

**NINETIETH GENERAL ASSEMBLY  
2024 REGULAR SESSION  
DAILY  
HOUSE CLIP SHEET**

**March 5, 2024**

**Clip Sheet Summary**

Displays all amendments, fiscal notes, and conference committee reports for previous day.

<b>Bill</b>	<b>Amendment</b>	<b>Action</b>	<b>Sponsor</b>
<a href="#">HF 2168</a> .....	<a href="#">H-8119</a> .....	Filed	HARRIS of Appanoose
<a href="#">HF 2460</a> .....	<a href="#">H-8118</a> .....	Filed	LOHSE of Polk
<a href="#">HF 2542</a> .....	<a href="#">H-8120</a> .....	Filed	STAED of Linn
<a href="#">SF 455</a> .....	<a href="#">H-8122</a> .....	Filed	B. MEYER of Polk
<a href="#">SF 2106</a> .....	<a href="#">H-8121</a> .....	Filed	AMOS JR. of Black Hawk

**Fiscal Notes**

[HF 2602](#) — [Grooming of Juveniles, Criminal Offense](#) (LSB5895HV)

[HF 2630](#) — [Teacher Compensation](#) (LSB6327HZ)

[HF 2634](#) — [Real Estate Transfer Tax, Housing Trust Fund](#) (LSB5440HZ)

[HF 2635](#) — [Communications Network Equipment Sales Tax Exemption](#) (LSB5578HV)

[HF 2637](#) — [Adoption Tax Credit, Amount](#) (LSB5480HV)

[HF 2638](#) — [Retirement Income Exemption, Deferred Compensation Plans](#) (LSB5596HV)

HOUSE FILE 2168

H-8119

1 Amend House File 2168 as follows:

2 1. Page 3, line 16, after <paid.> by inserting <A delinquent  
3 civil penalty, including any assessed late fee, is subject to  
4 the setoff procedures under section 421.65.>

5 2. Page 4, by striking lines 4 through 16 and inserting  
6 <certified mail, and must include notice of the setoff  
7 procedure under section 421.65.>

8 3. Page 4, by striking lines 17 and 18 and inserting:

9 <5. If a civil penalty owed by a person is delinquent under  
10 subsection 1>

11 4. Page 4, line 24, by striking <7.> and inserting <6.>

12 5. Page 4, line 28, by striking <8.> and inserting <7.>

13 6. Page 4, line 30, by striking <9.> and inserting <8.>

14 7. By striking page 4, line 33, through page 5, line 26, and  
15 inserting:

16 <Sec. \_\_\_\_ . Section 421.65, subsection 2, paragraph c, Code  
17 2024, is amended to read as follows:

18 c. The department may, by rule, establish a minimum amount  
19 of liabilities and claims that may be setoff, provided that the  
20 rules do not limit liabilities and claims relating to civil  
21 penalties owed to the Iowa ethics and campaign disclosure  
22 board.>

23 8. By renumbering as necessary.

By HARRIS of Appanoose

H-8119 FILED MARCH 4, 2024

HOUSE FILE 2460

H-8118

1 Amend House File 2460 as follows:

2 1. Page 2, by striking line 30 and inserting <the court  
3 shall ~~appoint~~ give appointment priority to the same guardian  
4 ad litem under>

By LOHSE of Polk

H-8118 FILED MARCH 4, 2024

HOUSE FILE 2542

H-8120

- 1 Amend House File 2542 as follows:
- 2 1. Page 1, by striking lines 1 and 2.
- 3 2. By striking page 3, line 3, through page 7, line 8.
- 4 3. Title page, by striking lines 1 through 4 and inserting
- 5 <An Act modifying provisions related to education data
- 6 collection.>

By STAED of Linn

H-8120 FILED MARCH 4, 2024

SENATE FILE 455

H-8122

1 Amend Senate File 455, as amended, passed, and reprinted by  
2 the Senate, as follows:

3 1. Page 1, after line 31 by inserting:

