

Senate File 2109 - Introduced

SENATE FILE 2109

BY CHAPMAN

A BILL FOR

1 An Act exempting all retirement income from the individual
2 income tax and including retroactive applicability
3 provisions.

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

1 Section 1. Section 422.7, subsection 31, Code 2018, is
2 amended to read as follows:

3 ~~31. For a person who is disabled, or is fifty-five years of~~
4 ~~age or older, or is the surviving spouse of an individual or~~
5 ~~a survivor having an insurable interest in an individual who~~
6 ~~would have qualified for the exemption under this subsection~~
7 ~~for the tax year, subtract, Subtract, to the extent included,~~
8 the total amount of a governmental or other pension or
9 retirement pay, including, but not limited to, defined benefit
10 or defined contribution plans, annuities, individual retirement
11 accounts, plans maintained or contributed to by an employer,
12 or maintained or contributed to by a self-employed person as
13 an employer, and deferred compensation plans or any earnings
14 attributable to the deferred compensation plans, ~~up to a~~
15 ~~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. However, a~~
19 ~~surviving spouse who is not disabled or fifty-five years of age~~
20 ~~or older can only exclude the amount of pension or retirement~~
21 ~~pay received as a result of the death of the other spouse. A~~
22 ~~husband and wife filing separate state income tax returns or~~
23 ~~separately on a combined state return are allowed a combined~~
24 ~~maximum exclusion under this subsection of up to twelve~~
25 ~~thousand dollars. The twelve thousand dollar exclusion shall~~
26 ~~be allocated to the husband or wife in the proportion that each~~
27 ~~spouse's respective pension and retirement pay received bears~~
28 ~~to total combined pension and retirement pay received.~~

29 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
30 retroactively to January 1, 2018, for tax years beginning on
31 or after that date.

32 EXPLANATION

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

35 This bill relates to the exemption of retirement income from

1 the individual income tax.

2 Under current law, a taxpayer may exclude from the
3 computation of the individual income tax all retirement pay,
4 including certain survivor benefits, received from the federal
5 government for military service performed in the armed forces,
6 the armed forces military reserve, or national guard. In
7 addition, a taxpayer who is disabled, who is at least 55 years
8 of age, or who is the surviving spouse or other specified
9 survivor of that qualifying taxpayer, may exclude from the
10 computation of the individual income tax a maximum of \$6,000 of
11 other retirement income (\$12,000 for married couples).

12 The bill exempts all retirement income from individual
13 income tax.

14 The bill applies retroactively to January 1, 2018, for tax
15 years beginning on or after that date.