SECOND REGULAR SESSION

SENATE BILL NO. 491

89TH GENERAL ASSEMBLY

INTRODUCED BY SENATORS SINGLETON AND RUSSELL.

Pre-filed December 1, 1997, and 1,000 copies ordered printed.

TERRY L. SPIELER, Secretary.

S2146.02I

AN ACT

To repeal sections 143.131 and 143.161, RSMo 1994, and section 143.124, RSMo Supp. 1997, relating to tax relief for families, and to enact in lieu thereof three new sections relating to the same subject.

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

Section A. Sections 143.131 and 143.161, RSMo 1994, and section 143.124, RSMo Supp. 1997, are repealed and three new sections enacted in lieu thereof, to be known as sections 143.124, 143.131 and 143.161, to read as follows:

143.124. 1. Other provisions of law to the contrary notwithstanding, 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, 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 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, **and passive investment income received by any person who is sixty-five years of age or older,** 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

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

this or any other state. **For purposes of this section, passive investment income shall mean income derived from royalties, rents, dividends, interest, annuities and sales or exchanges of stock or securities to the extent of any gain therefrom.**

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

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

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

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

3. For the tax years beginning on or after January 1, 1990, there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, the first six thousand dollars of retirement benefits received by each taxpayer from sources other than privately funded sources, and for tax years beginning on or after January 1, 1998, there shall be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, the first one thousand dollars of any retirement allowance received from any privately funded source for tax years beginning on or after January 1, 1998, but before January 1, 1999, and the first three thousand dollars of any retirement allowance received from any privately funded source for tax years beginning on or after January 1, 1999, but before January 1, 2000, and the first four thousand dollars of any retirement allowance received from any privately funded source for tax years beginning on or after January 1, 2000, but before January 1, 2001, and the first five thousand dollars of any retirement allowance received from any privately funded source for tax years beginning on or after January 1, 2001, but before January 1, 2002, and the first six thousand dollars of any retirement allowance received from any privately funded sources for tax years beginning on or after January 1, 2002**, provided, however, that the total amount of retirement benefits from all sources subtracted from Missouri adjusted gross income for each tax year shall not exceed six thousand dollars for each taxpayer**:

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

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

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

4. To determine the maximum Missouri adjusted gross income limits referenced in this section, any social security benefits included in Missouri adjusted gross income shall be

subtracted. But social security benefits shall not be subtracted for purposes of other computations pursuant to this chapter, and are not to be considered as retirement benefits for purposes of this section.

5. The provisions of subdivisions (1) and (2) of subsection 3 of this section shall apply during all tax years in which the federal Internal Revenue Code provides exemption levels for calculation of the taxability of social security benefits that are the same as the levels in subdivisions (1) and (2) of subsection 3 of this section. If the exemption levels for the calculation of the taxability of social security benefits are adjusted by applicable federal law or regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall be accordingly adjusted to the same exemption levels.

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

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

143.131. 1. The Missouri standard deduction may be deducted in determining Missouri taxable income of a resident individual unless the taxpayer or his spouse has elected to itemize his deduction as provided in section 143.141.

2. The Missouri standard deduction shall be the allowable federal standard deduction**, increased to the extent not otherwise deductible by the taxes for the same taxable year for which the return is being filed that are imposed by section 3101 of the Internal Revenue Code, relating to the tax on employees under the Federal Insurance Contributions Act, by sections 3201 and 3211, relating to the taxes on railroad employees and railroad employee representatives under the Railroad Retirement Act, and by section 1401, relating to tax on self-employment income, to the extent that such taxes were not deducted in the computation of the taxpayer’s federal adjusted gross income under the Internal Revenue Code of 1986, as amended**.

143.161. 1. **For all tax years beginning before January 1, 1999,** a resident may deduct four hundred dollars for each dependent for whom he is entitled to a dependency exemption deduction for federal income tax purposes.

2. For all tax years beginning on or after January 1, 1999, a resident may deduct one thousand two hundred dollars for each dependent for whom he is entitled to a dependency exemption deduction for federal income tax purposes.

[2.**] 3.** A resident who qualifies as an unmarried head of household or as a surviving spouse for federal income tax purposes may deduct an additional eight hundred dollars.

✓