4 <d. This subsection shall not apply to a site or common plan  
5 developed before January 1, 1990.>

6 2. Page 2, after line 27 by inserting:

7 <d. This subsection shall not apply to a site or common plan  
8 developed before January 1, 1990.>

By B. MEYER of Polk

H-8122 FILED MARCH 4, 2024

SENATE FILE 2106

H-8121

1 Amend Senate File 2106, as amended, passed, and reprinted by  
2 the Senate, as follows:  
3 1. Page 1, before line 1 by inserting:  
4 <Section 1. Section 96.1A, subsection 37, paragraph c, Code  
5 2024, is amended to read as follows:  
6 c. An individual shall be deemed "*temporarily unemployed*"  
7 if for a period, verified by the department, ~~not to exceed~~  
8 ~~four consecutive weeks~~, the individual is unemployed due  
9 to a plant shutdown, vacation, inventory, lack of work, or  
10 emergency from the individual's regular job or trade in which  
11 the individual worked full-time and will again work full-time,  
12 if the individual's employment, although temporarily suspended,  
13 has not been terminated.>  
14 2. By renumbering as necessary.

By AMOS JR. of Black Hawk

H-8121 FILED MARCH 4, 2024



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[HF 2602](#) – Grooming of Juveniles, Criminal Offense (LSB5895HV)  
Staff Contact: Molly Kilker (515.725.1286) [molly.kilker@legis.iowa.gov](mailto:molly.kilker@legis.iowa.gov)  
Fiscal Note Version – New

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### **Description**

[House File 2602](#) establishes a new criminal offense of grooming and provides penalties. Under the Bill, a person commits an act of grooming when the person knowingly attempts to seduce, solicit, lure, or entice a person under 18 years of age to engage in a sex act or an act of unlawful sexual conduct with the use of a computer, an internet service, an electronic storage or transmission device, or written communication. The penalty for an act of grooming is a Class D felony.

### **Background**

A person convicted of a Tier I, II, or III sex offense is required to register as a sex offender for a period of 10 years. A Tier II offender is required to verify the offender's information to the Iowa Sex Offender Registry every six months, and a Tier III offender is required to verify the offender's information every three months.

A person convicted of a Class D felony for an offense under Iowa Code chapter [709](#) (sexual abuse) must also be sentenced to a special sentence committing the person into the custody of the director of the Department of Corrections for a period of 10 years, with eligibility for probation or parole under Iowa Code chapter [906](#).

A Class D felony is punishable by confinement for no more than five years and a fine of at least \$1,025 but no more than \$10,245.

### **Assumptions**

- The following will not change over the projection period: charge, conviction, and sentencing patterns and trends; prisoner length of stay (LOS); revocation rates; plea bargaining; and other criminal justice system policies and practices.
- A delay of six months is assumed from the effective date of this Bill to the date of first entry of affected offenders into the correctional system.
- Marginal costs for county jails cannot be estimated due to a lack of data. For purposes of this analysis, the marginal cost for county jails is assumed to be \$50 per day.
- Each claim for services rendered in the representation of a defendant charged with grooming will result in a claim of \$1,460 or more to the Indigent Defense Fund.

### **Correctional Impact**

House File 2602 creates a new criminal offense, and the correctional impact cannot be estimated due to a lack of existing conviction data. **Figure 1** shows estimates for sentencing to State prison, parole, probation, or community-based corrections (CBC) residential facilities; LOS in months under those supervisions; and supervision marginal costs per day for Class D felonies. Refer to the Legislative Services Agency (LSA) memo addressed to the General Assembly, [Cost Estimates Used for Correctional Impact Statements](#), dated January 16, 2024, for information related to the correctional system.

