

FILED FEB 6 '03

SENATE FILE 101
BY TINSMAN

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

A BILL FOR

1 An Act increasing the exemption for pension and retirement
2 income, including social security benefits, for purposes of
3 state individual income tax and providing an applicability
4 date.

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

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SF 101
WAYS & MEANS

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, social security
10 benefits, defined benefit or defined contribution plans,
11 annuities, individual retirement accounts, plans maintained or
12 contributed to by an employer, or maintained or contributed to
13 by a self-employed person as an employer, and deferred
14 compensation plans or any earnings attributable to the
15 deferred compensation plans, up to a maximum of ~~six~~ twelve
16 thousand dollars for a person, other than a husband or wife,
17 who files a separate state income tax return and up to a
18 maximum of ~~twelve~~ twenty-four thousand dollars for a husband
19 and wife who file a joint state income tax return. However, a
20 surviving spouse who is not disabled or fifty-five years of
21 age or older can only exclude the amount of pension or
22 retirement pay received as a result of the death of the other
23 spouse. A husband and wife filing separate state income tax
24 returns or separately on a combined state return are allowed a
25 combined maximum exclusion under this subsection of up to
26 ~~twelve~~ twenty-four thousand dollars. The ~~twelve~~ twenty-four
27 thousand dollar exclusion shall be allocated to the husband or
28 wife in the proportion that each spouse's respective pension
29 and retirement pay received bears to total combined pension
30 and retirement pay received.

31 For purposes of this subsection, "social security benefits"
32 means social security benefits that are taxable after the
33 deduction under subsection 13.

34 Sec. 2. APPLICABILITY. This Act applies to tax years
35 beginning on or after January 1, 2005.

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EXPLANATION

This bill increases the state individual income tax exemption for pension and retirement pay from \$6,000 to \$12,000 for single filers and from \$12,000 to \$24,000 for married taxpayers. The exemption is available to a taxpayer who is disabled or 55 years of age or older, or a qualifying survivor of such a taxpayer.

The bill includes social security benefits taxable under state law in the definition of pension and retirement pay.

The bill applies to tax years beginning on or after January 1, 2005.