

SECOND REGULAR SESSION

# SENATE BILL NO. 1125

94TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR CROWELL.

Read 1st time February 12, 2008, and ordered printed.

TERRY L. SPIELER, Secretary.

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## AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to an income tax exemption for certain retirement benefits.

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Section A. Section 143.124, RSMo, is repealed and one new section  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

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

20 other state. An individual taxpayer shall only be allowed a maximum deduction  
21 equal to the amounts provided under this section for each taxpayer on the  
22 combined return.

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

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

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

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

35         3. For the tax years beginning on or after January 1, 1990, but ending on  
36 or before December 31, 2006, there shall be subtracted from Missouri adjusted  
37 gross income, determined pursuant to section 143.121, a maximum of the first six  
38 thousand dollars of retirement benefits received by each taxpayer from sources  
39 other than privately funded sources, and for tax years beginning on or after  
40 January 1, 1998, there shall be subtracted from Missouri adjusted gross income,  
41 determined pursuant to section 143.121, a maximum of the first one thousand  
42 dollars of any retirement allowance received from any privately funded source for  
43 tax years beginning on or after January 1, 1998, but before January 1, 1999, and  
44 a maximum of the first three thousand dollars of any retirement allowance  
45 received from any privately funded source for tax years beginning on or after  
46 January 1, 1999, but before January 1, 2000, and a maximum of the first four  
47 thousand dollars of any retirement allowance received from any privately funded  
48 source for tax years beginning on or after January 1, 2000, but before January 1,  
49 2001, and a maximum of the first five thousand dollars of any retirement  
50 allowance received from any privately funded source for tax years beginning on  
51 or after January 1, 2001, but before January 1, 2002, and a maximum of the first  
52 six thousand dollars of any retirement allowance received from any privately  
53 funded sources for tax years beginning on or after January 1, 2002. A taxpayer  
54 shall be entitled to the maximum exemption provided by this subsection:

55             (1) If the taxpayer's filing status is single, head of household or qualifying

56 widow(er) and the taxpayer's Missouri adjusted gross income is less than  
57 twenty-five thousand dollars; or

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

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

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

69 5. For the tax year beginning on or after January 1, 2007, but ending on  
70 or before December 31, 2007, [for taxpayers sixty-two years of age and older]  
71 there shall be subtracted from Missouri adjusted gross income, determined  
72 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
73 six thousand dollars in retirement benefits received from sources other than  
74 privately funded sources, to the extent such benefits are included in the  
75 taxpayer's federal adjusted gross income; or twenty percent of the retirement  
76 benefits received from sources other than privately funded sources in the tax  
77 year, but not to exceed the maximum Social Security benefit available for such  
78 tax year. For the tax year beginning on or after January 1, 2008, but ending on  
79 or before December 31, 2008, [for taxpayers sixty-two years of age and older]  
80 there shall be subtracted from Missouri adjusted gross income, determined  
81 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
82 six thousand dollars in retirement benefits received from sources other than  
83 privately funded sources, to the extent such benefits are included in the  
84 taxpayer's federal adjusted gross income; or thirty-five percent of the retirement  
85 benefits received from sources other than privately funded sources in the tax  
86 year, but not to exceed the maximum Social Security benefit available for such  
87 tax year. For the tax year beginning on or after January 1, 2009, but ending on  
88 or before December 31, 2009, [for taxpayers sixty-two years of age and older]  
89 there shall be subtracted from Missouri adjusted gross income, determined  
90 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
91 six thousand dollars in retirement benefits received from sources other than

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

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

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

127 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income

128 ceiling for such taxpayer's filing status, as provided in subdivisions (1) and (2) of  
129 subsection 5 of this section, such taxpayer shall be entitled to an exemption, less  
130 any applicable reduction provided under subsection 7 of this section, equal to the  
131 greater of zero or the maximum exemption provided in subsection 5 of this section  
132 reduced by one dollar for every dollar such taxpayer's income exceeds the ceiling  
133 for his or her filing status.

134         7. For purposes of calculating the subtraction provided in subsection 5 of  
135 this section, such subtraction shall be decreased by an amount equal to any Social  
136 Security benefits received by the taxpayer which are not included in such  
137 taxpayer's Missouri adjusted gross income.

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

143         9. The provisions of subdivisions (1) and (2) of subsection 3 of this section  
144 shall apply during all tax years in which the federal Internal Revenue Code  
145 provides exemption levels for calculation of the taxability of Social Security  
146 benefits that are the same as the levels in subdivisions (1) and (2) of subsection  
147 3 of this section. If the exemption levels for the calculation of the taxability of  
148 Social Security benefits are adjusted by applicable federal law or regulation, the  
149 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall  
150 be accordingly adjusted to the same exemption levels.

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

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

159         12. The exemptions provided for in this section shall not affect the  
160 calculation of the income to be used to determine the property tax credit provided  
161 in sections 135.010 to 135.035, RSMo.

162         13. The exemptions provided for in this section shall apply to any annuity,  
163 pension, or retirement allowance as defined in subsection 1 of this section to the

164 extent that such amounts are included in the taxpayer's federal adjusted gross  
165 income and not otherwise deducted from the taxpayer's federal adjusted gross  
166 income in the calculation of Missouri taxable income. This subsection shall not  
167 apply to any individual who qualifies under federal guidelines to be one hundred  
168 percent disabled.

169       **14. In addition to all other subtractions authorized in this**  
170 **section, for all tax years beginning on or after January 1, 2008, there**  
171 **shall be subtracted from Missouri adjusted gross income, determined**  
172 **under section 143.121, one hundred percent of the retirement benefits**  
173 **received by any taxpayer as a result of the taxpayer's service in the**  
174 **armed forces of the United States, including reserve components and**  
175 **the national guard, as defined in Sections 101 (3) and 109 of Title 32,**  
176 **United States Code, to the extent such benefits are included in the**  
177 **taxpayer's federal adjusted gross income and not otherwise deducted**  
178 **from Missouri adjusted gross income.**

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Bill

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