**Figure 1 — Sentencing Estimate and Length of Stay (LOS)**

Conviction Offense Class	Percent Ordered to State Prison	FY 2023 Avg LOS in Prison (All Releases)	Marginal Cost Per Day Prison	Percent Ordered to Probation	FY23 Field Avg LOS on Probation	Avg Cost Per Day on Probation	Percent Sentenced to CBC Residential Facility	Marginal Cost Per Day CBC	Percent Ordered to County Jail	Marginal Cost Per Day Jail	FY23 Field Avg LOS on Parole	Marginal Cost Per Day Parole
D Felony (Sex)	91.5%	32.3	\$24.94	45.4%	40.1	\$ 7.67	2.8%	\$ 20.00	39.7%	\$ 50.00	8.7	\$ 7.67

**Minority Impact**

House File 2602 creates a new criminal offense. As a result, the Criminal and Juvenile Justice Planning (CJJP) of the Department of Management (DOM) cannot use existing data to estimate the minority impact of the Bill. Refer to the LSA memo addressed to the General Assembly, [Minority Impact Statement](#), dated January 16, 2024, for information related to minorities in the criminal justice system.

**Fiscal Impact**

The fiscal impact to the Office of the State Public Defender (SPD) is estimated to be \$306,000 to the Indigent Defense Fund. The fiscal impact to the correctional system cannot be estimated due to a lack of existing conviction data. The average State cost per offense for a Class D felony ranges from \$12,600 to \$18,200. The estimated impact to the State General Fund includes operating costs incurred by the Judicial Branch, the Indigent Defense Fund, and the Department of Corrections (DOC). The cost would be incurred across multiple fiscal years for prison and parole supervision.

**Sources**

Department of Corrections  
 Criminal and Juvenile Justice Planning, Department of Management  
 Office of the State Public Defender  
 Legislative Services Agency

/s/ Jennifer Acton

March 1, 2024

Doc ID 1447268

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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[HF 2630](#) – Teacher Compensation (LSB6327HZ)  
Staff Contact: Ron Robinson (515.281.6256) [ron.robinson@legis.iowa.gov](mailto:ron.robinson@legis.iowa.gov)  
Fiscal Note Version – New

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**Description**

[House File 2630](#) relates to school funding, including the teacher salary supplement cost per pupil and teacher and education support professional compensation.

For FY 2025, the Bill increases the minimum teacher starting salary to \$47,500. For FY 2026 and subsequent fiscal years, the Bill increases the minimum teacher starting salary to \$50,000.

The Bill defines “education support personnel” (ESP) as regular and part-time employees of a school district who are not salaried.

The Bill requires the Department of Management to calculate a teacher salary supplement (TSS) district cost per pupil (DCPP), beginning in FY 2025, in an amount equal to the sum of the following:

- The amount necessary to allow the school district to provide the \$47,500 minimum starting teacher salary.
- The amount necessary, not to exceed \$14.0 million in the aggregate among all school districts, to allow each school district to provide a minimum ESP wage of \$15 per hour along with the costs associated with the employer’s share of contributions to the Iowa Public Employees’ Retirement System (IPERS) and the employer’s share of the tax imposed by the federal Insurance Contributions Act.
- The amount of \$22.0 million, to supplement teacher salaries and ESP wages in a manner that promotes quality teaching and rewards experience, to be divided based on each school district’s percentage of the statewide total FY 2024 budget enrollment.

The Bill requires the Department of Management to similarly calculate a TSS DCPP beginning with FY 2026 with an amount equal to the sum of the following:

- The amount necessary to allow the school district to provide the \$50,000 minimum starting teacher salary.
- The amount calculated for FY 2025, not to exceed \$14.0 million in the aggregate among all school districts, to allow each school district to provide a minimum ESP wage of \$15 per hour along with the costs associated with the employer’s share of contributions to IPERS and the employer’s share of the tax imposed by the federal Insurance Contributions Act, plus an increase related to the categorical percent of growth under Iowa Code section [257.8\(2\)](#).
- The amount of \$22.0 million, to supplement teacher salaries and ESP wages in a manner that promotes quality teaching and rewards experience, to be divided based on each school district’s percentage of the statewide total FY 2024 budget enrollment, plus an increase related to the categorical percent of growth under Iowa Code section 257.8(2).

