

Withdrawn
5/1/03 HF 674
Substituted

FILED MAR 26 '03

SENATE FILE 434

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1183)

Passed Senate, Date _____ Passed House, Date _____

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

Approved _____

A BILL FOR

1 An Act exempting from state individual income tax the active duty
2 pay of a member of the Iowa national guard or armed forces
3 reserve units for service performed during Operation Iraqi
4 Freedom and including effective and applicability date
5 provisions.

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

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SF 434

1 Section 1. Section 422.7, Code 2003, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 39. Subtract, to the extent included,
4 active duty pay received by a person in the national guard or
5 armed forces military reserve for service performed on or
6 after January 1, 2003, pursuant to military orders related to
7 Operation Iraqi Freedom.

8 Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act,
9 being deemed of immediate importance, takes effect upon
10 enactment and applies retroactively to January 1, 2003, for
11 tax years beginning on or after that date.

12 EXPLANATION

13 This bill exempts active duty pay received by a member of
14 the Iowa national guard or United States armed forces military
15 reserve for service performed pursuant to military orders
16 related to Operation Iraqi Freedom.

17 The bill takes effect upon enactment and applies
18 retroactively to January 1, 2003, for tax years beginning on
19 or after that date.

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21
22 SENATE FILE 434

23 S-3193

24 1 Amend the amendment, S-3134, to Senate File 434 as
25 2 follows:

26 3 1. Page 1, by inserting after line 34 the
27 4 following:

28 5 "____. Page 1, line 7, by inserting after the word
29 6 "Freedom" the following: ", Operation Noble Eagle,
30 7 and Operation Enduring Freedom"."

31 8 2. Page 2, line 5, by striking the figure "1991"
32 9 and inserting the following: "2001".

33 By STEVEN H. WARNSTADT

34 S-3193 FILED APRIL 10, 2003

- Def of order 5/1/03

35

SENATE FILE 434

S-3134

1 Amend Senate File 434 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section 12D.5, subsection 2, paragraph
5 a, Code 2003, is amended by adding the following new
6 subparagraph:

7 NEW SUBPARAGRAPH. (4) Attendance of the
8 designated beneficiary at the United States military
9 academy, the United States naval academy, the United
10 States air force academy, the United States coast
11 guard academy, or the United States merchant marine
12 academy, to the extent that the amount of the payment
13 or distribution does not exceed the costs of advanced
14 education, as defined by 10 U.S.C. § 2005(e)(3), as in
15 effect on the date of the enactment of this
16 subparagraph, attributable to such attendance.

17 Sec. 2. Section 12D.9, subsection 1, paragraph f,
18 Code 2003, is amended to read as follows:

19 f. Pursuant to section 12D.5, subsection 1,
20 penalties are provided on refunds of earnings which
21 are not used for qualified higher education expenses
22 of the beneficiary, made on account of the death or
23 disability of the designated beneficiary, ~~or~~ made due
24 to scholarship, allowance, or payment receipt as
25 provided in section 529(b)(3) of the Internal Revenue
26 Code, or made in the amount of the costs for
27 attendance at the United States military, naval, air
28 force, coast guard, or merchant marine academy."

29 2. Page 1, line 1, by striking the word and
30 figure "Section 1." and inserting the following:
31 "Sec. 3."

32 3. Page 1, line 2, by striking the word
33 "subsection" and inserting the following:
34 "subsections".

35 4. Page 1, by inserting after line 7 the
36 following:

37 "NEW SUBSECTION. 40. Subtract, not to exceed one
38 thousand five hundred dollars, the overnight
39 transportation, meals, and lodging expenses, to ~~the~~
40 extent not reimbursed, incurred by the taxpayer ~~for~~
41 travel away from home of more than one hundred ~~miles~~
42 for the performance of services by the taxpayer
43 member of the national guard or armed forces ~~military~~
44 reserve:

45 NEW SUBSECTION. 41. Subtract, to the extent
46 included, military student loan repayments ~~received~~ by
47 the taxpayer serving on active duty in the national
48 guard or armed forces military reserve or on active
49 duty status in the armed forces.

