FIRST REGULAR SESSION
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HOUSE COMMITTEE SUBSTITUTE FOR
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# SENATE BILLS NOS. 14, 60 & 69

## 90TH GENERAL ASSEMBLY

Reported from the Committee on Ways and Means, April 28, 1999, with recommendation that the House Committee Substitute for Senate Substitute for Senate Committee Substitute for Senate Bills Nos. 14, 60 & 69 Do Pass.

ANNE C. WALKER, Chief Clerk

L0524.08C



## AN ACT

To repeal section 143.124, RSMo Supp. 1998, relating to income tax relief for senior citizens, and to enact in lieu thereof four new sections relating to the same subject, with an effective date for a certain section.

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

Section A. Section 143.124, RSMo Supp. 1998, is repealed and four new sections enacted in lieu thereof, to be known as sections 143.124, 1, 2 and 3, to read as follows: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 **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 maximum deduction of six thousand dollars pursuant to this section. Taxpayers filing combined returns shall only be allowed a maximum deduction of six thousand dollars per taxpayer pursuant to this section.**

2. For the period beginning July 1, 1989, and ending December 31, 1989, there shall be

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

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, **a maximum of** 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, **a maximum of** 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 **a maximum of** 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 **a maximum of** 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 **a maximum of** 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 **a maximum of** 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**. A taxpayer shall be entitled to the maximum exemption provided by this subsection**:

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

**5. For purposes of** this section, any Social Security benefits **otherwise** 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.**] 6.** 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.**] 7.** 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.

**8. For purposes of this section, retirement benefits received shall not include any withdrawals from qualified retirement plans which are subsequently rolled-over into another retirement plan.**

**[**7.**] 9.** 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.

**Section 1. 1. A qualified taxpayer shall be allowed a credit against the tax otherwise due pursuant to chapter 143, RSMo, not including sections 143.191 to 143.265, RSMo, in an amount equal to the lesser of five hundred dollars or one hundred percent of the taxpayer's total expenses for covered prescription drugs less the amount of reimbursement from any source. A qualified taxpayer shall be entitled to claim the maximum credit allowed pursuant to this section if the taxpayer's filing status is single or surviving spouse and the taxpayer's income is fifteen thousand dollars or less, or if the taxpayer's filing status is married filing combined and their combined income is seventeen thousand dollars or less. If a taxpayer's income exceeds the ceiling for such taxpayer's filing status, such taxpayer shall be allowed to claim a credit equal to the lesser of zero or the maximum credit provided by this section reduced by one dollar for every twenty dollars such taxpayer's income exceeds the ceiling for such taxpayer's filing status.**

**2. As used in this section, the following terms mean:**

**(1) "Covered prescription drugs", drugs as well as insulin, syringes and needles used to administer insulin prescribed for a taxpayer or such taxpayer's spouse and dependents by a licensed prescriber or provider, excluding drugs prescribed for cosmetic purposes;**

**(2) "Income", as defined in section 135.010, RSMo;**

**(3) "Qualified taxpayer", a taxpayer or taxpayer's spouse who attained the age of sixty-five on or before the last day of the calendar year and was a resident of Missouri for the entire year, is a veteran of any branch of the armed forces of the United States or this state who became one hundred percent disabled as a result of such service, is disabled as defined in subdivision (2) of section 135.010, RSMo, and provides proof of such disability in such form and manner, and at such times, as the director of revenue may require, or reaches the age of sixty on or before the last day of the calendar year, received surviving spouse Social Security benefits during the calendar year and provides proof, as required by the director of revenue, that he or she received surviving spouse Social Security benefits during the calendar year for which the credit will be claimed. The residency requirement shall be deemed to have been fulfilled for the purpose of determining the eligibility of a surviving spouse for the credit if a person sixty-five years of age or older who would have**

**otherwise met the requirements for this credit dies before the last day of the calendar year. The residency requirement shall also be deemed to have been fulfilled for the purpose of determining the eligibility of a taxpayer who would have otherwise met the requirements for this credit but who dies before the last day of the calendar year.**

**3. The tax credit allowed by this section shall be claimed by the taxpayer at the time such taxpayer files a return. A taxpayer may only claim a credit for amounts expended for covered prescription drugs during the tax year for which the return is filed. Any amount of tax credit which exceeds the tax due shall be refunded, but shall not be carried over to any subsequent taxable year and shall not be transferable.**

**4. The director of revenue shall promulgate rules and regulations to administer the provisions of this section. No rule or portion of a rule promulgated pursuant to the authority of this section shall become effective unless it has been promulgated pursuant to the provisions of chapter 536, RSMo.**

**5. This section shall apply to all taxable years beginning after December 31, 1998.**

**Section 2. 1. An eligible small business, as defined in section 44 of the Internal Revenue Code, shall be allowed a credit not to exceed five thousand dollars against the tax otherwise due pursuant to chapter 143, RSMo, not including sections 143.191 to 143.265, RSMo, in an amount equal to fifty percent of all eligible access expenditures exceeding the monetary cap provided by section 44 of the Internal Revenue Code. For purposes of this section, "eligible access expenditures" means amounts paid or incurred by the taxpayer in order to comply with applicable access requirements provided by the Americans With Disabilities Act of 1990, as further defined in section 44 of the Internal Revenue Code and federal rulings interpreting section 44 of the Internal Revenue Code.**

**2. The tax credit allowed by this section shall be claimed by the taxpayer at the time such taxpayer files a return. Any amount of tax credit which exceeds the tax due shall be carried over to any subsequent taxable year, but shall not be refunded and shall not be transferrable.**

**3. The director of revenue shall promulgate rules and regulations to administer the provisions of this section. No rule or portion of a rule promulgated pursuant to the authority of this section shall become effective unless it has been promulgated pursuant to the provisions of chapter 536, RSMo.**

**Section 3. 1. For all taxable years beginning after December 31, 1999, a resident individual may deduct from such individual's Missouri taxable income an amount equal to one hundred percent of the amount paid by such individual for health insurance premiums to the extent such amount is included in the individual's federal taxable income and to the extent such amount is not otherwise deductible from the individual's Missouri taxable income pursuant to Missouri law.**

**2. The deduction provided in this section shall be available to an individual whether such individual elects to itemize his or her deductions or elects to deduct the Missouri standard deduction. A married individual filing a Missouri income tax return separately from his or her spouse shall be allowed to make a deduction pursuant to this section in an amount equal to the proportion of such individual's payment of health insurance premiums.**

**3. The director of the department of revenue shall place a line on all Missouri individual income tax returns for the deduction created by this section.**