

Senate Study Bill 3044 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED GOVERNOR BILL)

A BILL FOR

1 An Act relating to state revenue and finance by modifying
2 individual and corporate income taxes, and including
3 effective date and applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

SALE OF CERTAIN QUALIFIED STOCK — NET CAPITAL GAIN EXCLUSION

Section 1. Section 422.7, Code 2022, is amended by adding the following new subsection:

NEW SUBSECTION. 63. *a.* Subtract the following percentage of the net capital gain from the sale or exchange of capital stock of a qualified corporation for which an election is made by an employee-owner:

(1) For the tax year beginning in the 2023 calendar year, thirty-three percent.

(2) For the tax year beginning in the 2024 calendar year, sixty-six percent.

(3) For tax years beginning on or after January 1, 2025, one hundred percent.

b. (1) An employee-owner is entitled to make one irrevocable lifetime election to exclude the net capital gain from the sale or exchange of capital stock of one qualified corporation which capital stock was acquired by the employee-owner while employed and on account of employment by such qualified corporation.

(2) The election shall apply to all subsequent sales or exchanges of qualifying capital stock of the elected corporation within fifteen years of the date of the election, provided that the subsequent sales or exchanges were of capital stock in the same qualified corporation and were acquired by the employee-owner while employed and on account of employment by such qualified corporation.

(3) The election shall apply to qualifying capital stock that has been transferred by inter vivos gift from the employee-owner to the employee-owner's spouse or to a trust for the benefit of the employee-owner's spouse following the transfer. This subparagraph (3) shall apply to a spouse only if the spouse was married to the employee-owner on the date of the sale or exchange or the date of death of the employee-owner.

1 (4) If the employee-owner dies after having sold or
2 exchanged qualifying capital stock without having made an
3 election under this subsection, the surviving spouse or, if
4 there is no surviving spouse, the personal representative of
5 the employee-owner's estate, may make the election that would
6 have qualified under this subsection.

7 (5) The election shall be made in the manner and form
8 prescribed by the department and shall be included with the
9 taxpayer's state income tax return for the taxable year in
10 which the election is made.

11 c. For purposes of this subsection:

12 (1) "*Capital stock*" means common or preferred stock, either
13 voting or nonvoting. "*Capital stock*" does not include stock
14 rights, stock warrants, stock options, or debt securities.

15 (2) "*Employee-owner*" means an individual who owns capital
16 stock in a qualified corporation for at least ten years, which
17 capital stock was acquired by the individual while employed and
18 on account of employment by such corporation for at least ten
19 cumulative years.

20 (3) "*Personal representative*" means the same as defined in
21 section 633.3, or if there is no such personal representative
22 appointed, then the person legally authorized to perform
23 substantially the same functions.

24 (4) (a) "*Qualified corporation*" means, with respect to an
25 employee-owner, a corporation which, at the time of the first
26 sale or exchange for which an election is made by the employe-
27 owner under this subsection, meets all of the following
28 conditions:

29 (i) The corporation employed individuals in this state for
30 at least ten years.

31 (ii) The corporation has had at least five shareholders for
32 the ten years prior to the first sale or exchange under this
33 subsection.

34 (iii) The corporation has had at least two shareholders or
35 groups of shareholders who are not related for the ten years

1 prior to the first sale or exchange under this subsection.
2 Two persons are considered related when, under section 318 of
3 the Internal Revenue Code, one is a person who owns, directly
4 or indirectly, capital stock that if directly owned would be
5 attributed to the other person, or is the brother, sister,
6 aunt, uncle, cousin, niece, or nephew of the other person who
7 owns capital stock either directly or indirectly.

8 (b) "*Qualified corporation*" includes any member of an Iowa
9 affiliated group if the Iowa affiliated group includes a member
10 that has employed individuals in this state for at least ten
11 years. For purposes of this subparagraph division, "*Iowa*
12 *affiliated group*" means an affiliated group that has made a
13 valid election to file an Iowa consolidated income tax return
14 under section 422.37 in the year in which the deduction under
15 this subsection is claimed. "*Member*" includes any entity
16 included in the consolidated return under section 422.37,
17 subsection 2, for the tax year in which the deduction is
18 claimed.

19 (c) "*Qualified corporation*" also includes any corporation
20 that was a party to a reorganization that was entirely or
21 substantially tax free if such reorganization occurred during
22 or after the employment of the employee-owner.

