

FILED FEB 8 2000

SENATE FILE 2104  
BY FLYNN

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

**A BILL FOR**

1 An Act relating to the exclusion from tax of an amount of net  
2 income under the individual income tax and including a  
3 retroactive applicability date.

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

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SF 2104  
WAYS & MEANS

1 Section 1. Section 422.5, subsection 2, Code Supplement  
2 1999, is amended by striking the subsection and inserting in  
3 lieu thereof the following:

4 2. The tax under this division shall not be imposed on the  
5 first twenty thousand dollars of net income. However, married  
6 taxpayers who file separate returns or separately on a  
7 combined return shall allocate between the spouses the twenty  
8 thousand dollar exclusion under this subsection in the ratio  
9 of each spouse's net income to the total combined net income  
10 of both spouses.

11 Sec. 2. Section 422.9, unnumbered paragraph 1, Code  
12 Supplement 1999, is amended to read as follows:

13 In computing taxable income of individuals, there shall be  
14 deducted from net income, after the deduction of the amount  
15 specified in section 422.5, subsection 2, the larger of the  
16 following amounts:

17 Sec. 3. APPLICABILITY DATE. This Act applies  
18 retroactively to January 1, 2000, for tax years beginning on  
19 or after that date.

20 EXPLANATION

21 This bill excludes from taxation under the individual  
22 income tax the first \$20,000 of net income. Net income for  
23 Iowa tax purposes equals the federal adjusted gross income  
24 adjusted by a number of additions and subtractions. The bill  
25 provides that \$20,000 is then subtracted prior to the taxpayer  
26 determining whether to take the standard deduction or to  
27 itemize. Married taxpayers who do not file jointly must  
28 allocate the \$20,000 between them based upon their net  
29 incomes. The provision that married taxpayers filing jointly  
30 and all other filers are not subject to tax if their net  
31 incomes are equal to or less than \$13,500 and \$9,000,  
32 respectively, is eliminated.

33 The bill applies retroactively to January 1, 2000, for tax  
34 years beginning on or after that date.

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