

SECOND REGULAR SESSION

HOUSE BILL NO. 1268

91ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES BOUCHER (Sponsor), REYNOLDS, LAWSON, RANSBALL, SELBY, HARDING, TOWNLEY, LUETKEMEYER, MOORE, LEVIN, REINHART, ROBIRDS, GASKILL, OSTMANN, KING AND DEMPSEY.

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TED WEDEL, Chief Clerk

3570L.01I

AN ACT

To repeal sections 143.121 and 143.124, RSMo, and to enact in lieu thereof two new sections relating to income taxation, with an effective date.

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

Section A. Sections 143.121 and 143.124, RSMo, are repealed and two new sections
2 enacted in lieu thereof, to be known as sections 143.121 and 143.124, to read as follows:

143.121. 1. The Missouri adjusted gross income of a resident individual shall be [his]
2 **such taxpayer's** federal adjusted gross income subject to the modifications in this section.

3 2. There shall be added to [his] **such taxpayer's** federal adjusted gross income:

4 (a) The amount of any federal income tax refund received for a prior year which resulted
5 in a Missouri income tax benefit;

6 (b) Interest on certain governmental obligations excluded from federal gross income by
7 section 103 of the Internal Revenue Code. The previous sentence shall not apply to interest on
8 obligations of the state of Missouri or any of its political subdivisions or authorities and shall not
9 apply to the interest described in subdivision (a) of subsection 3 of this section. The amount
10 added under this paragraph shall be reduced by the amounts applicable to such interest that
11 would have been deductible in computing the taxable income of the taxpayer except only for the
12 application of section 265 of the Internal Revenue Code. The reduction shall only be made if it
13 is at least five hundred dollars.

14 3. There shall be subtracted from [his] **such taxpayer's** federal adjusted gross income
15 the following amounts to the extent included in federal adjusted gross income:

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

16 (a) Interest or dividends on obligations of the United States and its territories and
17 possessions or of any authority, commission, or instrumentality of the United States to the extent
18 exempt from Missouri income taxes [under] **pursuant to** the laws of the United States. The
19 amount subtracted [under] **pursuant to** this paragraph shall be reduced by any interest on
20 indebtedness incurred to carry the described obligations or securities and by any expenses
21 incurred in the production of interest or dividend income described in this paragraph. The
22 reduction in the previous sentence shall only apply to the extent that such expenses including
23 amortizable bond premiums are deducted in determining [his] **such taxpayer's** federal adjusted
24 gross income or included in [his] **such taxpayer's** Missouri itemized deduction. The reduction
25 shall only be made if the expenses total at least five hundred dollars;

26 (b) The portion of any gain, from the sale or other disposition of property having a higher
27 adjusted basis to the taxpayer for Missouri income tax purposes than for federal income tax
28 purposes on December 31, 1972, that does not exceed such difference in basis. If a gain is
29 considered a long-term capital gain for federal income tax purposes, the modification shall be
30 limited to one-half of such portion of the gain;

31 (c) The amount necessary to prevent the taxation under sections 143.011 to 143.996 of
32 any annuity or other amount of income or gain which was properly included in income or gain
33 and was taxed [under] **pursuant to** the laws of Missouri for a taxable year prior to January 1,
34 1973, to the taxpayer, or to a decedent by reason of whose death the taxpayer acquired the right
35 to receive the income or gain, or to a trust or estate from which the taxpayer received the income
36 or gain;

37 (d) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the
38 extent that the same are included in federal adjusted gross income;

39 (e) The amount of any state income tax refund for a prior year which was included in the
40 federal adjusted gross income;

41 (f) The portion of capital gain specified in [subsection 3 of] section 135.357, RSMo, that
42 would otherwise be included in federal adjusted gross income[.];

43 (g) **The amount of any annuities, pensions, or retirement allowances annually**
44 **provided to any taxpayer, who is seventy and one-half years of age or older.**

45 4. There shall be added to or subtracted from [his] **such taxpayer's** federal adjusted
46 gross income the taxpayer's share of the Missouri fiduciary adjustment provided in section
47 143.351.

48 5. There shall be added to or subtracted from [his] **such taxpayer's** federal adjusted
49 gross income the modifications provided in section 143.411.