50 Sec. 4. Section 422.7, Code 2003, is amended by

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1 adding the following new subsection:

2 NEW SUBSECTION. 42. Subtract, to the extent not
3 otherwise excluded, the amount of the death gratuity
4 payable under 10 U.S.C. §§ 1475-1491 for deaths
5 occurring after September 10, 1991.

6 Sec. 5. Section 422.9, subsection 2, Code 2003, is
7 amended by adding the following new paragraph:

8 NEW PARAGRAPH. j. If the taxpayer has a deduction
9 for miscellaneous expenses under section 67 of the
10 Internal Revenue Code, the taxpayer shall recompute
11 for the purposes of this subsection the amount of the
12 deduction under section 67 by excluding from the
13 expenses, the amount subtracted under section 422.7,
14 subsection 40.

15 Sec. 6. Section 422.21, unnumbered paragraph 2,
16 Code 2003, is amended to read as follows:

17 An individual in the armed forces of the United
18 States serving in an area designated by the president
19 of the United States or the United States Congress as
20 a combat zone or as a qualified hazardous duty area,
21 or deployed outside the United States away from the
22 individual's permanent duty station while
23 participating in an operation designated by the United
24 States secretary of defense as a contingency operation
25 as defined in 10 U.S.C. § 101(a)(13), or which became
26 such a contingency operation by the operation of law,
27 or an individual serving in support of those forces,
28 is allowed the same additional time period after
29 leaving the combat zone or the qualified hazardous
30 duty area, or ceasing to participate in such
31 contingency operation, or after a period of continuous
32 hospitalization, to file a state income tax return or
33 perform other acts related to the department, as would
34 constitute timely filing of the return or timely
35 performance of other acts described in section 7508(a)
36 of the Internal Revenue Code. For the purposes of
37 this paragraph, "other acts related to the department"
38 includes filing claims for refund for any tax
39 administered by the department, making tax payments
40 other than withholding payments, filing appeals on the
41 tax matters, filing other tax returns, and performing
42 other acts described in the department's rules. The
43 additional time period allowed applies to the spouse
44 of the individual described in this paragraph to the
45 extent the spouse files jointly or separately on the
46 combined return form with the individual or when the
47 spouse is a party with the individual to any matter
48 for which the additional time period is allowed.

49 Sec. 7. Section 422.34, subsection 2, Code 2003,
50 is amended by adding the following new unnumbered

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Page 3

1 paragraph:

2 NEW UNNUMBERED PARAGRAPH. An organization that
3 would have qualified as an organization exempt from
4 federal income tax under section 501(c)(19) of the
5 Internal Revenue Code but for the fact that the
6 requirement that substantially all of the members who
7 are not past or present members of the United States
8 armed forces is not met because such members include
9 ancestors or lineal descendants, shall be considered
10 for purposes of the exemption from taxation under this
11 division as an organization exempt from federal income
12 tax under section 501(c)(19) of the Internal Revenue
13 Code."

14 5. Page 1, line 8, by striking the words "This
15 Act," and inserting the following:

16 "1. Except as provided in subsections 2, 3, and 4,
17 this Act,".

18 6. Page 1, by inserting after line 11 the
19 following:

20 "2. Section 4 of this Act, amending section 422.7
21 to allow for the subtraction of additional death
22 gratuity benefits, being deemed of immediate
23 importance, takes effect upon enactment and applies
24 retroactively to tax years ending after September 10,
25 2001.

26 3. Section 6 of this Act, amending section 422.21,
27 being deemed of immediate importance, takes effect
28 upon enactment and applies to any period for
29 performing an act that has not expired before the
30 effective date.

31 4. Section 7 of this Act, amending section 422.34,
32 being deemed of immediate importance, takes effect
33 upon enactment and applies to tax years beginning
34 after the effective date."

35 7. Title page, by striking lines 1 through 5 and
36 inserting the following: "An Act relating to income
37 tax deductions and exemptions for military service
38 personnel and organizations, and including effective
39 and applicability date provisions."

