

SENATE FILE 2198
BY TINSMAN

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

A BILL FOR

1 An Act providing an additional exclusion from pension or
2 retirement income for certain taxpayers for purposes of the
3 state and individual income tax and providing a retroactive
4 applicability date.

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

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SF 2198
WAYS & MEANS

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

3 31. a. For a person who is disabled, or is fifty-five
4 years of age or older, or is the surviving spouse of an
5 individual or a survivor having an insurable interest in an
6 individual who would have qualified for the exemption under
7 this subsection for the tax year, subtract, to the extent
8 included, the total amount of a governmental or other pension
9 or retirement pay, including, but not limited to, defined
10 benefit 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 However, a surviving spouse who is not disabled or fifty-five
20 years of age or older can only exclude the amount of pension
21 or retirement pay received as a result of the death of the
22 other spouse. A husband and wife filing separate state income
23 tax returns or separately on a combined state return are
24 allowed a combined maximum exclusion under this subsection of
25 up to twelve thousand dollars. The twelve thousand dollar
26 exclusion shall be allocated to the husband or wife in the
27 proportion that each spouse's respective pension and
28 retirement pay received bears to total combined pension and
29 retirement pay received.

30 b. In addition to the exclusion in paragraph "a", for a
31 person described in paragraph "a" who claims for the tax year
32 a dependent who is younger than eighteen years of age,
33 subtract up to a maximum of four thousand dollars for a
34 person, other than a husband and wife, who files a separate
35 state income tax return and up to a maximum of eight thousand

1 dollars for a husband and wife who file a joint state income
2 tax return. A husband and wife filing separate state income
3 tax returns or separately on a combined state return shall
4 allocate to the husband and wife the additional exclusion
5 allowed in this paragraph in the proportion that each spouse's
6 respective pension and retirement pay received bears to total
7 combined pension and retirement pay received.

8 For purposes of this paragraph, "dependent" means the same
9 as that term is defined in section 152 of the Internal Revenue
10 Code except it does not include a stepchild of the taxpayer or
11 a person treated as a child of the taxpayer as described in
12 section 152(b)(2) of the Internal Revenue Code.

13 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
14 retroactively to January 1, 2004, for tax years beginning on
15 or after that date.

16 EXPLANATION

17 Current law allows a person who is disabled, or is 55 years
18 of age or older, or is the surviving spouse of such a person
19 to exclude up to \$6,000 (single filer) or \$12,000 (married
20 filers) of pension or retirement pay received in the tax year.
21 This bill allows an additional exclusion of pension or
22 retirement pay in the amount of \$4,000 (single filer) or
23 \$8,000 (married filers) if the person claims for the tax year
24 a dependent who is younger than 18 years of age.

25 The bill provides that "dependent" does not include a
26 stepchild of the taxpayer, a person legally adopted by the
27 taxpayer, a foster child placed in the taxpayer's home, or a
28 child placed in the taxpayer's home prior to legal adoption by
29 the taxpayer.

30 The bill applies retroactively to January 1, 2004, for tax
31 years beginning on or after that date.

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