The Bill also requires that for budget years beginning with FY 2027, the amounts for teacher minimum salaries, ESP wage increases, and quality teaching and experience reward supplements must all grow by the categorical State percent of growth.

### **Background**

Currently, Iowa Code chapter [284](#) (Teacher Compensation) provides that the minimum annual salary for an initial teacher who has successfully completed an approved practitioner preparation program or holds an initial or intern teacher license issued by the Board of Educational Examiners (BOEE) must be at least \$33,500. The TSS is funded by the General Fund.

### **Assumptions**

- The cost to provide a minimum ESP wage of \$15 per hour will equal or exceed the FY 2025 General Fund appropriation cap of \$14.0 million.
- Hourly wage data is not available to estimate the impact of changing the minimum ESP hourly wage.
- Any changes school districts may make to the pay scale because of the enactment of HF 2630 cannot be known.
- The State percent of growth will be 0.00% each year.

### **Fiscal Impact**

House File 2630 is estimated to increase the total FY 2025 General Fund appropriations by \$63.4 million compared to estimated FY 2024. The increased costs include the following:

- An increase of \$27.4 million (not including any adjustment to the pay scale a district may make) due to the increase to \$47,500 in the minimum initial teacher salary.
- An increase of \$14.0 million due to the cost to increase the minimum ESP wage to \$15 per hour equaling or exceeding the General Fund appropriation cap of \$14.0 million.
- An increase of \$22.0 million due to the School District Funding Supplement General Fund appropriation of \$22.0 million.

House File 2630 is estimated to increase the total FY 2026 General Fund appropriations by \$19.8 million compared to estimated FY 2025 and \$83.2 million compared to estimated FY 2024. The increased costs include the following:

- An increase of \$19.8 million (not including any adjustment to the pay scale a district may make) due to increasing the minimum initial teacher salary to \$50,000.
- No increase due to increasing the minimum ESP wage to \$15 per hour because the State percent of growth is assumed to be 0.00%. However, if the State percent of growth exceeds 0.00%, the increase in the General Fund appropriation will be equal to the amount represented by the percent increase to the assumed \$14.0 million FY 2025 appropriation.
- No increase due to the School District Funding Supplement General Fund appropriation of \$22.0 million since the State percent of growth is assumed to be 0.00%. However, if the State percent of growth exceeds 0.00%, the increase in the General Fund appropriation will be equal to the amount represented by the percent increase to the \$22.0 million FY 2025 appropriation.

House File 2630 would also increase the General Fund appropriations for teacher minimum salaries, ESP wage increases, and quality teaching and experience reward by the categorical State percent of growth in FY 2027 and each year thereafter.

**Sources**

Department of Management, School Aid File  
LSA analysis and calculations

\_\_\_\_\_  
/s/ Jennifer Acton

March 4, 2024

Doc ID 1447373

\_\_\_\_\_  
The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.  
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[www.legis.iowa.gov](http://www.legis.iowa.gov)



**HF 2634** – Real Estate Transfer Tax, Housing Trust Fund (LSB5440HZ)  
 Staff Contact: Evan Johnson (515.281.6301) [evan.johnson@legis.iowa.gov](mailto:evan.johnson@legis.iowa.gov)  
 Fiscal Note Version – New

**Description**

**House File 2634** removes the \$7.0 million cap on annual deposits from the Real Estate Transfer Tax to the Housing Trust Fund.

**Background**

The Real Estate Transfer Tax is imposed on the transfer of real estate in the State and is based on the assessed value of home sales. The tax is equal to \$0.80 per \$500 (or any fractional part of \$500) of consideration paid as part of or a condition of the property transfer, with the first \$500 being exempt. The tax is paid to the county. The county retains 17.25% of the tax revenue for deposit into the county general fund. The county remits the remaining 82.75% to the State. Under current law, the State portion of the tax is deposited as follows:

- 30.0% to the Housing Trust Fund, up to a limit of \$7.0 million.
- 5.0% to the Shelter Assistance Fund.
- 65.0%, plus any Housing Trust Fund revenue in excess of the \$7.0 million cap, to the State General Fund.

