

3/13/95 W. d. Smeone

FILED MAR 9 1995

SENATE FILE 309
BY TINSMAN

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

A BILL FOR

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

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

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S.F. 309

1 Section 1. Section 422.7, Code 1995, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 32. a. Subtract, to the extent included,
4 the total amount of a governmental or other pension,
5 retirement pay, annuity, or other similar periodic payment
6 made under a plan maintained or contributed to by an employer,
7 or maintained or contributed to by a self-employed person as
8 an employer.

9 b. (1) Add back, of the amount subtracted in paragraph
10 "a", the lesser of the following:

11 (a) Fifty percent of the amount in paragraph "a".

12 (b) Fifty percent of the excess computed under
13 subparagraph (2).

14 (2) The excess for purposes of subparagraph (1) is the
15 amount by which the adjusted gross income plus interest and
16 dividends from securities which are exempt from federal income
17 tax less fifty percent of the amount in paragraph "a" exceed
18 the base amount. If there is no excess computed under this
19 subparagraph, this paragraph "b" does not apply to the
20 taxpayer.

21 c. For purposes of this subsection, "base amount" means
22 one of the following:

23 (1) Twenty-five thousand dollars, unless subparagraph (2)
24 or (3) applies.

25 (2) Thirty-two thousand dollars, in the case of a joint
26 return.

27 (3) Zero, if the taxpayer is married at the close of the
28 tax year, does not file a joint return, and does not live
29 apart from the spouse at all times during the tax year.

30 Sec. 2. This Act applies retroactively to January 1, 1995,
31 for tax years beginning on or after that date.

32 EXPLANATION

33 The bill exempts governmental and other pension benefits
34 made under a plan to which the employer or self-employed
35 person as an employer makes contributions from the state

1 individual income tax, except for an amount determined by a
2 formula similar to the formula used to determine the amount of
3 social security benefits included for state income tax
4 purposes. The formula is the lesser of 50 percent of the
5 pension benefits or 50 percent of the amount that the federal
6 adjusted gross income less 50 percent of the pension benefits
7 plus tax-exempt interest income exceeds a base amount. The
8 base amount is \$25,000 unless it is a joint return where the
9 base amount is \$32,000 or unless the taxpayer is married,
10 files a separate return, and does not live apart from the
11 spouse at all times, in which case the base amount is \$0. The
12 bill applies retroactively to January 1, 1995, for tax years
13 beginning on or after that date.

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