January 1, 2027; or**

60 (3) If the taxpayer's filing status is married filing separately and the taxpayer's
61 Missouri adjusted gross income is less than sixteen thousand dollars **for all tax years**
62 **beginning on or before December 31, 2026, and less than thirty-two thousand six**
63 **hundred dollars for all tax years beginning on or after January 1, 2027.**

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

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

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

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

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

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

125 6. For all tax years beginning on or before December 31, 2023, if a taxpayer's
126 adjusted gross income exceeds the adjusted gross income ceiling for such taxpayer's filing
127 status, as provided in subdivisions (1) and (2) of subsection 5 of this section, such taxpayer

128 shall be entitled to an exemption, less any applicable reduction provided under subsection 7
129 of this section, equal to the greater of zero or the maximum exemption provided in subsection
130 5 of this section reduced by one dollar for every dollar such taxpayer's income exceeds the
131 ceiling for his or her filing status.

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

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

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

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

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

154 12. The exemptions provided for in this section shall not affect the calculation of the
155 income to be used to determine the property tax credit provided in sections 135.010 to
156 135.035.

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

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