

FILED JAN 17 '03

SENATE FILE 27

BY McKIBBEN

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act eliminating the tax on social security benefits under the
2 state individual income tax 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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WAYS & MEANS

1 Section 1. Section 422.7, subsection 13, Code 2003, is
2 amended to read as follows:

3 13. a. Subtract, to the extent included, the amount of
4 additional social security benefits taxable under the Internal
5 Revenue Code for tax years beginning on or after January 1,
6 1994, but before January 1, 2003. The amount of social
7 security benefits taxable as provided in section 86 of the
8 Internal Revenue Code, as amended up to and including January
9 1, 1993, continues to apply for state income tax purposes for
10 tax years beginning on or after January 1, 1994, but before
11 January 1, 2003.

12 Married taxpayers, who file a joint federal income tax
13 return and who elect to file separate returns or who elect
14 separate filing on a combined return for state income tax
15 purposes, shall allocate between the spouses the amount of
16 benefits subtracted from net income in the ratio of the social
17 security benefits received by each spouse to the total of
18 these benefits received by both spouses.

19 b. Subtract, to the extent included, the amount of social
20 security benefits taxable under section 86 of the Internal
21 Revenue Code for tax years beginning on or after January 1,
22 2003.

23 Sec. 2. APPLICABILITY DATE. This Act applies
24 retroactively to January 1, 2003, for tax years beginning on
25 or after that date.

26 EXPLANATION

27 This bill exempts from the state individual income tax all
28 social security benefits received by the taxpayer for tax
29 years beginning on or after January 1, 2003. Prior to this
30 date, the tax on social security benefits is limited to a tax
31 on not more than 50 percent of social security benefits
32 received. The bill applies retroactively to January 1, 2003,
33 for tax years beginning on or after that date.

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