FEB 15 2002

WAYS AND MEANS

HOUSE FILE 2372

BY SUKUP

Passed House, Date ____________ Passed Senate, Date ____________

Vote: Ayes _______ Nays _______ Vote: Ayes _______ Nays _______

Approved ______________________________

A BILL FOR

An Act relating to a phaseout of the state income tax on certain pension or retirement pay and including a retroactive applicability date provision.

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

HF 2372

TLSB 5973YH 79

sc/sh/8

S.F. ________ H.F. 2372

Section 1. Section 422.7, subsection 31, Code Supplement 2001, is amended to read as follows:

31. For a person who is disabled, or is fifty-five years of age or older, or is the surviving spouse of an individual or a survivor having an insurable interest in an individual who would have qualified for the exemption under this subsection for the tax year, subtract, to the extent included, the total amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans, up to a maximum of six thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of twelve thousand dollars for a husband and wife who file a joint state income tax return. For a tax year beginning in the 2002 calendar year, subtract, to the extent included, up to a maximum of nine thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of eighteen thousand dollars for a husband and wife who file a joint state income tax return. For a tax year beginning in the 2003 calendar year, subtract, to the extent included, up to a maximum of twelve thousand dollars for a person, other than a husband or wife, who files a separate state income tax return and up to a maximum of twenty-four thousand dollars for a husband and wife who file a joint state income tax return.

For a tax year beginning in the 2004 calendar year, and subsequent tax years, subtract, to the extent included, the entire amount of a governmental or other pension or retirement pay, including, but not limited to, defined benefit or defined contribution plans, annuities, individual retirement accounts, plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to the deferred compensation plans. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A husband and wife filing separate state income tax returns or separately on a combined state return are allowed a combined maximum exclusion under this subsection of up to ~~twelve-thousand-dollars~~ the amount allowed for a husband and wife who file a joint state income tax return. The ~~twelve thousand-dollar~~ exclusion shall be allocated to the husband or wife in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

Sec. 2. APPLICABILITY. This Act applies retroactively to January 1, 2002, for tax years beginning on or after that date.

EXPLANATION

This bill provides a phaseout of the state income tax on pension or retirement pay. Currently, a single filer is allowed to exclude $6,000 of pension or retirement pay and joint filers are allowed to exclude $12,000 of pension or retirement pay for state income tax purposes. The bill allows an exclusion of $9,000 and $18,000, respectively, for tax years beginning in the 2002 calendar year, and an exclusion of $12,000 and $24,000, respectively, for tax years beginning in the 2003 calendar year. For tax years beginning in the 2004 calendar year, and subsequent tax years, the bill provides an exclusion for state income tax purposes of the total amount of pension or retirement pay for single and joint filers.

The bill applies retroactively to January 1, 2002, for tax years beginning on or after that date.