143.124. 1. Other provisions of law to the contrary notwithstanding, the total amount
2 of all annuities, pensions, or retirement allowances above the amount of six thousand dollars

3 annually provided by any law of this state, the United States, or any other state to any [person]
4 **taxpayer**, except as provided in [subsection] **subsections 4 and 10** of this section, shall be
5 subject to tax pursuant to the provisions of this chapter, in the same manner, to the same extent
6 and under the same conditions as any other taxable income received by the person receiving it.
7 For purposes of this section, annuity, pension, or retirement allowance shall be defined as an
8 annuity, pension or retirement allowance provided by the United States, this state, any other state
9 or any political subdivision or agency or institution of this or any other state. For all tax years
10 beginning on or after January 1, 1998, for purposes of this section, annuity, pension, or
11 retirement allowance shall be defined to include 401(k) plans, deferred compensation plans,
12 self-employed retirement plans, also known as Keogh plans, annuities from a defined pension
13 plan and individual retirement arrangements, also known as IRAs, as described in the Internal
14 Revenue Code, but not including Roth IRAs, as well as an annuity, pension, or retirement
15 allowance provided by the United States, this state, any other state or any political subdivision
16 or agency or institution of this or any other state. **For all tax years beginning on or after**
17 **January 1, 2003, for purposes of this section, annuity, pension, or retirement allowance**
18 **shall not be defined to include any annuity, pension, or retirement allowance subtracted**
19 **from federal adjusted gross income pursuant to section 143.121.** An individual taxpayer
20 shall only be allowed a maximum deduction of six thousand dollars pursuant to this section.
21 Taxpayers filing combined returns shall only be allowed a maximum deduction of six thousand
22 dollars for each taxpayer on the combined return.

23 2. For the period beginning July 1, 1989, and ending December 31, 1989, there shall be
24 subtracted from Missouri adjusted gross income for that period, determined pursuant to section
25 143.121, the first three thousand dollars of retirement benefits received by each taxpayer:

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

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

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

33 3. For [the] tax years beginning on or after January 1, 1990, there shall be subtracted
34 from Missouri adjusted gross income, determined pursuant to section 143.121, a maximum of
35 the first six thousand dollars of retirement benefits received by each taxpayer from sources other
36 than privately funded sources, and for tax years beginning on or after January 1, 1998, there shall
37 be subtracted from Missouri adjusted gross income, determined pursuant to section 143.121, a
38 maximum of the first one thousand dollars of any retirement allowance received from any

39 privately funded source for tax years beginning on or after January 1, 1998, but before January
40 1, 1999, and a maximum of the first three thousand dollars of any retirement allowance received
41 from any privately funded source for tax years beginning on or after January 1, 1999, but before
42 January 1, 2000, and a maximum of the first four thousand dollars of any retirement allowance
43 received from any privately funded source for tax years beginning on or after January 1, 2000,
44 but before January 1, 2001, and a maximum of the first five thousand dollars of any retirement
45 allowance received from any privately funded source for tax years beginning on or after January
46 1, 2001, but before January 1, 2002, and a maximum of the first six thousand dollars of any
47 retirement allowance received from any privately funded sources for tax years beginning on or
48 after January 1, 2002. A taxpayer shall be entitled to the maximum exemption provided by this
49 subsection:

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

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

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

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

61 5. For purposes of this section, any Social Security benefits otherwise included in
62 Missouri adjusted gross income shall be subtracted; but Social Security benefits shall not be
63 subtracted for purposes of other computations pursuant to this chapter, and are not to be
64 considered as retirement benefits for purposes of this section.

65 6. The provisions of subdivisions (1) and (2) of subsection 3 of this section shall apply
66 during all tax years in which the federal Internal Revenue Code provides exemption levels for
67 calculation of the taxability of Social Security benefits that are the same as the levels in
68 subdivisions (1) and (2) of subsection 3 of this section. If the exemption levels for the
69 calculation of the taxability of Social Security benefits are adjusted by applicable federal law or
70 regulation, the exemption levels in subdivisions (1) and (2) of subsection 3 of this section shall
71 be accordingly adjusted to the same exemption levels.

72 7. The portion of a taxpayer's lump sum distribution from an annuity or other retirement
73 plan not otherwise included in Missouri adjusted gross income as calculated pursuant to this
74 chapter, but subject to taxation [under] **pursuant to** Internal Revenue Code Section 402 shall

75 be taxed in an amount equal to ten percent of the taxpayer's federal liability on such distribution
76 for the same tax year.

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

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

83 **10. The total amount of all annuities, pensions, or retirement allowances annually**
84 **provided by any law of this state, the United States, or any other state, or any retirement**
85 **allowance received from any privately funded source to any taxpayer who is seventy and**
86 **one-half years of age or older as of January first of the taxable year is exempt from tax**
87 **imposed pursuant to the provisions of this chapter.**

Section B. Section A of this act shall become effective on January 1, 2003, and shall
2 apply to all taxable years beginning after December 31, 2002.