

FIRST REGULAR SESSION

# SENATE BILL NO. 585

102ND GENERAL ASSEMBLY

INTRODUCED BY SENATOR EIGEL.

2285S.01H

KRISTINA MARTIN, Secretary

## AN ACT

To repeal sections 143.124 and 143.125, RSMo, and to enact in lieu thereof two new sections relating to an income tax deduction for certain retirement benefits.

*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 143.124 and 143.125, RSMo, are  
2 repealed and two new sections enacted in lieu thereof, to be  
3 known as sections 143.124 and 143.125, to read as follows:

143.124. 1. Other provisions of law to the contrary  
2 notwithstanding, for tax years ending on or before December  
3 31, 2006, the total amount of all annuities, pensions, or  
4 retirement allowances above the amount of six thousand  
5 dollars annually provided by any law of this state, the  
6 United States, or any other state to any person except as  
7 provided in subsection 4 of this section, shall be subject  
8 to tax pursuant to the provisions of this chapter, in the  
9 same manner, to the same extent and under the same  
10 conditions as any other taxable income received by the  
11 person receiving it. For purposes of this section,  
12 "annuity, pension, retirement benefit, or retirement  
13 allowance" shall be defined as an annuity, pension or  
14 retirement allowance provided by the United States, this  
15 state, any other state or any political subdivision or  
16 agency or institution of this or any other state. For all  
17 tax years beginning on or after January 1, 1998, for  
18 purposes of this section, annuity, pension or retirement

19 allowance shall be defined to include 401(k) plans, deferred  
20 compensation plans, self-employed retirement plans, also  
21 known as Keogh plans, annuities from a defined pension plan  
22 and individual retirement arrangements, also known as IRAs,  
23 as described in the Internal Revenue Code, but not including  
24 Roth IRAs, as well as an annuity, pension or retirement  
25 allowance provided by the United States, this state, any  
26 other state or any political subdivision or agency or  
27 institution of this or any other state. An individual  
28 taxpayer shall only be allowed a maximum deduction equal to  
29 the amounts provided under this section for each taxpayer on  
30 the combined return.

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

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

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

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

46 3. For the tax years beginning on or after January 1,  
47 1990, but ending on or before December 31, 2006, there shall  
48 be subtracted from Missouri adjusted gross income,  
49 determined pursuant to section 143.121, a maximum of the  
50 first six thousand dollars of retirement benefits received

51 by each taxpayer from sources other than privately funded  
52 sources, and for tax years beginning on or after January 1,  
53 1998, there shall be subtracted from Missouri adjusted gross  
54 income, determined pursuant to section 143.121, a maximum of  
55 the first one thousand dollars of any retirement allowance  
56 received from any privately funded source for tax years  
57 beginning on or after January 1, 1998, but before January 1,  
58 1999, and a maximum of the first three thousand dollars of  
59 any retirement allowance received from any privately funded  
60 source for tax years beginning on or after January 1, 1999,  
61 but before January 1, 2000, and a maximum of the first four  
62 thousand dollars of any retirement allowance received from  
63 any privately funded source for tax years beginning on or  
64 after January 1, 2000, but before January 1, 2001, and a  
65 maximum of the first five thousand dollars of any retirement  
66 allowance received from any privately funded source for tax  
67 years beginning on or after January 1, 2001, but before  
68 January 1, 2002, and a maximum of the first six thousand  
69 dollars of any retirement allowance received from any  
70 privately funded sources for tax years beginning on or after  
71 January 1, 2002. A taxpayer shall be entitled to the  
72 maximum exemption provided by this subsection:

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

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

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

83           4. If a taxpayer's adjusted gross income exceeds the  
84 adjusted gross income ceiling for such taxpayer's filing  
85 status, as provided in subdivisions (1), (2) and (3) of  
86 subsection 3 of this section, such taxpayer shall be  
87 entitled to an exemption equal to the greater of zero or the  
88 maximum exemption provided in subsection 3 of this section  
89 reduced by one dollar for every dollar such taxpayer's  
90 income exceeds the ceiling for his or her filing status.

91           5. For purposes of this subsection, the term "maximum  
92 Social Security benefit available" shall mean thirty-two  
93 thousand five hundred dollars for the tax year beginning on  
94 or after January 1, 2007, and for each subsequent tax year  
95 such amount shall be increased by the percentage increase in  
96 the Consumer Price Index for All Urban Consumers, or its  
97 successor index, as such index is defined and officially  
98 reported by the United States Department of Labor, or its  
99 successor agency. For the tax year beginning on or after  
100 January 1, 2007, but ending on or before December 31, 2007,  
101 there shall be subtracted from Missouri adjusted gross  
102 income, determined pursuant to section 143.121, a maximum of  
103 an amount equal to the greater of: six thousand dollars in  
104 retirement benefits received from sources other than  
105 privately funded sources, to the extent such benefits are  
106 included in the taxpayer's federal adjusted gross income; or  
107 twenty percent of the retirement benefits received from  
108 sources other than privately funded sources in the tax year,  
109 but not to exceed the maximum Social Security benefit  
110 available for such tax year. For the tax year beginning on  
111 or after January 1, 2008, but ending on or before December  
112 31, 2008, there shall be subtracted from Missouri adjusted  
113 gross income, determined pursuant to section 143.121, a  
114 maximum of an amount equal to the greater of: six thousand