23 Sec. 2. EFFECTIVE DATE. This division of this Act takes
24 effect January 1, 2023.

25 Sec. 3. APPLICABILITY. This division of this Act applies to
26 tax years beginning on or after January 1, 2023.

27 DIVISION II

28 RETIRED FARMER LEASE INCOME EXCLUSION

29 Sec. 4. Section 422.7, Code 2022, is amended by adding the
30 following new subsection:

31 NEW SUBSECTION. 21A. a. Subtract, to the extent included,
32 net income received by an eligible individual pursuant to a
33 farm tenancy agreement covering real property held by the
34 eligible individual for ten or more years, if the eligible
35 individual materially participated in a farming business for

1 ten or more years.

2 *b.* An individual who elects to exclude income received
3 pursuant to a farm tenancy agreement under this subsection
4 shall not claim any of the following in the tax year in which
5 the election is made or in any succeeding year:

6 (1) The capital gain exclusion under section 422.7,
7 subsection 21.

8 (2) The beginning farmer tax credit under section 422.11E.

9 *c.* Married individuals who file separate state income tax
10 returns shall allocate their combined annual exclusion limit
11 to each spouse in the proportion that each spouse's respective
12 net income from a farm tenancy agreement bears to the total net
13 income from a farm tenancy agreement.

14 *d.* The department shall establish criteria, by rule,
15 relating to whether and how a surviving spouse may claim the
16 income exclusion for which a deceased eligible individual would
17 have been eligible under this subsection.

18 *e.* Net income from a farm tenancy agreement earned,
19 received, or reported by an entity taxed as a partnership
20 for federal tax purposes, an S corporation, or a trust or
21 estate is not eligible for the election and deduction in this
22 subsection, even if such net income ultimately passes through
23 to an eligible individual.

24 *f.* For purposes of this subsection:

25 (1) "*Eligible individual*" means an individual who is
26 disabled or who is fifty-five years of age or older at the time
27 the election is made, who no longer materially participates in
28 a farming business at the time the election is made, and who,
29 as an owner-lessor, is party to a farm tenancy agreement.

30 (2) "*Farm tenancy agreement*" means a written agreement
31 outlining the rights and obligations of an owner-lessor and a
32 tenant-lessee where the tenant-lessee has a farm tenancy as
33 defined in section 562.1A. A "*farm tenancy agreement*" includes
34 cash leases, crop share leases, or livestock share leases.

35 (3) "*Farming business*" means the production, care, growing,

1 harvesting, preservation, handling, or storage of crops
2 or forest or fruit trees; the production, care, feeding,
3 management, and housing of livestock; or horticulture, all
4 intended for profit.

5 (4) "*Materially participated*" means the same as "*material*
6 *participation*" in section 469(h) of the Internal Revenue Code.

7 Sec. 5. EFFECTIVE DATE. This division of this Act takes
8 effect January 1, 2023.

9 Sec. 6. APPLICABILITY. This division of this Act applies to
10 tax years beginning on or after January 1, 2023.

11 DIVISION III

12 RETIRED FARMER CAPITAL GAIN EXCLUSION

13 Sec. 7. Section 422.7, subsection 21, Code 2022, is amended
14 by striking the subsection and inserting in lieu thereof the
15 following:

16 21. a. For purposes of this subsection:

17 (1) "*Farming business*" means the production, care, growing,
18 harvesting, preservation, handling, or storage of crops
19 or forest or fruit trees; the production, care, feeding,
20 management, and housing of livestock; or horticulture, all for
21 intended profit.

22 (2) "*Held*" shall be determined with reference to the holding
23 period provisions of section 1223 of the Internal Revenue Code
24 and the federal regulations pursuant thereto.

25 (3) "*Livestock*" means the same as defined in section 717.1.

26 (4) "*Materially participated*" means the same as "*material*
27 *participation*" in section 469(h) of the Internal Revenue Code.

28 (5) (a) "*Real property used in a farming business*" means
29 all tracts of land and the improvements and structures located
30 on such tracts which are in good faith used primarily for
31 a farming business. Buildings which are primarily used or
32 intended for human habitation are deemed to be used in a
33 farming business when the building is located on or adjacent
34 to the parcel used in the farming business. Land and the
35 nonresidential improvements and structures located on such land

1 that shall be considered to be used primarily in a farming
2 business include but are not limited to land, improvements
3 or structures used for the storage or maintenance of farm
4 machinery or equipment, for the drying, storage, handling,
5 or preservation of agricultural crops, or for the storage of
6 farm inputs, feed, or manure. Real property used in a farming
7 business shall also include woodland, wasteland, pastureland,
8 and idled land used for the conservation of natural resources
9 including soil and water.

10 (b) Real property classified as agricultural property for
11 Iowa property tax purposes, except real property described
12 in section 441.21, subsection 12, paragraph "a" or "b",
13 shall be presumed to be real property used in a farming
14 business. This presumption is rebuttable by the department by
15 a preponderance of evidence that the real property did not meet
16 the requirements of subparagraph division (a).

