

FIRST REGULAR SESSION

HOUSE BILL NO. 50

96TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES TAYLOR (Sponsor), REIBOLDT,
LANT AND DAVIS (Co-sponsors).

0196L.011

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal section 143.124, RSMo, and to enact in lieu thereof one new section relating to taxation of lump sum distributions from certain annuities or other retirement plans.

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Section A. Section 143.124, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 143.124, to read as follows: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 tax years ending on or before December 31, 2006, 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, retirement benefit, or retirement allowance" shall be defined as an annuity, pension, **retirement benefit**, 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

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

17 state. An individual taxpayer shall only be allowed a maximum deduction equal to the amounts
18 provided under this section for each taxpayer on the combined return.

19 2. For the period beginning July 1, 1989, and ending December 31, 1989, there shall be
20 subtracted from Missouri adjusted gross income for that period, determined pursuant to section
21 143.121, the first three thousand dollars of retirement benefits received by each taxpayer:

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

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

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

29 3. For the tax years beginning on or after January 1, 1990, but ending on or before
30 December 31, 2006, there shall be subtracted from Missouri adjusted gross income, determined
31 pursuant to section 143.121, a maximum of the first six thousand dollars of retirement benefits
32 received by each taxpayer from sources other than privately funded sources, and for tax years
33 beginning on or after January 1, 1998, there shall be subtracted from Missouri adjusted gross
34 income, determined pursuant to section 143.121, a maximum of the first one thousand dollars
35 of any retirement allowance received from any privately funded source for tax years beginning
36 on or after January 1, 1998, but before January 1, 1999, and a maximum of the first three
37 thousand dollars of any retirement allowance received from any privately funded source for tax
38 years beginning on or after January 1, 1999, but before January 1, 2000, and a maximum of the
39 first four thousand dollars of any retirement allowance received from any privately funded source
40 for tax years beginning on or after January 1, 2000, but before January 1, 2001, and a maximum
41 of the first five thousand dollars of any retirement allowance received from any privately funded
42 source for tax years beginning on or after January 1, 2001, but before January 1, 2002, and a
43 maximum of the first six thousand dollars of any retirement allowance received from any
44 privately funded sources for tax years beginning on or after January 1, 2002. A taxpayer shall
45 be entitled to the maximum exemption provided by this subsection:

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

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

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

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

57 5. For purposes of this subsection, the term "maximum Social Security benefit available"
58 shall mean thirty-two thousand five hundred dollars for the tax year beginning on or after January
59 1, 2007, and for each subsequent tax year such amount shall be increased by the percentage
60 increase in the Consumer Price Index for All Urban Consumers, or its successor index, as such
61 index is defined and officially reported by the United States Department of Labor, or its
62 successor agency. For the tax year beginning on or after January 1, 2007, but ending on or before
63 December 31, 2007, there shall be subtracted from Missouri adjusted gross income, determined
64 pursuant to section 143.121, a maximum of an amount equal to the greater of: six thousand
65 dollars in retirement benefits received from sources other than privately funded sources, to the
66 extent such benefits are included in the taxpayer's federal adjusted gross income; or twenty
67 percent of the retirement benefits received from sources other than privately funded sources in
68 the tax year, but not to exceed the maximum Social Security benefit available for such tax year.
69 For the tax year beginning on or after January 1, 2008, but ending on or before December 31,
70 2008, there shall be subtracted from Missouri adjusted gross income, determined pursuant to
71 section 143.121, a maximum of an amount equal to the greater of: six thousand dollars in
72 retirement benefits received from sources other than privately funded sources, to the extent such
73 benefits are included in the taxpayer's federal adjusted gross income; or thirty-five percent of the
74 retirement benefits received from sources other than privately funded sources in the tax year, but
75 not to exceed the maximum Social Security benefit available for such tax year. For the tax year
76 beginning on or after January 1, 2009, but ending on or before December 31, 2009, there shall
77 be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a
78 maximum of an amount equal to the greater of: six thousand dollars in retirement benefits
79 received from sources other than privately funded sources, to the extent such benefits are
80 included in the taxpayer's federal adjusted gross income; or fifty percent of the retirement
81 benefits received from sources other than privately funded sources in the tax year, but not to
82 exceed the maximum Social Security benefit available for such tax year. For the tax year
83 beginning on or after January 1, 2010, but ending on or before December 31, 2010, there shall
84 be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a
85 maximum of an amount equal to the greater of: six thousand dollars in retirement benefits
86 received from sources other than privately funded sources, to the extent such benefits are
87 included in the taxpayer's federal adjusted gross income; or sixty-five percent of the retirement

