

House File 2629 - Introduced

HOUSE FILE _____
BY MAY

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

A BILL FOR

1 An Act relating to an exclusion of governmental pension or
2 retirement pay under the individual income tax and including
3 effective and applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 6055YH 82
6 mg/sc/24

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1 1 Section 1. Section 422.7, Code Supplement 2007, is amended
1 2 by adding the following new subsection:
1 3 NEW SUBSECTION. 53. a. For a person who is sixty-five
1 4 years of age or older or is the surviving spouse of an
1 5 individual who would have qualified for the exemption under
1 6 this subsection for the tax year, subtract, to the extent
1 7 included in adjusted net income, the amount of governmental
1 8 pension or retirement pay up to the maximum amount specified
1 9 in paragraph "b".
1 10 b. Subject to reduction as provided under paragraph "c",
1 11 the maximum amount to be subtracted under paragraph "a" equals
1 12 the following:
1 13 (1) For tax years beginning in the 2010 calendar year,
1 14 twenty percent of the pension or retirement pay included.
1 15 (2) For tax years beginning in the 2011 calendar year,
1 16 forty percent of the pension or retirement pay included.
1 17 (3) For tax years beginning in the 2012 calendar year,
1 18 sixty percent of the pension or retirement pay included.
1 19 (4) For tax years beginning in the 2013 calendar year,
1 20 eighty percent of the pension or retirement pay included.
1 21 (5) For tax years beginning on or after January 1, 2014,
1 22 the total amount of pension or retirement pay included.
1 23 c. The maximum amount allowed to be subtracted under
1 24 paragraph "a" as specified in paragraph "b" shall be reduced,
1 25 but not below zero, by the following:
1 26 (1) In the case of a married couple filing jointly, the
1 27 reduction shall be equal to the sum of the following:
1 28 (a) The amount of adjusted net income in excess of one
1 29 hundred thousand dollars.
1 30 (b) The amount of social security benefits not included in
1 31 adjusted net income.
1 32 (2) In the case of an individual not described in
1 33 subparagraph (1) the reduction shall be equal to the sum of
1 34 the following:
1 35 (a) The amount of adjusted net income in excess of
2 1 eighty-five thousand dollars.
2 2 (b) The amount of social security benefits not included in
2 3 adjusted net income.
2 4 d. For purposes of this subsection:
2 5 (1) "Adjusted net income" means net income as calculated
2 6 pursuant to this section prior to any exclusion under this
2 7 subsection.
2 8 (2) "Social security benefits" means the same as defined
2 9 in section 86 of the Internal Revenue Code.
2 10 Sec. 2. EFFECTIVE AND APPLICABILITY DATE. This Act takes
2 11 effect January 1, 2010, and applies to tax years beginning on
2 12 or after that date.

EXPLANATION

2 13
2 14 This bill excludes an amount of governmental pension or
2 15 retirement pay from the individual income tax. The amount of
2 16 the exclusion is phased in over five tax years beginning with
2 17 the 2010 tax year. The maximum exclusion starts at 20 percent
2 18 and increases by 20 percentage points until the maximum
2 19 exclusion equals 100 percent of the governmental pension or

2 20 retirement pay received.
2 21 The maximum amount of the exclusion is reduced by the sum
2 22 of social security benefits not taxed by the state plus the
2 23 amount of adjusted net income in excess of \$100,000 for
2 24 married persons filing jointly or in excess of \$85,000 for all
2 25 other filers.
2 26 Adjusted net income equals the taxpayer's net income prior
2 27 to the subtraction allowed in the bill.
2 28 The bill takes effect January 1, 2010, and applies to tax
2 29 years beginning on or after that date.
2 30 LSB 6055YH 82
2 31 mg/sc/24