

WAYS & MEANS  
JAN 13 2003

SENATE FILE 4  
BY McKIBBEN

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act increasing the exemption for pension and retirement income  
2 for purposes of state individual income tax and providing a  
3 retroactive applicability date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 4  
WAYS & MEANS

1 Section 1. Section 422.7, subsection 31, Code 2003, is  
2 amended to read as follows:

3 31. For a person who is disabled, or is fifty-five years  
4 of age or older, or is the surviving spouse of an individual  
5 or a survivor having an insurable interest in an individual  
6 who would have qualified for the exemption under this  
7 subsection for the tax year, subtract, to the extent included,  
8 the total amount of a governmental or other pension or  
9 retirement pay, including, but not limited to, defined benefit  
10 or defined contribution plans, annuities, individual  
11 retirement accounts, plans maintained or contributed to by an  
12 employer, or maintained or contributed to by a self-employed  
13 person as an employer, and deferred compensation plans or any  
14 earnings attributable to the deferred compensation plans, up  
15 to a maximum of ~~six~~ nine thousand dollars for a person, other  
16 than a husband or wife, who files a separate state income tax  
17 return and up to a maximum of ~~twelve~~ eighteen thousand dollars  
18 for a husband and wife who file a joint state income tax  
19 return. However, a surviving spouse who is not disabled or  
20 fifty-five years of age or older can only exclude the amount  
21 of pension or retirement pay received as a result of the death  
22 of the other spouse. A husband and wife filing separate state  
23 income tax returns or separately on a combined state return  
24 are allowed a combined maximum exclusion under this subsection  
25 of up to ~~twelve~~ eighteen thousand dollars. The ~~twelve~~  
26 eighteen thousand dollar exclusion shall be allocated to the  
27 husband or wife in the proportion that each spouse's  
28 respective pension and retirement pay received bears to total  
29 combined pension and retirement pay received.

30 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies  
31 retroactively to January 1, 2003, for tax years beginning on  
32 or after that date.

33 EXPLANATION

34 This bill increases the state individual income tax  
35 exemption for pension and retirement pay from \$6,000 to \$9,000

1 for single filers and from \$12,000 to \$18,000 for married  
2 taxpayers. The exemption is available to a taxpayer who is  
3 disabled or 55 years of age or older, or a qualifying survivor  
4 of such a taxpayer.

5 The bill applies retroactively to January 1, 2003, for tax  
6 years beginning on or after that date.

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