

House File 2359 - Introduced

HOUSE FILE 2359
BY COMMITTEE ON VETERANS
AFFAIRS

(SUCCESSOR TO HSB 656)

A BILL FOR

1 An Act exempting military survivor benefits for certain
2 purposes of the state individual income tax and including
3 retroactive applicability provisions.

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

1 Section 1. Section 422.5, subsection 3, paragraph a, Code
2 2014, is amended to read as follows:

3 a. The tax shall not be imposed on a resident or nonresident
4 whose net income, as defined in section 422.7, is thirteen
5 thousand five hundred dollars or less in the case of married
6 persons filing jointly or filing separately on a combined
7 return, heads of household, and surviving spouses or nine
8 thousand dollars or less in the case of all other persons;
9 but in the event that the payment of tax under this division
10 would reduce the net income to less than thirteen thousand five
11 hundred dollars or nine thousand dollars as applicable, then
12 the tax shall be reduced to that amount which would result
13 in allowing the taxpayer to retain a net income of thirteen
14 thousand five hundred dollars or nine thousand dollars as
15 applicable. The preceding sentence does not apply to estates
16 or trusts. For the purpose of this subsection, the entire net
17 income, including any part of the net income not allocated
18 to Iowa, shall be taken into account. For purposes of this
19 subsection, net income includes all amounts of pensions or
20 other retirement income, except for military survivor benefits
21 excluded under section 422.7, subsection 31A, paragraph "a",
22 received from any source which is not taxable under this
23 division as a result of the government pension exclusions in
24 section 422.7, or any other state law. If the combined net
25 income of a husband and wife exceeds thirteen thousand five
26 hundred dollars, neither of them shall receive the benefit
27 of this subsection, and it is immaterial whether they file a
28 joint return or separate returns. However, if a husband and
29 wife file separate returns and have a combined net income of
30 thirteen thousand five hundred dollars or less, neither spouse
31 shall receive the benefit of this paragraph, if one spouse has
32 a net operating loss and elects to carry back or carry forward
33 the loss as provided in section 422.9, subsection 3. A person
34 who is claimed as a dependent by another person as defined in
35 section 422.12 shall not receive the benefit of this subsection

1 if the person claiming the dependent has net income exceeding
2 thirteen thousand five hundred dollars or nine thousand dollars
3 as applicable or the person claiming the dependent and the
4 person's spouse have combined net income exceeding thirteen
5 thousand five hundred dollars or nine thousand dollars as
6 applicable.

7 Sec. 2. Section 422.5, subsection 3B, paragraph a, Code
8 2014, is amended to read as follows:

9 a. The tax shall not be imposed on a resident or nonresident
10 who is at least sixty-five years old on December 31 of
11 the tax year and whose net income, as defined in section
12 422.7, is thirty-two thousand dollars or less in the case
13 of married persons filing jointly or filing separately on a
14 combined return, heads of household, and surviving spouses or
15 twenty-four thousand dollars or less in the case of all other
16 persons; but in the event that the payment of tax under this
17 division would reduce the net income to less than thirty-two
18 thousand dollars or twenty-four thousand dollars as applicable,
19 then the tax shall be reduced to that amount which would result
20 in allowing the taxpayer to retain a net income of thirty-two
21 thousand dollars or twenty-four thousand dollars as applicable.
22 The preceding sentence does not apply to estates or trusts.
23 For the purpose of this subsection, the entire net income,
24 including any part of the net income not allocated to Iowa,
25 shall be taken into account. For purposes of this subsection,
26 net income includes all amounts of pensions or other retirement
27 income, except for military survivor benefits excluded under
28 section 422.7, subsection 31A, paragraph "a", received from any
29 source which is not taxable under this division as a result
30 of the government pension exclusions in section 422.7, or any
31 other state law. If the combined net income of a husband and
32 wife exceeds thirty-two thousand dollars, neither of them shall
33 receive the benefit of this subsection, and it is immaterial
34 whether they file a joint return or separate returns. However,
35 if a husband and wife file separate returns and have a combined

1 net income of thirty-two thousand dollars or less, neither
2 spouse shall receive the benefit of this paragraph, if one
3 spouse has a net operating loss and elects to carry back or
4 carry forward the loss as provided in section 422.9, subsection
5 3. A person who is claimed as a dependent by another person as
6 defined in section 422.12 shall not receive the benefit of this
7 subsection if the person claiming the dependent has net income
8 exceeding thirty-two thousand dollars or twenty-four thousand
9 dollars as applicable or the person claiming the dependent
10 and the person's spouse have combined net income exceeding
11 thirty-two thousand dollars or twenty-four thousand dollars as
12 applicable.

13 Sec. 3. Section 422.7, Code 2014, is amended by adding the
14 following new subsection:

15 NEW SUBSECTION. 31A. a. Subtract, to the extent included,
16 amounts received as survivor benefits by a taxpayer from the
17 federal government pursuant to 10 U.S.C. §1447, et seq.

18 b. The exclusion of survivor benefits under this subsection
19 is in addition to any exclusion provided under subsection 31.

20 Sec. 4. RETROACTIVE APPLICABILITY. This division of this
21 Act applies retroactively to January 1, 2014, for tax years
22 beginning on or after that date.

23 EXPLANATION

24 The inclusion of this explanation does not constitute agreement with
25 the explanation's substance by the members of the general assembly.

26 This bill exempts military survivor benefits for certain
27 purposes of the state individual income tax.

28 The bill exempts from the individual income tax all
29 military survivor benefits received by a taxpayer from the
30 federal government. The exemption is in addition to the
31 general pension exclusion in current Iowa Code. The bill
32 also exempts military survivor benefits from the net income
33 calculations used to determine certain personal income tax
34 filing thresholds.

35 The bill applies retroactively to January 1, 2014, for tax

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1 years beginning on or after that date.