

FILED MAR 28 1996

SENATE FILE 2454
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 2348)

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

A BILL FOR

1 An Act relating to the time and the criteria for filing of claims
2 for refund under the state individual income tax by retired
3 federal employees as a result of the unconstitutional taxation
4 of federal pensions and appropriating moneys to pay refund
5 claims and providing an effective date.

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

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S.F. 2454

1 Section 1. Section 422.73, Code 1995, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 3. Notwithstanding subsection 2, a claim
4 for refund of individual income tax paid for any tax year
5 beginning on or after January 1, 1985, and before January 1,
6 1989, is considered timely if filed with the department on or
7 before October 31, 1996, if the taxpayer's claim is the result
8 of the unconstitutional taxation of federal pension benefits
9 based upon the decision in Davis v. Michigan Department of
10 Treasury, 489 U.S. 803, 109 S. Ct. 1500 (1989).

11 A taxpayer entitled to a refund of tax paid under this
12 subsection shall receive an amount equal to one hundred
13 percent of the refund without interest. The claim for refund
14 shall be filed separate from any income tax return and shall
15 not be allowed as a credit for income taxes owed. A claim
16 shall be filed between the effective date of this subsection
17 and October 31, 1996. An extension for filing shall not be
18 allowed and claims disallowed on the basis of timeliness shall
19 not be allowed upon appeal to any other state agency
20 notwithstanding any other provision of law.

21 The claim for refund shall be made on claim forms to be
22 made available by the department. In order for a taxpayer to
23 have a valid refund claim, the taxpayer must supply legible
24 copies of documents the director deems necessary to show
25 entitlement to the refund, including but not limited to income
26 tax forms and W-2P forms, which will establish the state
27 income tax that was paid on the federal pension benefits for
28 the tax years in question. The burden of proof is on the
29 taxpayer to show that the claim for refund is valid. Estates
30 are not entitled to file a claim for refund under this
31 subsection. However, if a taxpayer has filed a claim under
32 this subsection and subsequently dies before receipt of the
33 refund, the taxpayer's estate is entitled to receipt of any
34 valid refund claim. A spouse of a deceased taxpayer who was
35 the spouse of the taxpayer when the unconstitutional tax was

1 imposed may file a claim for refund without reopening the
2 deceased taxpayer's estate.

3 The department shall make a reasonable attempt to notify
4 individuals who are entitled to a refund under this
5 subsection.

6 Sec. 2. DEPARTMENT OF REVENUE AND FINANCE -- PROCESSING
7 REFUND CLAIMS. There is appropriated from the general fund of
8 the state to the department of revenue and finance for the
9 fiscal year beginning July 1, 1995, and ending June 30, 1996,
10 an amount up to \$75,000 for processing refund claims timely
11 filed pursuant to section 422.73, subsection 3, as enacted in
12 section 1 of this Act.

13 Notwithstanding section 8.33, moneys appropriated in this
14 section which remain unexpended or unobligated at the close of
15 the fiscal year shall not revert to the general fund of the
16 state but shall remain available for expenditure in the
17 succeeding fiscal year for the purposes of processing refund
18 claims as provided in this section and the moneys are not
19 subject to transfer under section 8.39.

20 Sec. 3. This Act, being deemed of immediate importance,
21 takes effect upon enactment.

22 EXPLANATION

23 A recent Iowa supreme court decision held that retired
24 federal employees could retroactively claim a refund of state
25 individual income taxes unlawfully imposed on their pensions
26 if the claim was timely filed. This bill provides that a
27 claim filed by October 31, 1996, is timely filed for taxes
28 imposed for the 1985, 1986, 1987, and 1988 tax years. The
29 taxpayer is entitled to 100 percent of the refund without
30 interest. To claim a refund, the taxpayer must submit
31 adequate evidence, as designated by the director of revenue
32 and finance, showing the taxpayer's entitlement to the refund.
33 The claim is to be filed separate from any state income tax
34 return and no credit for income taxes owed is allowed. The
35 department shall attempt to notify individuals who are

1 entitled to a refund. The bill appropriates up to \$75,000 to
2 the department of revenue and finance for the cost of
3 processing these claims.

4 The bill takes effect upon enactment.

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V. Isack
Connolly
Priebe
Freeman
Hedge

SSB. 2348
Ways & Means
Succeeded By
SF/HF 2454

SENATE FILE
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON PALMER)

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Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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