

JAN 8 1996
WAYS AND MEANS

HOUSE FILE 2015
BY O'BRIEN

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

A BILL FOR

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

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

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HF 2015

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, 1997, 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 one hundred
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 1996 calendar year. If the taxpayer does not
17 owe tax or the credit is in excess of the tax computed, the
18 taxpayer may claim a refund of the excess or carry forward the
19 excess credit to the following tax year. A credit carried
20 forward shall be used or a refund of the remaining credit
21 given for the tax year beginning in the 1997 calendar year.

22 EXPLANATION

23 A recent Iowa supreme court decision held that retired
24 federal employees could retroactively claim a refund on 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 April 30, 1997, 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 credit or refund
30 plus interest with no interest accruing after January 12,
31 1994. The credit and refund must be used or refunded to the
32 taxpayer for the tax years prior to the 1998 tax year.

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