

Senate File 96 - Introduced

SENATE FILE 96

BY ZAUN

A BILL FOR

1 An Act relating to the exclusion of certain retirement
2 income from the calculation of net income, and including
3 retroactive applicability provisions.

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

1 Section 1. Section 422.7, subsection 31, Code 2021, is
2 amended to read as follows:

3 31. a. For a person who is disabled, or is fifty-five years
4 of age or older, or is the surviving spouse of an individual
5 or a survivor having an insurable interest in an individual
6 who would have qualified for the ~~exemption~~ exclusion 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 the maximum of six thousand dollars amount provided in
16 paragraph "b" for a person, other than a ~~husband or wife married~~
17 person, who files a separate state income tax return, and up
18 to a the maximum of twelve thousand dollars amount provided in
19 paragraph "c" for a ~~husband and wife married~~ persons who file
20 a joint state income tax return. However, a surviving spouse
21 who is not disabled or fifty-five years of age or older can
22 only exclude the amount of pension or retirement pay received
23 as a result of the death of the other spouse. ~~A husband and~~
24 ~~wife~~ Married persons filing separate state income tax returns
25 or separately on a combined state return are allowed a combined
26 maximum exclusion under this subsection of up to ~~twelve~~
27 ~~thousand dollars~~ the maximum amount under paragraph "c". The
28 ~~twelve thousand dollar exclusion~~ under paragraph "c" shall be
29 allocated to ~~the husband or wife~~ either married person in the
30 proportion that each spouse's respective pension and retirement
31 pay received bears to total combined pension and retirement pay
32 received.

33 b. (1) (a) For a single person, other than married persons
34 who file separately, the maximum amount of the exclusion under
35 paragraph "a" shall be as follows:

1 (i) For tax years beginning in the 2021 calendar year, seven
2 thousand two hundred dollars.

3 (ii) For tax years beginning in the 2022 calendar year,
4 eight thousand four hundred dollars.

5 (iii) For tax years beginning in the 2023 calendar year,
6 nine thousand six hundred dollars.

7 (iv) For tax years beginning in the 2024 calendar year, ten
8 thousand eight hundred dollars.

9 (b) This subparagraph is repealed January 1, 2025.

10 (2) For a single person, other than married persons who file
11 separately, the maximum amount of the exclusion under paragraph
12 "a" for tax years beginning on or after January 1, 2025, shall
13 be twelve thousand dollars.

14 c. (1) (a) For married persons who file a joint state tax
15 return, the maximum amount of the exclusion under paragraph "a"
16 shall be as follows:

17 (i) For tax years beginning in the 2021 calendar year,
18 fourteen thousand four hundred dollars.

19 (ii) For tax years beginning in the 2022 calendar year,
20 sixteen thousand eight hundred dollars.

21 (iii) For tax years beginning in the 2023 calendar year,
22 nineteen thousand two hundred dollars.

23 (iv) For tax years beginning in the 2024 calendar year,
24 twenty-one thousand six hundred dollars.

25 (b) This subparagraph is repealed January 1, 2025.

26 (2) For married persons who file a joint state tax return,
27 the maximum amount of the exclusion under paragraph "a" for
28 tax years beginning on or after January 1, 2025, shall be
29 twenty-four thousand dollars.

30 **Sec. 2. RETROACTIVE APPLICABILITY.** This Act applies
31 retroactively to January 1, 2021, 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 certain retirement
2 income from the calculation of net income.

3 Currently, a taxpayer who is disabled, who is at least 55
4 years of age, or who is the surviving spouse or other specified
5 survivor of that qualifying taxpayer may exclude a maximum
6 of \$6,000 of other retirement income (\$12,000 for married
7 couples).

8 The bill phases in over a five-year period an increase to
9 the retirement income exclusion referenced above. The base
10 retirement income exclusion amount for single filers (\$6,000)
11 and married filers (\$12,000) increases for tax years beginning
12 in 2021, 2022, 2023, and 2024 by 20 percent, 40 percent, 60
13 percent, and 80 percent, respectively. For tax years beginning
14 in 2025 or later, the retirement income exclusion is \$12,000
15 for single filers and \$24,000 for married filers.

16 The bill does not affect the current exclusion of military
17 retirement income.

18 The bill applies retroactively to January 1, 2021, for tax
19 years beginning on or after that date.