JAN 1 0 2005 WAYS AND MEANS

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HOUSE FILE \_\_\_\_\_ BY J. K. VAN FOSSEN

Passed	House,	Date	Passed	Senate,	Date	
Vote:	Ayes _	Nays	Vote:	Ayes	Nays	
	1	Approved				

## A BILL FOR

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1	An	Act	re:	lati	ng I	to the	ne pl	nase	out	of s	tate	inc	ome	tax c	on F	pens	ion	
2		inc	come	and	pro	ovid	ing a	a re	troa	ctiv	e ap	plica	abil	ity d	late	≥.		
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1 Section 1. Section 422.7, subsection 31, Code 2005, is
2 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 gualified 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. For the tax year beginning January 1, 2005, subtract an 31 amount equal to twenty percent of the income described in 32 paragraph "a" after the exclusion in paragraph "a" is 33 subtracted.
34 a For the tax year beginning January 1, 2006, subtract an

34 <u>c.</u> For the tax year beginning January 1, 2006, subtract an
 35 <u>amount equal to forty percent of the income described in</u>

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1 paragraph "a" after the exclusion in paragraph "a" is 2 subtracted. 3 d. For the tax year beginning January 1, 2007, subtract an 4 amount equal to sixty percent of the income described in 5 paragraph "a" after the exclusion in paragraph "a" is 6 subtracted. e. For the tax year beginning January 1, 2008, subtract an 7 8 amount equal to eighty percent of the income described in 9 paragraph "a" after the exclusion in paragraph "a" is 10 subtracted. f. For tax years beginning on or after January 1, 2009, 11 12 subtract the total amount of the income described in paragraph 13 "a". g. For a husband and wife filing separate state income tax 14 15 returns or separately on a combined state return, the 16 additional exclusion in paragraphs "b" through "f" shall be 17 allocated to the husband or wife in the proportion that each 18 spouse's respective pension and retirement pay received bears 19 to total combined pension and retirement pay received. 20 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies 21 retroactively to January 1, 2005, for tax years beginning on 22 or after that date. 23 EXPLANATION 24 This bill phases out the state income tax on pension and 25 retirement income over a five-year period. For the tax year 26 beginning January 1, 2005, an additional 20 percent of pension 27 or retirement income is exempted after the \$6,000 (for single 28 filers) or \$12,000 (for married filers) is subtracted. For 29 the tax year beginning January 1, 2006, an additional 40 30 percent is exempted; for the tax year beginning January 1, 31 2007, an additional 60 percent is exempted; for the tax year 32 beginning January 1, 2008, an additional 80 percent is 33 exempted; and for tax years beginning January 1, 2009, and all 34 subsequent tax years, the total amount of pension and 35 retirement income is exempted from state income taxation.

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