

House File 2026 - Introduced

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**A BILL FOR**

1 An Act exempting all retirement income from the individual  
2 income tax including retroactive applicability provisions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.5, subsection 3, paragraph a, Code  
2 2022, 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; but  
9 in the event that the payment of tax under [this subchapter](#)  
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, except~~ all amounts of pensions  
20 or 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" subsection~~  
23 ~~31~~, received from any source which is not taxable under this  
24 subchapter as a result of the ~~government~~ pension exclusions in  
25 [section 422.7](#), or any other state law. If the combined net  
26 income of a husband and wife exceeds thirteen thousand five  
27 hundred dollars, neither of them shall receive the benefit  
28 of [this subsection](#), and it is immaterial whether they file a  
29 joint return or separate returns. However, if a husband and  
30 wife file separate returns and have a combined net income of  
31 thirteen thousand five hundred dollars or less, neither spouse  
32 shall receive the benefit of this paragraph, if one spouse has  
33 a net operating loss and elects to carry back or carry forward  
34 the loss as provided in [section 422.9, subsection 3](#). A person  
35 who is claimed as a dependent by another person as defined in

1 section 422.12 shall not receive the benefit of **this subsection**  
2 if the person claiming the dependent has net income exceeding  
3 thirteen thousand five hundred dollars or nine thousand dollars  
4 as applicable or the person claiming the dependent and the  
5 person's spouse have combined net income exceeding thirteen  
6 thousand five hundred dollars or nine thousand dollars as  
7 applicable.

8 Sec. 2. Section 422.5, subsection 3B, paragraph a, Code  
9 2022, is amended to read as follows:

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

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

15 Sec. 3. Section 422.7, subsection 31, Code 2022, is amended  
16 by striking the subsection and inserting in lieu thereof the  
17 following:

18 31. a. Subtract, to the extent included, retirement income  
19 received by the taxpayer.

20 b. For purposes of this subsection, "*retirement income*"  
21 means a governmental or other pension or retirement pay,  
22 including but not limited to defined benefit or defined  
23 contribution plans, annuities, individual retirement accounts,  
24 plans maintained or contributed to by an employer, or  
25 maintained or contributed to by a self-employed person as an  
26 employer, and deferred compensation plans or any earnings  
27 attributable to the deferred compensation plans.

28 Sec. 4. Section 422.7, subsections 31A and 31B, Code 2022,  
29 are amended by striking the subsections.

30 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies  
31 retroactively to January 1, 2022, for tax years beginning on  
32 or after that date.

33

#### EXPLANATION

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

1 This bill relates to the exclusion of retirement income from  
2 the computation of net income for purposes of the individual  
3 income tax.

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

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

15 The bill also excludes retirement income from the  
16 calculation of net income for purposes of determining whether  
17 or not a taxpayer's net income exceeds the amount at which the  
18 individual income tax will not be imposed pursuant to Code  
19 section 422.5(3) or Code section 422.5(3B), and for which an  
20 individual income tax return is not required to be filed, and  
21 for purposes of calculating the alternate tax in Code section  
22 422.5, and further provides that any retirement income excluded  
23 from the individual income tax will not be added back to these  
24 calculations for tax years beginning in 2022 or later.

25 The bill defines "retirement income" for purposes of the  
26 exclusion.

27 The bill applies retroactively to January 1, 2022, for tax  
28 years beginning on or after that date.