

SECOND REGULAR SESSION

# SENATE BILL NO. 1180

94TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR CROWELL.

Read 1st time February 25, 2008, and ordered printed.

TERRY L. SPIELER, Secretary.

5115S.011

## 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.

*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Section A. Section 143.124, RSMo, is repealed and one new section  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 purposes of this subsection, the term "maximum Social**  
70 **Security benefit available" shall mean thirty-two thousand five hundred**  
71 **dollars for the tax year beginning on or after January 1, 2007, and for**  
72 **each subsequent tax year such amount shall be increased by the**  
73 **percentage increase in the Consumer Price Index for All Urban**  
74 **Consumers, or its successor index, as such index is defined and**  
75 **officially reported by the United States Department of Labor, or its**  
76 **successor agency.** For the tax year beginning on or after January 1, 2007, but  
77 ending on or before December 31, 2007, [for taxpayers sixty-two years of age and  
78 older] there shall be subtracted from Missouri adjusted gross income, determined  
79 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
80 six thousand dollars in retirement benefits received from sources other than  
81 privately funded sources, to the extent such benefits are included in the  
82 taxpayer's federal adjusted gross income; or twenty percent of the retirement  
83 benefits received from sources other than privately funded sources in the tax  
84 year, but not to exceed the maximum Social Security benefit available for such  
85 tax year. For the tax year beginning on or after January 1, 2008, but ending on  
86 or before December 31, 2008, [for taxpayers sixty-two years of age and older]  
87 there shall be subtracted from Missouri adjusted gross income, determined  
88 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
89 six thousand dollars in retirement benefits received from sources other than  
90 privately funded sources, to the extent such benefits are included in the  
91 taxpayer's federal adjusted gross income; or thirty-five percent of the retirement

92 benefits received from sources other than privately funded sources in the tax  
93 year, but not to exceed the maximum Social Security benefit available for such  
94 tax year. For the tax year beginning on or after January 1, 2009, but ending on  
95 or before December 31, 2009, [for taxpayers sixty-two years of age and older]  
96 there shall be subtracted from Missouri adjusted gross income, determined  
97 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
98 six thousand dollars in retirement benefits received from sources other than  
99 privately funded sources, to the extent such benefits are included in the  
100 taxpayer's federal adjusted gross income; or fifty percent of the retirement  
101 benefits received from sources other than privately funded sources in the tax  
102 year, but not to exceed the maximum Social Security benefit available for such  
103 tax year. For the tax year beginning on or after January 1, 2010, but ending on  
104 or before December 31, 2010, [for taxpayers sixty-two years of age and older]  
105 there shall be subtracted from Missouri adjusted gross income, determined  
106 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
107 six thousand dollars in retirement benefits received from sources other than  
108 privately funded sources, to the extent such benefits are included in the  
109 taxpayer's federal adjusted gross income; or sixty-five percent of the retirement  
110 benefits received from sources other than privately funded sources in the tax  
111 year, but not to exceed the maximum Social Security benefit available for such  
112 tax year. For the tax year beginning on or after January 1, 2011, but ending on  
113 or before December 31, 2011, [for taxpayers sixty-two years of age and older]  
114 there shall be subtracted from Missouri adjusted gross income, determined  
115 pursuant to section 143.121, a maximum of an amount equal to the greater of:  
116 six thousand dollars in retirement benefits received from sources other than  
117 privately funded sources, to the extent such benefits are included in the  
118 taxpayer's federal adjusted gross income; or eighty percent of the retirement  
119 benefits received from sources other than privately funded sources in the tax  
120 year, but not to exceed the maximum Social Security benefit available for such  
121 tax year. For all tax years beginning on or after January 1, 2012, [for taxpayers  
122 sixty-two years of age and older] there shall be subtracted from Missouri adjusted  
123 gross income, determined pursuant to section 143.121, a maximum of an amount  
124 equal to one hundred percent of the retirement benefits received from sources  
125 other than privately funded sources in the tax year, but not to exceed the  
126 maximum Social Security benefit available for such tax year. A taxpayer shall  
127 be entitled to the maximum exemption provided by this subsection:

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

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

134 6. If a taxpayer's adjusted gross income exceeds the adjusted gross income  
135 ceiling for such taxpayer's filing status, as provided in subdivisions (1) and (2) of  
136 subsection 5 of this section, such taxpayer shall be entitled to an exemption, less  
137 any applicable reduction provided under subsection 7 of this section, equal to the  
138 greater of zero or the maximum exemption provided in subsection 5 of this section  
139 reduced by one dollar for every dollar such taxpayer's income exceeds the ceiling  
140 for his or her filing status.

141 7. For purposes of calculating the subtraction provided in subsection 5 of  
142 this section, such subtraction shall be decreased by an amount equal to any Social  
143 Security [benefits received by the taxpayer which are not included in such  
144 taxpayer's Missouri adjusted gross income] **benefit exemption provided**  
145 **under section 143.125.**

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

151 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section  
152 shall apply during all tax years in which the federal Internal Revenue Code  
153 provides exemption levels for calculation of the taxability of Social Security  
154 benefits that are the same as the levels in subdivisions (1) and (2) of subsection  
155 3 of this section. If the exemption levels for the calculation of the taxability of  
156 Social Security benefits are adjusted by applicable federal law or regulation, the  
157 exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall  
158 be accordingly adjusted to the same exemption levels.

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

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

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

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

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Bill

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