88 benefits received from sources other than privately funded sources in the tax year, but not to
89 exceed the maximum Social Security benefit available for such tax year. For the tax year
90 beginning on or after January 1, 2011, but ending on or before December 31, 2011, there shall
91 be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a
92 maximum of an amount equal to the greater of: six thousand dollars in retirement benefits
93 received from sources other than privately funded sources, to the extent such benefits are
94 included in the taxpayer's federal adjusted gross income; or eighty percent of the retirement
95 benefits received from sources other than privately funded sources in the tax year, but not to
96 exceed the maximum Social Security benefit available for such tax year. For all tax years
97 beginning on or after January 1, 2012, there shall be subtracted from Missouri adjusted gross
98 income, determined pursuant to section 143.121, a maximum of an amount equal to one hundred
99 percent of the retirement benefits received from sources other than privately funded sources in
100 the tax year, but not to exceed the maximum Social Security benefit available for such tax year.
101 A taxpayer shall be entitled to the maximum exemption provided by this subsection:

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

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

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

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

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

120 9. The provisions of subdivisions (1) and (2) of subsection 3 of this section shall apply
121 during all tax years in which the federal Internal Revenue Code provides exemption levels for
122 calculation of the taxability of Social Security benefits that are the same as the levels in
123 subdivisions (1) and (2) of subsection 3 of this section. If the exemption levels for the

124 calculation of the taxability of Social Security benefits are adjusted by applicable federal law or
125 regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
126 be accordingly adjusted to the same exemption levels.

127 10. The portion of a taxpayer's lump sum distribution from an annuity or other retirement
128 plan not otherwise included in Missouri adjusted gross income as calculated pursuant to this
129 chapter but subject to taxation under Internal Revenue Code Section 402 shall be taxed in an
130 amount equal to ten percent of the taxpayer's federal liability on such distribution for the same
131 tax year. **For all tax years beginning on or after January 1, 2011, the tax levied in this**
132 **subsection shall not be levied on any lump sum distribution from an annuity or other**
133 **retirement plan not otherwise included in Missouri adjusted gross income if such lump sum**
134 **distribution is a one-time distribution that does not exceed twenty percent of the balance**
135 **of the annuity or other retirement plan.**

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

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

141 13. The exemptions provided for in this section shall apply to any annuity, pension,
142 **retirement benefit**, or retirement allowance as defined in subsection 1 of this section to the
143 extent that such amounts are included in the taxpayer's federal adjusted gross income and not
144 otherwise deducted from the taxpayer's federal adjusted gross income in the calculation of
145 Missouri taxable income. This subsection shall not apply to any individual who qualifies under
146 federal guidelines to be one hundred percent disabled.

147 14. In addition to all other subtractions authorized in this section, for all tax years
148 beginning on or after January 1, 2010, there shall be subtracted from Missouri adjusted gross
149 income, determined under section 143.121, any retirement benefits received by any taxpayer as
150 a result of the taxpayer's service in the armed forces of the United States, including reserve
151 components and the national guard of this state, as defined in Sections 101(3) and 109 of Title
152 32, United States Code, and any other military force organized under the laws of this state, to the
153 extent such benefits are included in the taxpayer's federal adjusted gross income and not
154 otherwise deducted from the taxpayer's federal adjusted gross income in the calculation of
155 Missouri taxable income. Such retirement benefits shall be subtracted as provided in the
156 following schedule:

157 (1) For the tax year beginning on January 1, 2010, fifteen percent of such retirement
158 benefits;

159 (2) For the tax year beginning on January 1, 2011, thirty percent of such retirement
160 benefits;

161 (3) For the tax year beginning on January 1, 2012, forty-five percent of such retirement
162 benefits;

163 (4) For the tax year beginning on January 1, 2013, sixty percent of such retirement
164 benefits;

165 (5) For the tax year beginning on January 1, 2014, seventy-five percent of such
166 retirement benefits;

167 (6) For the tax year beginning on January 1, 2015, ninety percent of such retirement
168 benefits;

169 (7) For tax years beginning on or after January 1, 2016, one hundred percent of such
170 retirement benefits.

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