By STEVEN H. WARNSTADT

S-3134 FILED APRIL 2, 2003 - *out of order 5/1/03*

SENATE FILE 434

S-3313

1 Amend Senate File 434 as follows:
2 1. Page 1, by inserting before line 1 the
3 following:
4 "Section 1. Section 29A.28, Code 2003, is amended
5 to read as follows:
6 29A.28 LEAVE OF ABSENCE OF CIVIL EMPLOYEES.
7 1. All officers and employees of the state, or a
8 subdivision thereof, or a municipality other than
9 employees employed temporarily for six months or less,
10 who are members of the national guard, organized
11 reserves or any component part of the military, naval,
12 or air forces or nurse corps of this state or nation,
13 or who are or may be otherwise inducted into the
14 military service of this state or of the United
15 States, shall, when ordered by proper authority to
16 state active duty, active state service or federal
17 service, be entitled to a leave of absence from such
18 civil employment for the period of state active duty,
19 active state service, or federal service, without loss
20 of status or efficiency rating, and without loss of
21 pay during the first thirty days of such leave of
22 absence. Where state active duty, active state
23 service, or federal service is for a period less than
24 thirty days, a leave of absence under this section
25 shall only be required for those days that the civil
26 employee would normally perform services for the
27 state, subdivision of the state, or a municipality.
28 2. ~~The proper appointing authority may make a~~
29 ~~temporary appointment to~~ A state agency, subdivision
30 of the state, or municipality may hire a temporary
31 employee to fill any vacancy created by such leave of
32 absence. Temporary employees hired to fill a vacancy
33 created by a leave of absence under this section shall
34 not count against the number of full-time equivalent
35 positions authorized for the state agency, subdivision
36 of the state, or municipality.
37 3. Upon returning from a leave of absence under
38 this section, an employee shall be entitled to return
39 to the same position and classification held by the
40 employee at the time of entry into state active duty,
41 active state service, or federal service or to the
42 position and classification that the employee would
43 have been entitled to if the continuous civil service
44 of the employee had not been interrupted by state
45 active duty, active state service, or federal service.
46 Under this subsection, "position" includes the
47 geographical location of the position."
48 2 Page 1, line 8, by striking the words "This
49 Act," and inserting the following:
50 "1. The section of this Act, amending section

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Page 2

1 29A.28, being deemed of immediate importance, takes
2 effect upon enactment and applies retroactively to
3 January 1, 2003.

4 2. The section of this Act amending section
5 422.7,".

By STEVEN H. WARNSTADT

S-3313 FILED APRIL 24, 2003 - *Out of order 5/1/03*

SENATE FILE 434

S-3386

1 Amend Senate File 434 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "Section 1. Section 12D.5, subsection 2, paragraph
5 a, Code 2003, is amended by adding the following new
6 subparagraph:

7 NEW SUBPARAGRAPH. (4) Attendance of the
8 designated beneficiary at the United States military
9 academy, the United States naval academy, the United
10 States air force academy, the United States coast
11 guard academy, or the United States merchant marine
12 academy, to the extent that the amount of the payment
13 or distribution does not exceed the costs of advanced
14 education, as defined by 10 U.S.C. § 2005(e) (3), as in
15 effect on the date of the enactment of this
16 subparagraph, attributable to such attendance.

17 Sec. 2. Section 12D.9, subsection 1, paragraph f,
18 Code 2003, is amended to read as follows:

19 f. Pursuant to section 12D.5, subsection 1,
20 penalties are provided on refunds of earnings which
21 are not used for qualified higher education expenses
22 of the beneficiary, made on account of the death or
23 disability of the designated beneficiary, ~~or~~ made due
24 to scholarship, allowance, or payment receipt as
25 provided in section 529(b) (3) of the Internal Revenue
26 Code, or made in the amount of the costs for
27 attendance at the United States military, naval, air
28 force, coast guard, or merchant marine academy.

29 Sec. 3. Section 29A.28, Code 2003, is amended to
30 read as follows:

31 29A.28 LEAVE OF ABSENCE OF CIVIL EMPLOYEES.

