

JAN 15 2003
WAYS AND MEANS

HOUSE FILE 24
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UPMEYER, S. OLSON, HAHN, and
J.R. VAN FOSSEN

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

A BILL FOR

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

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

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HF 24

1 Section 1. Section 422.7, subsection 31, Code 2003, is
2 amended to read as follows:

3 31. For a person who is disabled, or is fifty-five years
4 of age or older, or is the surviving spouse of an individual
5 or a survivor having an insurable interest in an individual
6 who would have qualified for the exemption under this
7 subsection for the tax year, subtract, to the extent included,
8 the total amount of a governmental or other pension or
9 retirement pay, including, but not limited to, defined benefit
10 or defined contribution plans, annuities, individual
11 retirement accounts, plans maintained or contributed to by an
12 employer, or maintained or contributed to by a self-employed
13 person as an employer, and deferred compensation plans or any
14 earnings attributable to the deferred compensation plans, up
15 to a maximum of six thousand dollars for a person, other than
16 a husband or wife, who files a separate state income tax
17 return and up to a maximum of twelve thousand dollars for a
18 husband and wife who file a joint state income tax return.
19 For a tax year beginning in the 2003 calendar year, subtract,
20 to the extent included, up to a maximum of nine thousand
21 dollars for a person, other than a husband or wife, who files
22 a separate state income tax return and up to a maximum of
23 eighteen thousand dollars for a husband and wife who file a
24 joint state income tax return. For a tax year beginning in
25 the 2004 calendar year, subtract, to the extent included, up
26 to a maximum of twelve thousand dollars for a person, other
27 than a husband or wife, who files a separate state income tax
28 return and up to a maximum of twenty-four thousand dollars for
29 a husband and wife who file a joint state income tax return.

30 For a tax year beginning in the 2005 calendar year, and
31 subsequent tax years, subtract, to the extent included, the
32 entire amount of a governmental or other pension or retirement
33 pay, including, but not limited to, defined benefit or defined
34 contribution plans, annuities, individual retirement accounts,
35 plans maintained or contributed to by an employer, or

1 maintained or contributed to by a self-employed person as an
2 employer, and deferred compensation plans or any earnings
3 attributable to the deferred compensation plans. However, a
4 surviving spouse who is not disabled or fifty-five years of
5 age or older can only exclude the amount of pension or
6 retirement pay received as a result of the death of the other
7 spouse. A husband and wife filing separate state income tax
8 returns or separately on a combined state return are allowed a
9 combined maximum exclusion under this subsection of up to
10 ~~twelve-thousand-dollars~~ the amount allowed for a husband and
11 wife who file a joint state income tax return. The ~~twelve~~
12 ~~thousand-dollar~~ exclusion shall be allocated to the husband or
13 wife in the proportion that each spouse's respective pension
14 and retirement pay received bears to total combined pension
15 and retirement pay received.

16 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
17 retroactively to January 1, 2003, for tax years beginning on
18 or after that date.

19 EXPLANATION

20 This bill provides a phaseout of the state income tax on
21 pension or retirement pay. Currently, a single filer is
22 allowed to exclude \$6,000 of pension or retirement pay and
23 joint filers are allowed to exclude \$12,000 of pension or
24 retirement pay for state income tax purposes. The bill allows
25 an exclusion of \$9,000 and \$18,000, respectively, for tax
26 years beginning in the 2003 calendar year, and an exclusion of
27 \$12,000 and \$24,000, respectively, for tax years beginning in
28 the 2004 calendar year. For tax years beginning in the 2005
29 calendar year, and subsequent tax years, the bill provides an
30 exclusion for state income tax purposes of the total amount of
31 pension or retirement pay for single and joint filers.

32 The bill provides that a husband and wife filing separate
33 returns or filing separately on a combined return are allowed
34 a combined maximum exclusion of up to the amount allowed for
35 the tax year for a husband and wife who file a joint return.

1 The bill applies retroactively to January 1, 2003, for tax
2 years beginning on or after that date.

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