Moneys in the Housing Trust Fund are annually appropriated to the Iowa Finance Authority to be used for the development and preservation of affordable housing for low-income persons in the State and for the Iowa Mortgage Help Initiative. **Figure 1** shows the historical distribution of the State’s share of the Real Estate Transfer Tax.

**Figure 1 — Historical Distribution of Real Estate Transfer Tax Revenue**  
(in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Housing Trust Fund	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0	\$ 7.0	\$ 7.0
Shelter Assistance Fund	1.2	1.2	1.2	1.6	2.0	1.6
State General Fund	19.2	19.1	20.3	27.4	36.9	23.4
<b>Total</b>	<b>\$ 23.4</b>	<b>\$ 23.3</b>	<b>\$ 24.5</b>	<b>\$ 32.0</b>	<b>\$ 45.9</b>	<b>\$ 32.0</b>

**Assumptions**

- The supply and demand of housing will remain constant.
- Future Real Estate Transfer Tax receipts will increase by 2.0% each year.

**Fiscal Impact**

House File 2634 eliminates the cap on the Housing Trust Fund so that 30.0% of the Real Estate Transfer Tax receipts would be deposited into the Housing Trust Fund, regardless of the amount. This is estimated to increase funding to the Housing Trust Fund and decrease funding to the General Fund by the amounts in **Figure 2**.

**Figure 2 — Fiscal Impact of HF 2634**  
(in Millions)

	<b>General Fund</b>	<b>Housing Trust Fund</b>
FY 2025	\$ -2.2	\$ 2.2
FY 2026	-2.4	2.4
FY 2027	-2.6	2.6
FY 2028	-2.8	2.8
FY 2029	-2.9	2.9

**Source**

Department of Revenue

/s/ Jennifer Acton

March 1, 2024

Doc ID 1447500

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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[HF 2635](#) – Communications Network Equipment Sales Tax Exemption (LSB5578HV)  
Staff Contact: Evan Johnson (515.281.6301) [evan.johnson@legis.iowa.gov](mailto:evan.johnson@legis.iowa.gov)  
Fiscal Note Version – New

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## **Description**

[House File 2635](#) expands the sales and use tax exemption found in Iowa Code section [423.3\(47A\)\(a\)](#) by making all purchases of central office equipment or transmission equipment used by certain entities in the furnishing of telecommunications services on a commercial basis exempt from sales and use tax.

## **Background**

Under current law, a sales tax exemption is available only for central office equipment or transmission equipment primarily used by local exchange carriers and competitive local exchange service providers; by franchised cable television operators, mutual companies, municipal utilities, cooperatives, certain communication services companies; by long distance companies; or for a commercial mobile radio service in the furnishing of telecommunications services on a commercial basis.

“Central office equipment” is defined as equipment utilized in the initiating, processing, amplifying, switching, or monitoring of telecommunications services. Central office equipment also includes ancillary equipment and apparatus that support, regulate, control, repair, test, or enable such equipment to accomplish its function.

“Transmission equipment” is defined as equipment utilized in the process of sending information from one location to another location. Transmission equipment also includes ancillary equipment and apparatus that support, regulate, control, repair, test, or enable such equipment to accomplish its function.

## **Assumptions**

- The Bill is effective July 1, 2024 (FY 2025).
- It is assumed that there are 116 telecommunications providers affected by the Bill.
- Estimated taxable expenditures made exempt by the Bill are based on appeals information filed with the Iowa Department of Revenue related to the sales tax exemption in Iowa Code section 423.3(47A)(a) and scaled to include all telecommunications providers in the State.
- The estimated value of purchases made exempt under the Bill is assumed to increase by 2.0% annually.
- Secure an Advanced Vision for Education (SAVE) refunds are 1.0% of taxable expenditures. Local Option Sales Tax (LOST) distributions are estimated to be 0.97% of taxable expenditures.