32 1. All officers and employees of the state, or a
33 subdivision thereof, or a municipality other than
34 employees employed temporarily for six months or less,
35 who are members of the national guard, organized
36 reserves or any component part of the military, naval,
37 or air forces or nurse corps of this state or nation,
38 or who are or may be otherwise inducted into the
39 military service of this state or of the United
40 States, shall, when ordered by proper authority to
41 state active duty, active state service or federal
42 service, be entitled to a leave of absence from such
43 civil employment for the period of state active duty,
44 active state service, or federal service, without loss
45 of status or efficiency rating, and without loss of
46 pay during the first thirty days of such leave of
47 absence. Where state active duty, active state
48 service, or federal service is for a period less than
49 thirty days, a leave of absence under this section
50 shall only be required for those days that the civil

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1 employee would normally perform services for the
2 state, subdivision of the state, or a municipality.
3 2. ~~The proper appointing authority may make a~~
4 ~~temporary appointment to~~ A state agency, subdivision
5 of the state, or municipality may hire a temporary
6 employee to fill any vacancy created by such leave of
7 absence. Temporary employees hired to fill a vacancy
8 created by a leave of absence under this section shall
9 not count against the number of full-time equivalent
10 positions authorized for the state agency, subdivision
11 of the state, or municipality.

12 3. Upon returning from a leave of absence under
13 this section, an employee shall be entitled to return
14 to the same position and classification held by the
15 employee at the time of entry into state active duty,
16 active state service, or federal service or to the
17 position and classification that the employee would
18 have been entitled to if the continuous civil service
19 of the employee had not been interrupted by state
20 active duty, active state service, or federal service.
21 Under this subsection, "position" includes the
22 geographical location of the position.

23 Sec. 4. Section 35.1, subsection 2, paragraph b,
24 Code 2003, is amended by adding the following new
25 subparagraph:

26 NEW SUBPARAGRAPH. (5) Former members of the armed
27 forces of the United States if any portion of their
28 term of enlistment would have occurred within the time
29 period specified in paragraph "a", subparagraph (9),
30 but who instead opted to serve five years in the
31 reserve forces of the United States, as allowed by
32 federal law, and who were discharged under honorable
33 conditions.

34 Sec. 5. Section 422.7, Code 2003, is amended by
35 adding the following new subsections:

36 NEW SUBSECTION. 39. Subtract, to the extent
37 included, active duty pay received by a person in the
38 national guard or armed forces military reserve for
39 service performed on or after January 1, 2003,
40 pursuant to military orders related to Operation Iraqi
41 Freedom, Operation Noble Eagle, and Operation Enduring
42 Freedom.

43 NEW SUBSECTION. 40. Subtract, not to exceed one
44 thousand five hundred dollars, the overnight
45 transportation, meals, and lodging expenses, to the
46 extent not reimbursed, incurred by the taxpayer for
47 travel away from home of more than one hundred miles
48 for the performance of services by the taxpayer as a
49 member of the national guard or armed forces military
50 reserve.

1 NEW SUBSECTION. 41. Subtract, to the extent
2 included, military student loan repayments received by
3 the taxpayer serving on active duty in the national
4 guard or armed forces military reserve or on active
5 duty status in the armed forces.

6 Sec. 6. Section 422.7, Code 2003, is amended by
7 adding the following new subsection:

8 NEW SUBSECTION. 42. Subtract, to the extent not
9 otherwise excluded, the amount of the death gratuity
10 payable under 10 U.S.C. §§ 1475-1491 for deaths
11 occurring after September 10, 2001.

12 Sec. 7. Section 422.9, subsection 2, Code 2003, is
13 amended by adding the following new paragraph:

14 NEW PARAGRAPH. j. If the taxpayer has a deduction
15 for miscellaneous expenses under section 67 of the
16 Internal Revenue Code, the taxpayer shall recompute
17 for the purposes of this subsection the amount of the
18 deduction under section 67 by excluding from the
19 expenses, the amount subtracted under section 422.7,
20 subsection 40.

21 Sec. 8. Section 422.21, unnumbered paragraph 2,
22 Code 2003, is amended to read as follows:

23 An individual in the armed forces of the United
24 States serving in an area designated by the president
25 of the United States or the United States Congress as
26 a combat zone or as a qualified hazardous duty area,
27 or deployed outside the United States away from the
28 individual's permanent duty station while
29 participating in an operation designated by the United
30 States secretary of defense as a contingency operation
31 as defined in 10 U.S.C. § 101(a)(13), or which became
32 such a contingency operation by the operation of law,
33 or an individual serving in support of those forces,
34 is allowed the same additional time period after
35 leaving the combat zone or the qualified hazardous
36 duty area, or ceasing to participate in such
37 contingency operation, or after a period of continuous
38 hospitalization, to file a state income tax return or
39 perform other acts related to the department, as would
40 constitute timely filing of the return or timely
41 performance of other acts described in section 7508(a)
42 of the Internal Revenue Code. For the purposes of
43 this paragraph, "other acts related to the department"
44 includes filing claims for refund for any tax
45 administered by the department, making tax payments
46 other than withholding payments, filing appeals on the
47 tax matters, filing other tax returns, and performing
48 other acts described in the department's rules. The
49 additional time period allowed applies to the spouse
50 of the individual described in this paragraph to the

