

**Senate File 2132 - Introduced**

SENATE FILE 2132

BY JOHNSON

**A BILL FOR**

- 1 An Act providing a state individual income tax deduction
- 2 for certain health benefits plans and authorizing the
- 3 commissioner of insurance to assist employers and insurers
- 4 with implementing such health benefits plans and including
- 5 effective date and retroactive applicability provisions.
- 6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1       Section 1. Section 422.7, Code Supplement 2009, is amended  
2 by adding the following new subsection:

3       NEW SUBSECTION. 29B. If the taxpayer is ineligible to  
4 qualify for exclusion of income under section 125 of the  
5 Internal Revenue Code for the purchase of a health benefits  
6 plan because the taxpayer is an employer, subtract, to the  
7 extent not otherwise deducted in computing adjusted gross  
8 income, the amount an employee of the taxpayer would be able to  
9 exclude under section 125 of the Internal Revenue Code for the  
10 same health benefits plan that is purchased by the taxpayer. A  
11 deduction under this subsection is in lieu of a deduction under  
12 subsection 29.

13      Sec. 2. Section 422.9, subsection 2, paragraph g, Code  
14 Supplement 2009, is amended to read as follows:

15      g. If the taxpayer has a deduction for medical care expenses  
16 under section 213 of the Internal Revenue Code, the taxpayer  
17 shall recompute for the purposes of this subsection the amount  
18 of the deduction under section 213 by excluding from medical  
19 care, as defined in section 213, the amount subtracted under  
20 section 422.7, subsection 29 or subsection 29B.

21      Sec. 3. Section 505.31, Code 2009, is amended to read as  
22 follows:

23      **505.31 Reimbursement accounts.**

24      1. The commissioner of insurance shall assist employers  
25 ~~with twenty-five or fewer employees~~ with implementing and  
26 administering plans under section 125 of the Internal Revenue  
27 Code, including medical expense reimbursement accounts and  
28 dependent care accounts. The commissioner shall provide  
29 information about the assistance available to small employers  
30 on the insurance division's internet site.

31      2. The commissioner of insurance may also assist insurers in  
32 developing health plans that conform with the requirements of  
33 section 125 of the Internal Revenue Code.

34      3. For purposes of this section, "Internal Revenue  
35 Code" means the same as defined in section 422.3, subsection 5.

1 Sec. 4. EFFECTIVE UPON ENACTMENT AND RETROACTIVE  
2 APPLICABILITY. This Act, being deemed of immediate importance,  
3 takes effect upon enactment and applies retroactively to tax  
4 years beginning on or after January 1, 2010.

## EXPLANATION

6 This bill provides an individual income tax deduction for  
7 certain health benefits plans and authorizes the commissioner  
8 of insurance to assist employers and insurers with implementing  
9 such health benefits plans.

10 New Code section 422.7(29B) allows an individual taxpayer  
11 who is an employer to subtract, when computing net income for  
12 Iowa tax purposes, the same amount that an employee would be  
13 able to exclude under section 125 of the Internal Revenue Code  
14 for the same health benefits plan that is purchased by the  
15 taxpayer.

16 Code section 422.9(2)(g) is amended to provide that if  
17 a taxpayer has a deduction for medical care expenses under  
18 section 213 of the Internal Revenue Code, the taxpayer must  
19 recompute deductions for state income tax purposes by excluding  
20 the amount subtracted from net income under new Code section  
21 422.7(29B) if such amount is deducted as a section 213 medical  
22 care expense.

23 Code section 505.31 is amended to require the commissioner  
24 of insurance to assist all employers, not just certain small  
25 employers, with implementing and administering section 125  
26 plans. The commissioner is also authorized to assist insurers  
27 in developing health plans that conform with the requirements  
28 of section 125.

29 The bill is effective upon enactment and applies  
30 retroactively to tax years beginning on or after January 1,  
31 2010.