

JAN 9 1995

WAYS AND MEANS

HOUSE FILE 13

BY RUNNING

Passed House, Date _____ Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act relating to the timely filing of claims for credit or
2 refund and the payment of the claims by retired federal
3 employees as a result of the unconstitutional taxation of
4 federal pensions under the state individual income tax.

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

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HF 13

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 credit or refund of individual income tax paid for any tax
5 year beginning on or after January 1, 1985, and before January
6 1, 1989, is considered timely if filed with the department on
7 or before April 30, 1996, if the taxpayer's claim is the
8 result of the unconstitutional taxation of federal pension
9 benefits based upon the decision in Davis v. Michigan
10 Department of Treasury, 489 U.S. 803, 109 S. Ct. 1500 (1989).

11 A taxpayer entitled to a credit or refund of tax paid under
12 this subsection shall receive an amount equal to ninety-five
13 percent of the credit or refund plus interest with interest
14 not accruing after January 12, 1994. The claim for credit or
15 refund shall be made on the income tax return for the tax year
16 beginning in the 1995 calendar year. If the taxpayer does not
17 owe tax or the credit is in excess of the tax computed, the
18 taxpayer shall receive a refund of the excess.

19 EXPLANATION

20 A recent Iowa supreme court decision held that retired
21 federal employees could retroactively claim a refund on state
22 individual income taxes unlawfully imposed on their pensions
23 if the claim was timely filed. This bill provides that a
24 claim filed by April 30, 1996, is timely filed for taxes
25 imposed for the 1985, 1986, 1987, and 1988 tax years. The
26 taxpayer is entitled to 95 percent of the credit or refund
27 plus interest with no interest accruing after January 12,
28 1994. The credit and refund must be used or refunded to the
29 taxpayer for the tax year beginning in the 1995 calendar year.

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