

Senate File 58 - Introduced

SENATE FILE 58
BY CHELGREN

A BILL FOR

1 An Act relating to the individual income tax by excluding
2 social security income from the income tax return filing
3 requirement calculation and the alternate tax calculation,
4 and including retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.5, subsection 3, paragraph a, Code
2 2017, 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 retirement pay
21 excluded under [section 422.7, subsection 31A](#), paragraph "a",
22 or [section 422.7, subsection 31B](#), paragraph "a", and except
23 for social security benefits excluded under section 422.7,
24 subsection 13, received from any source which is not taxable
25 under [this division](#) as a result of the government pension
26 exclusions in [section 422.7](#), or any other state law. If the
27 combined net income of a husband and wife exceeds thirteen
28 thousand five hundred dollars, neither of them shall receive
29 the benefit of [this subsection](#), and it is immaterial whether
30 they file a joint return or separate returns. However, if
31 a husband and wife file separate returns and have a combined
32 net income of thirteen thousand five hundred dollars or less,
33 neither spouse shall receive the benefit of this paragraph, if
34 one spouse has a net operating loss and elects to carry back or
35 carry forward the loss as provided in section 422.9, subsection

1 3. A person who is claimed as a dependent by another person
2 as defined in [section 422.12](#) shall not receive the benefit
3 of [this subsection](#) if the person claiming the dependent has
4 net income exceeding thirteen thousand five hundred dollars
5 or nine thousand dollars as applicable or the person claiming
6 the dependent and the person's spouse have combined net income
7 exceeding thirteen thousand five hundred dollars or nine
8 thousand dollars as applicable.

9 Sec. 2. Section 422.5, subsection 3B, paragraph a, Code
10 2017, is amended to read as follows:

11 a. The tax shall not be imposed on a resident or nonresident
12 who is at least sixty-five years old on December 31 of
13 the tax year and whose net income, as defined in section
14 422.7, is thirty-two thousand dollars or less in the case
15 of married persons filing jointly or filing separately on a
16 combined return, heads of household, and surviving spouses or
17 twenty-four thousand dollars or less in the case of all other
18 persons; but in the event that the payment of tax under this
19 division would reduce the net income to less than thirty-two
20 thousand dollars or twenty-four thousand dollars as applicable,
21 then the tax shall be reduced to that amount which would result
22 in allowing the taxpayer to retain a net income of thirty-two
23 thousand dollars or twenty-four thousand dollars as applicable.
24 The preceding sentence does not apply to estates or trusts.
25 For the purpose of [this subsection](#), the entire net income,
26 including any part of the net income not allocated to Iowa,
27 shall be taken into account. For purposes of [this subsection](#),
28 net income includes all amounts of pensions or other retirement
29 income, except for military retirement pay excluded under
30 section 422.7, subsection 31A, paragraph "a", or section 422.7,
31 subsection 31B, paragraph "a", and except for social security
32 benefits excluded under section 422.7, subsection 13, received
33 from any source which is not taxable under [this division](#) as
34 a result of the government pension exclusions in section
35 422.7, or any other state law. If the combined net income of a

1 husband and wife exceeds thirty-two thousand dollars, neither
2 of them shall receive the benefit of [this subsection](#), and it
3 is immaterial whether they file a joint return or separate
4 returns. However, if a husband and wife file separate returns
5 and have a combined net income of thirty-two thousand dollars
6 or less, neither spouse shall receive the benefit of this
7 paragraph, if one spouse has a net operating loss and elects
8 to carry back or carry forward the loss as provided in section
9 422.9, subsection 3. A person who is claimed as a dependent by
10 another person as defined in [section 422.12](#) shall not receive
11 the benefit of [this subsection](#) if the person claiming the
12 dependent has net income exceeding thirty-two thousand dollars
13 or twenty-four thousand dollars as applicable or the person
14 claiming the dependent and the person's spouse have combined
15 net income exceeding thirty-two thousand dollars or twenty-four
16 thousand dollars as applicable.

17 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
18 retroactively to January 1, 2017, for tax years beginning on
19 or after that date.

20 EXPLANATION

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

23 Under current law, social security benefits received by
24 a taxpayer are exempt from the calculation of the individual
25 income tax. However, these social security benefits are
26 required to be included in the calculation for determining
27 whether or not a taxpayer's net income exceeds the amount at
28 which the individual income tax will not be imposed, and for
29 which an income tax return is not required to be filed, and in
30 the calculation of the alternate tax, which is an alternate
31 method of calculating income tax liability for certain
32 taxpayers in lieu of the regular income tax calculation.
33 This bill excludes social security benefits from these two
34 calculations.

35 The bill applies retroactively to January 1, 2017, for tax

S.F. 58

1 years beginning on or after that date.