HOUSE FILE 2021

BY OSTERHAUS

Passed House, Date _____   Passed Senate, Date _____

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

Approved _____

A BILL FOR

1 An Act allowing an individual income tax deduction for federal

2   taxes paid under the Federal Insurance Contributions Act, the

3   federal Railroad Retirement Tax Act, and the federal Self-

4   Employment Contributions Act, eliminating the deduction for

5   federal income taxes paid, and providing a retroactive

6   applicability date provision.

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

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1   Section 1. Section 422.9, subsection 1, Code Supplement
2 2001, is amended to read as follows:
3   1. a. An optional standard deduction, after deduction of
4 federal income tax, <u>self-employment taxes, social security</u>
5 <u>taxes, and railroad retirement taxes,</u> equal to one thousand
6 two hundred thirty dollars for a married person who files
7 separately or a single person or equal to three thousand
8 thirty dollars for a husband and wife who file a joint return,
9 a surviving spouse, or an unmarried head of household. The
10 optional standard deduction shall not exceed the amount
11 remaining after deduction of the federal income tax<u>, self-</u>
12 <u>employment taxes, social security taxes, and railroad</u>
13 <u>retirement taxes. The amount of federal income tax deducted</u>
14 <u>shall not exceed the amount as computed under subsection 2,</u>
15 <u>paragraph "b".</u>
16   b. <u>For purposes of this section:</u>
17   <u>(1) "Railroad retirement taxes" means the amount of taxes</u>
18 <u>paid or accrued by the taxpayer under the tier 1 tax of the</u>
19 <u>federal Railroad Retirement Tax Act, section 3201(a) of the</u>
20 <u>Internal Revenue Code.</u>
21   <u>(2) "Self-employment taxes" means the amount of taxes paid</u>
22 <u>or accrued by the taxpayer under the federal Self-Employment</u>
23 <u>Contributions Act of 1954, section 1401 of the Internal</u>
24 <u>Revenue Code, adjusted by the amount of credits, refunds, and</u>
25 <u>deductions taken for such taxes by the taxpayer for federal</u>
26 <u>income tax purposes.</u>
27   <u>(3) "Social security taxes" means the amount of taxes paid</u>
28 <u>or accrued by the taxpayer under the Federal Insurance</u>
29 <u>Contributions Act, section 3101 of the Internal Revenue Code.</u>
30   Sec. 2. Section 422.9, subsection 2, paragraph b, Code
31 Supplement 2001, is amended by striking the paragraph and
32 inserting in lieu thereof the following:
33   b. Add the amount of federal income taxes paid or accrued,
34 as the case may be, to the extent the federal tax payment is
35 for a tax year beginning prior to January 1, 2002. Subtract

1 the amount of federal income tax refunds received in a tax
2 year to the extent that the federal income tax was deducted on
3 an Iowa individual income tax return for a tax year beginning
4 prior to January 1, 2002.
5   Sec. 3. Section 422.9, subsection 2, Code Supplement 2001,
6 is amended by adding the following new paragraph:
7   NEW PARAGRAPH. j. Add the amount of self-employment
8 taxes, social security taxes, and railroad retirement taxes
9 paid or accrued by the taxpayer.
10   Sec. 4. RETROACTIVE APPLICABILITY. This Act applies
11 retroactively to January 1, 2002, for tax years beginning on
12 or after that date.
13   EXPLANATION
14   This bill eliminates the deduction for federal income taxes
15 under the individual income tax, although federal income tax
16 paid for any tax year beginning before January 1, 2002, may
17 still be deducted. Federal income tax refunds received in a
18 tax year will be reported on the Iowa return to the extent the
19 tax refund was deducted on a prior Iowa return.
20   The bill also provides for a deduction for self-employment,
21 social security, and tier 1 railroad retirement taxes paid.
22 These taxes are those that are paid by the taxpayer for
23 federal old-age, survivors, and disability insurance (OASDI)
24 and federal hospital insurance (Medicare).
25   The bill applies retroactively to January 1, 2002, for tax
26 years beginning on or after that date.
27
28
29
30
31
32
33
34
35