115 dollars in retirement benefits received from sources other  
116 than privately funded sources, to the extent such benefits  
117 are included in the taxpayer's federal adjusted gross  
118 income; or thirty-five percent of the retirement benefits  
119 received from sources other than privately funded sources in  
120 the tax year, but not to exceed the maximum Social Security  
121 benefit available for such tax year. For the tax year  
122 beginning on or after January 1, 2009, but ending on or  
123 before December 31, 2009, there shall be subtracted from  
124 Missouri adjusted gross income, determined pursuant to  
125 section 143.121, a maximum of an amount equal to the greater  
126 of: six thousand dollars in retirement benefits received  
127 from sources other than privately funded sources, to the  
128 extent such benefits are included in the taxpayer's federal  
129 adjusted gross income; or fifty percent of the retirement  
130 benefits received from sources other than privately funded  
131 sources in the tax year, but not to exceed the maximum  
132 Social Security benefit available for such tax year. For  
133 the tax year beginning on or after January 1, 2010, but  
134 ending on or before December 31, 2010, there shall be  
135 subtracted from Missouri adjusted gross income, determined  
136 pursuant to section 143.121, a maximum of an amount equal to  
137 the greater of: six thousand dollars in retirement benefits  
138 received from sources other than privately funded sources,  
139 to the extent such benefits are included in the taxpayer's  
140 federal adjusted gross income; or sixty-five percent of the  
141 retirement benefits received from sources other than  
142 privately funded sources in the tax year, but not to exceed  
143 the maximum Social Security benefit available for such tax  
144 year. For the tax year beginning on or after January 1,  
145 2011, but ending on or before December 31, 2011, there shall  
146 be subtracted from Missouri adjusted gross income,

147 determined pursuant to section 143.121, a maximum of an  
148 amount equal to the greater of: six thousand dollars in  
149 retirement benefits received from sources other than  
150 privately funded sources, to the extent such benefits are  
151 included in the taxpayer's federal adjusted gross income; or  
152 eighty percent of the retirement benefits received from  
153 sources other than privately funded sources in the tax year,  
154 but not to exceed the maximum Social Security benefit  
155 available for such tax year. For all tax years beginning on  
156 or after January 1, 2012, **but ending on or before December**  
157 **31, 2023**, there shall be subtracted from Missouri adjusted  
158 gross income, determined pursuant to section 143.121, a  
159 maximum of an amount equal to one hundred percent of the  
160 retirement benefits received from sources other than  
161 privately funded sources in the tax year, but not to exceed  
162 the maximum Social Security benefit available for such tax  
163 year. **For all tax years beginning on or after January 1,**  
164 **2024, there shall be subtracted from Missouri adjusted gross**  
165 **income, determined pursuant to section 143.121, a maximum of**  
166 **an amount equal to one hundred percent of all retirement**  
167 **benefits received, including from privately funded sources,**  
168 **in the tax year, but not to exceed the maximum Social**  
169 **Security benefit available for such tax year. For all tax**  
170 **years ending on or before December 31, 2023**, a taxpayer  
171 shall be entitled to the maximum exemption provided by this  
172 subsection:

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

176 (2) If the taxpayer's filing status is single, head of  
177 household, qualifying widow(er), or married filing

178 separately, and the taxpayer's Missouri adjusted gross  
179 income is equal to or less than eighty-five thousand dollars.

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

185       6. **For all tax years ending on or before December 31,**  
186 **2023,** if a taxpayer's adjusted gross income exceeds the  
187 adjusted gross income ceiling for such taxpayer's filing  
188 status, as provided in subdivisions (1) and (2) of  
189 subsection 5 of this section, such taxpayer shall be  
190 entitled to an exemption, less any applicable reduction  
191 provided under subsection 7 of this section, equal to the  
192 greater of zero or the maximum exemption provided in  
193 subsection 5 of this section reduced by one dollar for every  
194 dollar such taxpayer's income exceeds the ceiling for his or  
195 her filing status.

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

200       8. For purposes of this section, any Social Security  
201 benefits otherwise included in Missouri adjusted gross  
202 income shall be subtracted; but Social Security benefits  
203 shall not be subtracted for purposes of other computations  
204 pursuant to this chapter, and are not to be considered as  
205 retirement benefits for purposes of this section.

206       9. The provisions of subdivisions (1) and (2) of  
207 subsection 3 of this section shall apply during all tax  
208 years in which the federal Internal Revenue Code provides

209 exemption levels for calculation of the taxability of Social  
210 Security benefits that are the same as the levels in  
211 subdivisions (1) and (2) of subsection 3 of this section.

212 If the exemption levels for the calculation of the  
213 taxability of Social Security benefits are adjusted by  
214 applicable federal law or regulation, the exemption levels  
215 in subdivisions (1) and (2) of subsection 3 of this section  
216 shall be accordingly adjusted to the same exemption levels.