## **Fiscal Impact**

House File 2635 is estimated to reduce annual revenues to the General Fund, the SAVE Fund, and the LOST by the amounts in **Figure 1**.

**Figure 1 — Fiscal Impact of HF 2635 (in Millions)**

	<u>General Fund</u>	<u>SAVE</u>	<u>LOST</u>
FY 2025	\$ -0.8	\$ -0.2	\$ -0.2
FY 2026	-0.8	-0.2	-0.2
FY 2027	-0.9	-0.2	-0.2
FY 2028	-0.9	-0.2	-0.2
FY 2029	-0.9	-0.2	-0.2

**Sources**

Iowa Department of Revenue  
Iowa Communications Alliance

/s/ Jennifer Acton

March 1, 2024

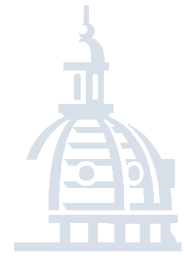
Doc ID 1447502

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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[HF 2637](#) – Adoption Tax Credit, Amount (LSB5480HV)  
Staff Contact: Eric Richardson (515.281.6767) [eric.richardson@legis.iowa.gov](mailto:eric.richardson@legis.iowa.gov)  
Fiscal Note Version – New

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**Description**

[House File 2637](#) increases the maximum amount of the existing [Adoption Tax Credit](#) from \$5,000 to \$20,000 per qualified adoption and is retroactively effective for tax years beginning on or after January 1, 2023. The tax credit is refundable.

The Bill takes effect upon enactment.

**Background**

The existing Adoption Tax Credit is based on the amount of unreimbursed adoption expenses paid by the taxpayer as part of a qualified adoption and is claimed through the filing of Iowa tax form [IA 177](#). The credit may only be claimed after a qualified adoption becomes final. The credit limit applies per adoption (as opposed to per taxpayer or per household). For tax years 2014 through 2016, the maximum amount of the tax credit was \$2,500 per adoption. Beginning on or after January 1, 2017, the maximum amount of the tax credit was increased to \$5,000 per adoption. According to an Iowa Department of Revenue (IDR) [factsheet](#), from FY 2014 through FY 2020, 2,386 households claimed the tax credit for 2,966 adoptions. In tax year (TY) 2021, 220 tax credits were claimed for adoptions and the average tax credit equaled \$3,200. Of the 220 claims, 87 claimed the maximum amount of \$5,000. Adoption expenses reported on the IA 177 equal an average of \$9,800 in TY 2021 with a median of \$1,500. In FY 2023, \$898,000 was redeemed from the Adoption Tax Credit.

Qualified adoption expenses include unreimbursed expenses paid or incurred in connection with the adoption of a child, including medical and hospital expenses of the biological mother that are incident to the child's birth, welfare agency fees, legal fees, and all other fees and costs that relate to the adoption of a child under 18 years of age.

**Assumptions**

- The tax reduction associated with changes to the tax credit is assumed to occur when tax returns are filed (decreased final tax payments and increased tax refunds).
- Because the tax credit is refundable, the calculation of the income surtax for schools is not affected by the proposed increase in the credit.
- The tax credit will be available to be claimed against individual income tax for tax years beginning on January 1, 2023, including TY 2023 and TY 2024.
- The initial fiscal impact for claims under the Bill will occur in FY 2025, including retroactive claims against TY 2023 and TY 2024.
- The total amount claimed against individual income tax for TY 2023 and TY 2024 equals \$2.4 million, to be applied against General Fund revenue in FY 2025.
- According to the IDR, it is assumed that 100.0% of the tax credits will be claimed, with the timing of claims indicated below:
  - Year 0 — 0.1%
  - Year 1 — 84.0%
  - Year 2 — 12.4%



- Year 3 — 2.0%
- Year 4 — 1.3%
- Year 5 — 0.2%
- The average adoption expense used for the purposes of this **Fiscal Note** is \$8,000 for 300 annual adoptions that redeem the tax credit.
- Adoption expenses are inflated at 1.0% annually beginning in TY 2025.

