

FILED FEB 10 1998

WAYS & MEANS

SENATE FILE 2166

BY FRAISE

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act relating to the exemption from taxation of retirement
2 income for purposes of state individual income tax and
3 providing a retroactive applicability date.

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

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S.F. 2166

1 Section 1. Section 422.7, subsection 34, Code Supplement
2 1997, is amended to read as follows:

3 34. 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 ~~three~~ nine thousand dollars for a person who
16 files a separate state income tax return for tax years
17 beginning in the 1998 calendar year and the 1999 calendar year
18 and up to a maximum of ~~six~~ eighteen thousand dollars for a
19 husband and wife who file a joint state income tax return for
20 tax years beginning in the 1998 calendar year and the 1999
21 calendar year. For tax years beginning on or after January 1,
22 2000, for a person who files a separate state income tax
23 return or for a husband and wife who file a joint state income
24 tax return, subtract, to the extent included, the total amount
25 of governmental or other pension or retirement pay, including,
26 but not limited to, defined benefit or defined contribution
27 plans, annuities, individual retirement accounts, plans
28 maintained or contributed to by an employer, or maintained or
29 contributed to by a self-employed person as an employer, and
30 deferred compensation plans or any earnings attributable to
31 the deferred compensation plans. However, a surviving spouse
32 who is not disabled or fifty-five years of age or older can
33 only exclude the amount of pension or retirement pay received
34 as a result of the death of the other spouse.

35 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies

1 retroactively to January 1, 1998, for tax years beginning on
2 or after that date.

3 EXPLANATION

4 This bill increases the exemption for retirement income in
5 computing income for tax purposes. For tax years beginning in
6 the 1998 and 1999 calendar years, the bill allows a deduction
7 of retirement income of up to a maximum of \$9,000 for a person
8 who files a separate return and \$18,000 for a husband and wife
9 who file a joint return. For tax years beginning on or after
10 January 1, 2000, the total amount of retirement income may be
11 deducted for a person who files a separate return or for a
12 husband and wife who file a joint return.

13 The bill applies retroactively to tax years beginning on or
14 after January 1, 1998.

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**HOUSE FILE 2166
FISCAL NOTE**

A fiscal note for House File 2166 as passed by the Senate is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2166 as passed by the Senate provides for a revised license fee structure licensing food service establishments and vending machines. The Bill repeals Code of Iowa Chapters 137A, 137B, and 137E and replaces them with Chapter 137F which reflects the adoption of the federal 1997 model food code. The Bill deletes provisions which allow the Department of Inspections and Appeals to amend the food code through the administrative rule process. The Bill also establishes a transition between licenses issued under the repealed chapters and licenses issued under Chapter 137F.

ASSUMPTIONS

1. Expenses, which are mainly salaries for State inspection personnel, will increase 5.0% per year.
2. The number of inspections performed by the Department of Inspections and Appeals and local health departments will remain constant. Currently, the Department conducts approximately 11.0% of all inspections of the food establishments in the State. The other 89.0% of inspections are conducted by city and county health departments through contractual agreements with the Director of the Department of Inspections and Appeals.
3. Inspectors with the Department of Inspections and Appeals spend 67.0% of their time conducting food-related inspections. The remaining time is spent conducting hotel and motel, and barber and cosmetology inspections. Salary costs and expenses are based on 67.0% of the budgeted amount for the Food and Consumer Safety Bureau.
4. License fee revenue received by the Department of Inspections and Appeals will continue to be deposited in the General Fund and the General Assembly will continue to appropriate the funds to cover the regulation expenditures of the Department. Under current law, the annual license fee for food service establishments and vending machines generates \$169,000 in revenue to the State General Fund.
5. The full amount of the license fee increase will not occur until FY 2000 as the effective date of the Bill is January 1, 1999.
6. The costs for cities and counties to regulate food establishments will be based on the State costs of regulation.
7. Federal funds will remain static.

FISCAL IMPACT

House File 2166 as passed by the Senate is expected to generate an increase in license fee revenue to the State General Fund of \$52,000 for FY 1999 and \$105,000 for FY 2000 and each subsequent year. The General Fund expenditures for State regulation of food establishments are estimated to be \$339,000 in FY

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1999 and \$356,000 in FY 2000. The following table shows the overall effect of HF 2166 as passed by the Senate on the State General Fund compared to current law.

	(numbers in thousands)					
	Fiscal Year 1999			Fiscal Year 2000		
	Current Law	Proposed Law	Increase (Decrease)	Current Law	Proposed Law	Increase (Decrease)
REVENUE						
General Fund	\$ 169	\$ 221	\$ 52	\$ 169	\$ 274	\$ 105
Federal Funds	24	24	0	24	24	0
Other	0	0	0	0	0	0
Total	\$ 193	\$ 245	\$ 52	\$ 193	\$ 298	\$ 105
EXPENDITURES						
Salaries (FTE's)	\$ 305 (10.0)	\$ 305 (10.0)	\$ 0 (00.0)	\$ 320 (10.0)	\$ 320 (10.0)	\$ 0 (00.0)
Other	34	34	0	36	36	0
Total	\$ 339	\$ 339	\$ 0	\$ 356	\$ 356	\$ 0
NET EFFECT	\$ (146)	\$ (94)	\$ 52	\$ (163)	\$ (58)	\$ 105

House File 2166 as passed by the Senate is expected to generate increased license fee revenues to cities and counties of \$350,000 in FY 1999 and \$700,000 in FY 2000. For some cities and counties, the current license fee revenue does not completely cover the cost of regulating food establishments. However, the actual fiscal impact of the Bill on municipal corporations will depend on the individual city or county. The following table shows the overall effect of HF 2166 as passed by the Senate on cities and counties compared to current law.

	(numbers in thousands)					
	Fiscal Year 1999			Fiscal Year 2000		
	Current Law	Proposed Law	Increase (Decrease)	Current Law	Proposed Law	Increase (Decrease)
REVENUE						
Fees	\$ 1,527	\$ 1,877	\$ 350	\$ 1,527	\$ 2,227	\$ 700
EXPENDITURES						
Salaries	\$ 2,558	\$ 2,683	\$ 125	\$ 2,558	\$ 2,814	\$ 256
Other	562	589	27	562	618	56
Total	\$ 3,120	\$ 3,272	\$ 152	\$ 3,120	\$ 3,432	\$ 312
NET EFFECT	\$ (1,593)	\$ (1,395)	\$ 198	\$ (1,593)	\$ (1,205)	\$ 388

SOURCES

Department of Inspections and Appeals
Iowa State Association of Counties

(LSB 3292hv.2, PQP)

FILED APRIL 9, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR