

SENATE BILL NO. 871

101ST GENERAL ASSEMBLY

INTRODUCED BY SENATOR EIGEL.

3757S.01H

ADRIANE D. CROUSE, Secretary

AN ACT

To repeal sections 143.124 and 143.125, RSMo, and to enact in lieu thereof two new sections relating to income tax.

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2 repealed and two new sections enacted in lieu thereof, to be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, there shall be subtracted from
157 Missouri adjusted gross income, determined pursuant to
158 section 143.121, a maximum of an amount equal to one hundred
159 percent of the retirement benefits received from sources
160 other than privately funded sources in the tax year, but not
161 to exceed the maximum Social Security benefit available for
162 such tax year. **For all tax years ending on or before**
163 **December 31, 2022**, a taxpayer shall be entitled to the
164 maximum exemption provided by this subsection:

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

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

172 **For all tax years beginning on or after January 1, 2023, a**
173 **taxpayer shall be entitled to the maximum exemption provided**
174 **by this subsection regardless of the taxpayer's filing**
175 **status or the amount of the taxpayer's Missouri adjusted**
176 **gross income.**

177 6. **For all tax years ending on or before December 31,**
178 **2022,** if a taxpayer's adjusted gross income exceeds the
179 adjusted gross income ceiling for such taxpayer's filing
180 status, as provided in subdivisions (1) and (2) of
181 subsection 5 of this section, such taxpayer shall be
182 entitled to an exemption, less any applicable reduction
183 provided under subsection 7 of this section, equal to the
184 greater of zero or the maximum exemption provided in
185 subsection 5 of this section reduced by one dollar for every
186 dollar such taxpayer's income exceeds the ceiling for his or
187 her filing status.

188 7. For purposes of calculating the subtraction
189 provided in subsection 5 of this section, such subtraction
190 shall be decreased by an amount equal to any Social Security
191 benefit exemption provided under section 143.125.

192 8. For purposes of this section, any Social Security
193 benefits otherwise included in Missouri adjusted gross
194 income shall be subtracted; but Social Security benefits
195 shall not be subtracted for purposes of other computations
196 pursuant to this chapter, and are not to be considered as
197 retirement benefits for purposes of this section.

198 9. The provisions of subdivisions (1) and (2) of
199 subsection 3 of this section shall apply during all tax
200 years in which the federal Internal Revenue Code provides
201 exemption levels for calculation of the taxability of Social
202 Security benefits that are the same as the levels in
203 subdivisions (1) and (2) of subsection 3 of this section.
204 If the exemption levels for the calculation of the
205 taxability of Social Security benefits are adjusted by
206 applicable federal law or regulation, the exemption levels
207 in subdivisions (1) and (2) of subsection 3 of this section
208 shall be accordingly adjusted to the same exemption levels.

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

216 11. For purposes of this section, retirement benefits
217 received shall not include any withdrawals from qualified
218 retirement plans which are subsequently rolled over into
219 another retirement plan.

220 12. The exemptions provided for in this section shall
221 not affect the calculation of the income to be used to
222 determine the property tax credit provided in sections
223 135.010 to 135.035.

224 13. The exemptions provided for in this section shall
225 apply to any annuity, pension, or retirement allowance as
226 defined in subsection 1 of this section to the extent that
227 such amounts are included in the taxpayer's federal adjusted
228 gross income and not otherwise deducted from the taxpayer's
229 federal adjusted gross income in the calculation of Missouri
230 taxable income. This subsection shall not apply to any
231 individual who qualifies under federal guidelines to be one
232 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 **2022,** 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, 2023, 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 **2022,** 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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