**Fiscal Impact**

House File 2637 is projected to decrease net General Fund revenue by the following amounts:

- FY 2025 = \$4.4 million
- FY 2026 = \$2.3 million
- FY 2027 = \$2.4 million
- FY 2028 = \$2.5 million
- FY 2029 = \$2.5 million
- FY 2030 = \$2.5 million

**Sources**

Iowa Department of Revenue  
Legislative Services Agency analysis

\_\_\_\_\_  
/s/ Jennifer Acton

March 4, 2024

Doc ID 1447492

\_\_\_\_\_  
The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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[www.legis.iowa.gov](http://www.legis.iowa.gov)



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[HF 2638](#) – Retirement Income Exemption, Deferred Compensation Plans (LSB5596HV)  
Staff Contact: Eric Richardson (515.281.6767) [eric.richardson@legis.iowa.gov](mailto:eric.richardson@legis.iowa.gov)  
Fiscal Note Version – New

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**Description**

[House File 2638](#) excludes up to \$500,000 of a nonqualified deferred compensation plan or attributable earnings from the computation of net individual income tax for someone who is disabled, 55 years of age or older, or the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for an income tax exemption.

The Bill applies retroactively to tax years beginning on or after January 1, 2024.

**Background**

Beginning in tax year (TY) 2023, 2022 Iowa Acts, [House File 2317](#) (Income Tax Rate Reduction and Exemptions Act) exempted all income defined as retirement income from the State individual income tax for disabled taxpayers and taxpayers aged 55 years or older. The exemption also applied to a deceased person’s retirement income that is received by a surviving spouse or a person with an insurable interest in the deceased person. House File 2317 did not alter the full retirement pay exemption available to retired military personnel, which is not based on age or disability. House File 2317 also excluded retirement income from the calculation of Iowa’s universal and age-based low-income full exemptions from individual income tax.

According to the Internal Revenue Service, a [nonqualified deferred compensation](#) plan is an elective or nonelective plan, agreement, method, or arrangement between an employer and an employee to pay the employee compensation in the future. A qualified deferred compensation plan is subject to compensation deferral limits, similar to 401(k) and 457(b) plans, while a nonqualified deferred compensation plan is deferred compensation with no federal legal deferral limit that is subject to tax at a later date. [42 C.F.R. §413.99](#) defines qualified and nonqualified compensation plans for federal tax purposes. Nonqualified deferred compensation plans do not adhere to federal requirements specified in [26 U.S.C. §401\(a\)](#). Nonqualified compensation plans may be used by individuals who already contribute the maximum to qualified compensation plans and represent another method for tax-free retirement contributions. Nonqualified compensation plans do not allow early distributions, loans, or rollovers (unlike qualified plans), and tax must be paid on distributions when made. Nonqualified compensation plans can have varying structures, compositions, and conditions for disbursements.

The Iowa Department of Revenue (IDR) submitted a [rulemaking](#) to the Administrative Rules Review Committee in February 2024 that listed qualified retirement income for income tax exemptions. Nonqualified deferred compensation plans described in [26 U.S.C. §409A](#) do not qualify for an income tax exemption under current Iowa law, per the IDR.

**Assumptions**

- Under the Bill, there are taxpayers in Iowa who will realize income tax benefits from their deferred compensation plans, although the IDR does not have an informed estimate of these fiscal impacts.

- The Bill will have a negative fiscal impact on the General Fund and local surtax due to the reduction in income tax liability.

**Fiscal Impact**

House File 2638 would have a negative fiscal impact on the General Fund, although an estimate cannot be made due to a lack of information on deferred compensation plans in Iowa.

**Sources**

Internal Revenue Service  
Iowa Department of Revenue  
Legislative Services Agency

/s/ Jennifer Acton

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March 4, 2024

Doc ID 1447496

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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