1 extent the spouse files jointly or separately on the
2 combined return form with the individual or when the
3 spouse is a party with the individual to any matter
4 for which the additional time period is allowed.

5 Sec. 9. Section 422.34, subsection 2, Code 2003,
6 is amended by adding the following new unnumbered
7 paragraph:

8 NEW UNNUMBERED PARAGRAPH. An organization that
9 would have qualified as an organization exempt from
10 federal income tax under section 501(c)(19) of the
11 Internal Revenue Code but for the fact that the
12 requirement that substantially all of the members who
13 are not past or present members of the United States
14 armed forces is not met because such members include
15 ancestors or lineal descendants, shall be considered
16 for purposes of the exemption from taxation under this
17 division as an organization exempt from federal income
18 tax under section 501(c)(19) of the Internal Revenue
19 Code.

20 Sec. 10. STATE FUNDING. The military service tax
21 exemptions and credits provided pursuant to the
22 amendment to section 35.1 of this Act shall be funded
23 pursuant to chapter 426A and section 25B.7, subsection
24 2.

25 Sec. 11. EFFECTIVE AND APPLICABILITY DATES.

26 1. Except as provided in subsections 2, 3, 4, 5,
27 and 6, this Act, being deemed of immediate importance,
28 takes effect upon enactment and applies retroactively
29 to January 1, 2003, for tax years beginning on or
30 after that date.

31 2. Section 3 of this Act, being deemed of
32 immediate importance, takes effect upon enactment and
33 applies retroactively to January 1, 2003.

34 3. Section 4 of this Act amending section 35.1,
35 being deemed of immediate importance, takes effect
36 upon enactment.

37 4. Section 6 of this Act, amending section 422.7
38 to allow for the subtraction of additional death
39 gratuity benefits, being deemed of immediate
40 importance, takes effect upon enactment and applies
41 retroactively to tax years ending after September 10,
42 2001.

43 5. Section 8 of this Act, amending section 422.21,
44 being deemed of immediate importance, takes effect
45 upon enactment and applies to any period for
46 performing an act that has not expired before the
47 effective date.

48 6. Section 9 of this Act, amending section 422.34,
49 being deemed of immediate importance, takes effect
50 upon enactment and applies to tax years beginning

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Page 5

1 after the effective date."

2 2. Title page, by striking lines 1 through 5 and
3 inserting the following: "An Act relating to income
4 tax deductions and exemptions for military service
5 personnel and organizations, and including effective
6 and applicability date provisions."

By STEVEN H. WARNSTADT

S-3386 FILED MAY 1, 2003

ADOPTED

Larson
McKibben
Stewart

Ways & Means

SSB 1183
Succeeded By
①/HF 434

SENATE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY CHAIRPERSON
McKIBBEN)

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

A BILL FOR

1 An Act exempting from state individual income tax the active duty
2 pay of a member of the Iowa national guard or armed forces
3 reserve units for service performed during Operation Iraqi
4 Freedom and including effective and applicability date
5 provisions.

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

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1 Section 1. Section 422.7, Code 2003, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 39. Subtract, to the extent included,
4 active duty pay received by a person in the national guard or
5 armed forces military reserve for service performed on or
6 after January 1, 2003, pursuant to military orders related to
7 Operation Iraqi Freedom.

8 Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act,
9 being deemed of immediate importance, takes effect upon
10 enactment and applies retroactively to January 1, 2003, for
11 tax years beginning on or after that date.

12 EXPLANATION

13 This bill exempts active duty pay received by a member of
14 the Iowa national guard or United States armed forces military
15 reserve for service performed pursuant to military orders
16 related to Operation Iraqi Freedom.

17 The bill takes effect upon enactment and applies
18 retroactively to January 1, 2003, for tax years beginning on
19 or after that date.

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