SENATE FILE 424
BY ANDERSON and BERTRAND

A BILL FOR

1 An Act increasing the amount of the exclusion from the
2 computation of net income for purposes of the individual
3 income tax of governmental or other pension or retirement
4 pay, and including retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.7, subsection 31, Code 2013, 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 qualified 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 a~~
16 ~~husband or wife, who files a separate state income tax return~~
17 ~~and up to a maximum of twelve thousand dollars for a husband~~
18 ~~and wife who file a joint state income tax return~~ as provided
19 in paragraphs *"b"* and *"c"*.
20 *b.* For a person, other than a married person, who files
21 a separate state income tax return, the subtraction in this
22 subsection shall not exceed the following amount:
23 (1) For tax years beginning in the 2013 calendar year, eight
24 thousand dollars.
25 (2) For tax years beginning in the 2014 calendar year, ten
26 thousand dollars.
27 (3) For tax years beginning in the 2015 calendar year,
28 twelve thousand dollars.
29 (4) For tax years beginning in the 2016 calendar year,
30 fourteen thousand dollars.
31 (5) For tax years beginning on or after January 1, 2017,
32 sixteen thousand dollars.
33 *c.* For a married couple who file a joint state income tax
34 return, the subtraction in this subsection shall not exceed the
35 following amount:

(1) For tax years beginning in the 2013 calendar year, sixteen thousand dollars.

(2) For tax years beginning in the 2014 calendar year, twenty thousand dollars.

(3) For tax years beginning in the 2015 calendar year, twenty-four thousand dollars.

(4) For tax years beginning in the 2016 calendar year, twenty-eight thousand dollars.

(5) For tax years beginning on or after January 1, 2017, thirty-two thousand dollars.

d. However, a surviving spouse who is not disabled or fifty-five years of age or older can only exclude the amount of pension or retirement pay received as a result of the death of the other spouse. A ~~husband and wife~~ married couple filing separate state income tax returns or separately on a combined state return are allowed a combined maximum exclusion under this subsection of up to ~~twelve thousand dollars. The twelve thousand dollar exclusion~~ the amount specified in paragraph *"c"*, which exclusion shall be allocated to ~~the husband or wife~~ each spouse in the proportion that each spouse's respective pension and retirement pay received bears to total combined pension and retirement pay received.

Sec. 2. RETROACTIVE APPLICABILITY. This Act applies retroactively to January 1, 2013, for tax years beginning on or after that date.

EXPLANATION

This bill increases the amount of the exclusion from the individual income tax of governmental or other pension or retirement pay.

Under current law, a person who is disabled, 55 years of age or older, or is the surviving spouse or other person having an insurable interest in such person, can exclude from the individual income tax a maximum of $6,000, or $12,000 for a married couple filing a joint income tax return, of governmental or other pension or retirement pay. The bill

1 increases these maximum exclusion amounts progressively over
2 a five-year period as follows:
3 1. For tax years beginning in the 2013 calendar year, $8,000
4 for a single person, $16,000 for a married couple filing a
5 joint return.
6 2. For tax years beginning in the 2014 calendar year,
7 $10,000 for a single person, $20,000 for a married couple
8 filing a joint return.
9 3. For tax years beginning in the 2015 calendar year,
10 $12,000 for a single person, $24,000 for a married couple
11 filing a joint return.
12 4. For tax years beginning in the 2016 calendar year,
13 $14,000 for a single person, $28,000 for a married couple
14 filing a joint return.
15 5. For tax years beginning on or after January 1, 2017,
16 $16,000 for a single person, $32,000 for a married couple
17 filing a joint return.
18 The bill applies retroactively to January 1, 2013, for tax
19 years beginning on or after that date.