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

224 11. For purposes of this section, retirement benefits  
225 received shall not include any withdrawals from qualified  
226 retirement plans which are subsequently rolled over into  
227 another retirement plan.

228 12. The exemptions provided for in this section shall  
229 not affect the calculation of the income to be used to  
230 determine the property tax credit provided in sections  
231 135.010 to 135.035.

232 13. The exemptions provided for in this section shall  
233 apply to any annuity, pension, or retirement allowance as  
234 defined in subsection 1 of this section to the extent that  
235 such amounts are included in the taxpayer's federal adjusted  
236 gross income and not otherwise deducted from the taxpayer's  
237 federal adjusted gross income in the calculation of Missouri  
238 taxable income. This subsection shall not apply to any  
239 individual who qualifies under federal guidelines to be one  
240 hundred percent disabled.



143.125. 1. As used in this section, the following  
2 terms mean: (1) "Benefits", any Social Security benefits  
3 received by a taxpayer age sixty-two years of age and older,  
4 or Social Security disability benefits; (2) "Taxpayer", any  
5 resident individual.

6 2. For the taxable year beginning on or after January  
7 1, 2007, any taxpayer shall be allowed to subtract from the  
8 taxpayer's Missouri adjusted gross income to determine  
9 Missouri taxable income a maximum of an amount equal to  
10 twenty percent of the amount of any benefits received by the  
11 taxpayer and that are included in federal adjusted gross  
12 income under Section 86 of the Internal Revenue Code of  
13 1986, as amended. For the taxable year beginning on or  
14 after January 1, 2008, any taxpayer shall be allowed to  
15 subtract from the taxpayer's Missouri adjusted gross income  
16 to determine Missouri taxable income a maximum of an amount  
17 equal to thirty-five percent of the amount of any benefits  
18 received by the taxpayer and that are included in federal  
19 adjusted gross income under Section 86 of the Internal  
20 Revenue Code of 1986, as amended. For the taxable year  
21 beginning on or after January 1, 2009, any taxpayer shall be  
22 allowed to subtract from the taxpayer's Missouri adjusted  
23 gross income to determine Missouri taxable income a maximum  
24 of an amount equal to fifty percent of the amount of any  
25 benefits received by the taxpayer and that are included in  
26 federal adjusted gross income under Section 86 of the  
27 Internal Revenue Code of 1986, as amended. For the taxable  
28 year beginning on or after January 1, 2010, any taxpayer  
29 shall be allowed to subtract from the taxpayer's Missouri  
30 adjusted gross income to determine Missouri taxable income a  
31 maximum of an amount equal to sixty-five percent of the  
32 amount of any benefits received by the taxpayer and that are

33 included in federal adjusted gross income under Section 86  
34 of the Internal Revenue Code of 1986, as amended. For the  
35 taxable year beginning on or after January 1, 2011, any  
36 taxpayer shall be allowed to subtract from the taxpayer's  
37 Missouri adjusted gross income to determine Missouri taxable  
38 income a maximum of an amount equal to eighty percent of the  
39 amount of any benefits received by the taxpayer and that are  
40 included in federal adjusted gross income under Section 86  
41 of the Internal Revenue Code of 1986, as amended. For all  
42 taxable years beginning on or after January 1, 2012, any  
43 taxpayer shall be allowed to subtract from the taxpayer's  
44 Missouri adjusted gross income to determine Missouri taxable  
45 income a maximum of an amount equal to one hundred percent  
46 of the amount of any benefits received by the taxpayer and  
47 that are included in federal adjusted gross income under  
48 Section 86 of the Internal Revenue Code of 1986, as  
49 amended. **For all tax years ending on or before December 31,**  
50 **2023,** a taxpayer shall be entitled to the maximum exemption  
51 provided by this subsection:

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

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

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

64           3. **For all tax years ending on or before December 31,**  
65 **2023,** if a taxpayer's adjusted gross income exceeds the  
66 adjusted gross income ceiling for such taxpayer's filing  
67 status, as provided in subdivisions (1) and (2) of  
68 subsection 2 of this section, such taxpayer shall be  
69 entitled to an exemption equal to the greater of zero or the  
70 maximum exemption provided in subsection 2 of this section  
71 reduced by one dollar for every dollar such taxpayer's  
72 income exceeds the ceiling for his or her filing status.

73           4. The director of the department of revenue may  
74 promulgate rules to implement the provisions of this  
75 section. Any rule or portion of a rule, as that term is  
76 defined in section 536.010, that is created under the  
77 authority delegated in this section shall become effective  
78 only if it complies with and is subject to all of the  
79 provisions of chapter 536 and, if applicable, section  
80 536.028. This section and chapter 536 are nonseverable and  
81 if any of the powers vested with the general assembly  
82 pursuant to chapter 536 to review, to delay the effective  
83 date, or to disapprove and annul a rule are subsequently  
84 held unconstitutional, then the grant of rulemaking  
85 authority and any rule proposed or adopted after August 28,  
86 2007, shall be invalid and void.

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