

FILED FEB 23 1987

SENATE FILE 228
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 benefits to be included in net income for purposes of
3 the state individual income tax and providing for the
4 retroactive applicability of the Act.

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

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SF 228

1 Section 1. Section 422.7, subsection 19, Code 1987, is
2 amended to read as follows:

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

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

25 Sec. 2. This Act is retroactive to January 1, 1987 for tax
26 years beginning on or after that date.

27 EXPLANATION

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

1 strikes reference to tier 1 railroad retirement benefits
2 because the state cannot tax these benefits.

3 The bill is retroactive to January 1, 1987 for tax years
4 beginning on or after that date.

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