

SECOND REGULAR SESSION

# HOUSE BILL NO. 2224

## 91ST GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVES HUNTER, DEMPSEY, BEARDEN, CROWELL (Co-sponsors),  
COOPER, HARTZLER, REINHART, BEHNEN, ST. ONGE, BERKSTRESSER, MILLER,  
JETTON AND ROBIRDS.

Read 1<sup>st</sup> time March 15, 2002, and 1000 copies ordered printed.

TED WEDEL, Chief Clerk

5033L.01I

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### 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.

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*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Section A. Sections 143.121 and 143.124, RSMo, are repealed and two new sections  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 144.747] **section**  
42 **135.357**, RSMo, that would otherwise be included in federal adjusted gross income.

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

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

143.124. 1. Other provisions of law to the contrary notwithstanding, **for tax years**  
2 **beginning before January 1, 2003**, the total amount of all annuities, pensions, or retirement  
3 allowances above the amount of six thousand dollars annually provided by any law of this state,  
4 the United States, or any other state to any person except as provided in subsection 4 of this

5 section, shall be subject to tax pursuant to the provisions of this chapter, in the same manner, to  
6 the same extent and under the same conditions as any other taxable income received by the  
7 person receiving it. For purposes of this section, annuity, pension, or retirement allowance shall  
8 be defined as an annuity, pension or retirement allowance provided by the United States, this  
9 state, any other state or any political subdivision or agency or institution of this or any other state.  
10 For all tax years beginning on or after January 1, 1998, for purposes of this section, annuity,  
11 pension or retirement allowance shall be defined to include 401(k) plans, deferred compensation  
12 plans, self-employed retirement plans, also known as Keogh plans, annuities from a defined  
13 pension plan and individual retirement arrangements, also known as IRAs, as described in the  
14 Internal 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, any annuity, pension or retirement allowance subtracted from federal**  
18 **adjusted gross income pursuant to section 143.121 shall not be subject to tax pursuant to**  
19 **the provisions of this chapter.** An individual taxpayer shall only be allowed a maximum  
20 deduction of six thousand dollars pursuant to this section. Taxpayers filing combined returns  
21 shall only be allowed a maximum deduction of six thousand dollars for each taxpayer on the  
22 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) and  
27 the taxpayer's Missouri adjusted gross income is less than twelve thousand five hundred dollars;  
28 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; **or**

56 **(4) If the taxpayer is age sixty-five or over.**

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

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

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

73 7. The portion of a taxpayer's lump sum distribution from an annuity or other retirement  
74 plan not otherwise included in Missouri adjusted gross income as calculated pursuant to this  
75 chapter, but subject to taxation [under] **pursuant to** Internal Revenue Code Section 402 shall  
76 be taxed in an amount equal to ten percent of the taxpayer's federal liability on such distribution

77 for the same tax year.

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

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

            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.