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SENATE FILE 60

FILED JAN 16 1985

BY HOLDEN

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the computation of the amount of social
2 security or tier 1 railroad retirement benefits to be
3 included in net income for purposes of the state individual
4 income tax and making the provisions retroactive.

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

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SF 60

1 Section 1. Section 422.7, subsection 19, Code 1985, is
2 amended to read as follows:

3 19. a. If the adjusted gross income includes any social
4 security benefits or tier 1 railroad retirement benefits
5 received under section 86 of the Internal Revenue Code of
6 1954, the amount included shall be recomputed by treating the
7 term "modified adjusted gross income" as defined in section 86
8 as not including income which is exempt from federal income
9 taxation. The net income of the taxpayer includes this
10 recomputed amount.

11 b. Married taxpayers, who file a joint federal income tax
12 return and who elect to file separate returns or who elect
13 separate filing on a combined return for state income tax
14 purposes, shall ~~include in net income any social security~~
15 ~~benefits or tier 1 railroad retirement benefits received to~~
16 ~~the same extent as those benefits are taxable~~ recompute as
17 provided in paragraph "a" the amount of those benefits
18 included on the taxpayer's joint federal return for that year
19 under section 86 of the Internal Revenue Code of 1954. This
20 recomputed amount shall be included in net income. The
21 recomputed amount of benefits included in net income must be
22 allocated between the spouses in the ratio of the social
23 security benefits or tier 1 railroad retirement benefits
24 received by each spouse to the total of these benefits
25 received by both spouses.

26 Sec. 2. This Act is retroactive to January 1, 1985 for tax
27 years beginning on or after that date.

28 EXPLANATION

29 This bill provides that if a taxpayer's adjusted gross in-
30 come for federal tax purposes includes social security or tier
31 1 railroad retirement benefits, the taxpayer shall recompute
32 the amount included for state individual income tax purposes.
33 The recomputation is done the same as for federal tax purposes
34 except that in determining the base amount over which those
35 benefits are to be included, the taxpayer does not include

1 income in that base amount which is exempt from federal
2 taxation.

3 The bill is retroactive to January 1, 1985 for tax years
4 beginning on or after that date.

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STATE OF IOWA

REVISED

FISCAL NOTELSB No. 1149S.2Staff ID. CMG

FILED MAR 7 1985

In compliance with a written request received February 22, 1985, a fiscal note for SENATE FILE 60 AS AMENDED BY S-3140 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

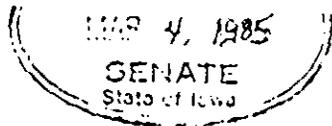
SENATE FILE 60 as amended by S-3140 strikes everything after the enacting clause in order to provide corrective language to Senate File 60. The amendment has the same provisions as the bill, but states the intent more clearly. Specifically, Senate File 60, as amended, changes the method of computing taxable social security benefits for individual income tax purposes. Income which is exempt from federal taxation would not be included in the computation for state tax purposes. This income would consist primarily of interest from state and local securities.

Both versions of the bill are retroactive January 1, 1985, for tax years beginning on or after that date.

FISCAL EFFECT: There is no change to the fiscal effect of Senate File 60 from this amendment. The bill would result in a minimal decrease in state income tax receipts of approximately \$150,000 to 200,000 its first effective year. Since the legislation is retroactive to January 1, 1985, the negative impact would be effected in fiscal 1986.

Source: Department of Revenue

(LSB 1149S.2, CMG)



Dennis Prouty
Fiscal Director
Legislative Fiscal Bureau
Date: 3/4/85

1 Amend Senate File 60 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 Section 1. Section 422.7, subsection 19, Code
5 1985, is amended to read as follows:

6 19. a. If the adjusted gross income includes
7 railroad retirement benefits, those benefits shall be
8 subtracted. If the adjusted gross income includes
9 social security benefits, those benefits shall be
10 recomputed for purposes of determining net income by
11 treating the term "modified adjusted gross income" as
12 defined in section 86 of the Internal Revenue Code of
13 1954 as not including income which is exempt from
14 federal income taxation. The net income of the
15 taxpayer includes this recomputed amount to the extent
16 this amount exceeds the base amount in section 86 for
17 the taxpayer.

18 b. Married taxpayers, who file a joint federal
19 income tax return and who elect to file separate
20 returns or who elect separate filing on a combined
21 return for state income tax purposes, shall include-in
22 ~~net-income-any-social-security-benefits-or-tier-1~~
23 ~~railroad-retirement-benefits-received-to-the-same~~
24 ~~extent-as-those-benefits-are-taxable-on-the-taxpayer's~~
25 ~~joint-federal-return-for-that-year-under-section-86-of~~
26 ~~the-Internal-Revenue-Code-of-1954.--The-benefits~~
27 ~~included-in-net-income-must-be-allocated~~ allocate the
28 recomputed amount from paragraph "a" between the
29 spouses in the ratio of the social security benefits
30 or-tier-1-railroad-retirement-benefits received by
31 each spouse to the total of these benefits received by
32 both spouses.

33 Sec. 2. This Act is retroactive to January 1, 1985
34 for tax years beginning on or after that date."

S-3140 Filed
February 18, 1985

By HOLDEN

SENATE FILE 60
FISCAL NOTE

REQUESTED BY SEN. HOLDEN

In compliance with a request a fiscal note for Senate File 50 as amended by S-3140 is hereby submitted pursuant to Joint Rule 17.

SENATE FILE 60 as amended by S-1149 strikes everything after the enacting clause in order to provide corrective language to Senate File 60. The amendment has the same provisions as the bill, but states the intent more clearly. Specifically, Senate File 60, as amended, changes the method of computing taxable social security benefits for individual income tax purposes. Income which is exempt from federal taxation would not be included in the computation for state tax purposes. This income would consist primarily of interest from state and local securities.

Both versions of the bill are retroactive January 1, 1985, for tax years beginning on or after that date.

FISCAL EFFECT There is no change to the fiscal effect of Senate File 60 from this amendment. The bill would result in a minimal decrease in state income tax receipts of approximately \$150,000 to 200,000 its first effective year. Since the legislation is retroactive to January 1, 1985, the negative impact would be effected in fiscal 1986.

Filed March 4, 1985

By DENNIS C. PROUTY, DIRECTOR
LEGISLATIVE FISCAL BUREAU

STATE OF IOWA
FISCAL NOTE

LSB No. 1149S
Staff ID. CMG

In compliance with a written request received January 16, 1985, a fiscal note for SENATE FILE 60 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

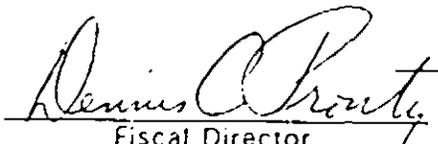
SENATE FILE 60 changes the method of computing taxable social security benefits for individual income tax purposes. Income which is exempt from federal taxation would not be included in the computation for state tax purposes. This income would consist primarily of interest from state and local securities.

The bill is retroactive January 1, 1985, for tax years beginning on or after that date.

FISCAL EFFECT: The bill would result in a minimal decrease in state income tax receipts of approximately \$150,000 to 200,000 its first effective year. Since Senate File 60 is retroactive to January 1, 1985, the negative impact would be effected in fiscal 1986.

Source: Department of Revenue

(LSB 1149S, CMG)


Fiscal Director
Legislative Fiscal Bureau
Date: 2/27/85