17 (6) "Relative" means a person that satisfies one or more of
18 the following conditions:

19 (a) The individual is related to the taxpayer by
20 consanguinity or affinity within the second degree as
21 determined by common law.

22 (b) The individual is a lineal descendent of the taxpayer.
23 For purposes of this subparagraph division, "lineal descendent"
24 means children of the taxpayer, including legally adopted
25 children and biological children, stepchildren, grandchildren,
26 great-grandchildren, and any other lineal descendent of the
27 taxpayer.

28 (c) An entity in which an individual who satisfies the
29 conditions of either subparagraph division (a) or (b) has a
30 legal or equitable interest as an owner, member, partner, or
31 beneficiary.

32 (7) "Retired farmer" means an individual who is disabled
33 or who is fifty-five years of age or older and who no longer
34 materially participates in a farming business when an exclusion
35 and deduction is claimed under this subsection.

1 *b.* Subtract the net capital gain from the sale of real
2 property used in a farming business if one of the following
3 conditions are satisfied:

4 (1) The taxpayer has materially participated in a farming
5 business for a minimum of ten years and has held the real
6 property used in a farming business for a minimum of ten years.
7 If the taxpayer is a retired farmer, the taxpayer is considered
8 to meet the material participation requirement if the taxpayer
9 materially participated in a farming business for ten years or
10 more in the aggregate, prior to making an election under this
11 subsection.

12 (2) The taxpayer has held the real property used in a
13 farming business which is sold to a relative of the taxpayer.

14 *c.* For a taxpayer who is a retired farmer, subtract the
15 net capital gain from the sale of cattle or horses held by
16 the taxpayer for breeding, draft, dairy, or sporting purposes
17 for a period of twenty-four months or more from the date of
18 acquisition; but only if the taxpayer materially participated
19 in the farming business for five of the eight years preceding
20 the farmer's retirement or disability and who has sold all or
21 substantially all of the taxpayer's interest in the farming
22 business by the time the election under this paragraph is made.

23 *d.* For a taxpayer who is a retired farmer, subtract the net
24 capital gain from the sale of breeding livestock, other than
25 cattle and horses, if the livestock is held by the taxpayer for
26 a period of twelve months or more from the date of acquisition;
27 but only if the taxpayer materially participated in the farming
28 business for five of the eight years preceding the farmer's
29 retirement or disability and who has sold all or substantially
30 all of the taxpayer's interest in the farming business by the
31 time the election under this paragraph is made.

32 *e.* A taxpayer who is a retired farmer may make, subject to
33 the limitations described in paragraphs "*f*" and "*g*", a single,
34 lifetime election to exclude all qualifying capital gains under
35 paragraphs "*b*", "*c*", and "*d*".

1 *f.* A taxpayer who is a retired farmer who elects to exclude
2 capital gains under paragraph “*b*”, “*c*”, or “*d*” shall not claim
3 the beginning farmer tax credit under section 422.11E or the
4 exclusion for net income received pursuant to a farm tenancy
5 agreement in section 422.7, subsection 21A, in the tax year in
6 which this election is made or in any subsequent year.

7 *g.* A taxpayer who is a retired farmer who claims the
8 beginning farmer tax credit under section 422.11E shall not,
9 in the same year, make an election under this subsection. A
10 taxpayer who is a retired farmer and who elects to exclude
11 the net income received from a farm tenancy agreement under
12 section 422.7, subsection 21A, shall not, in the same tax year
13 or in any subsequent tax year, make the election under this
14 subsection.

15 *h.* Married individuals who file separate state income tax
16 returns shall allocate their combined annual net capital gain
17 exclusion under paragraphs “*b*”, “*c*”, and “*d*” to each spouse in
18 the proportion that each spouse’s respective net capital gain
19 bears to the total net capital gain.

20 *i.* The department shall establish criteria, by rule,
21 relating to whether and how a surviving spouse may claim the
22 income exclusion for which a deceased retired farmer would have
23 been eligible under this subsection.

24 Sec. 8. REPEAL. 2018 Iowa Acts, chapter 1161, section 113,
25 is repealed.

26 Sec. 9. REPEAL. 2019 Iowa Acts, chapter 162, section 1, is
27 repealed.

28 Sec. 10. EFFECTIVE DATE. This division of this Act takes
29 effect January 1, 2023.

30 Sec. 11. APPLICABILITY.

31 1. This division of this Act applies to tax years beginning
32 on or after January 1, 2023.

33 2. This division of this Act applies to sales consummated on
34 or after the effective date of this division of this Act, and
35 sales consummated prior to the effective date of this division

1 of this Act shall be governed by the law as it existed prior to
2 the effective date of this division of this Act.

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DIVISION IV

4

INDIVIDUAL INCOME TAX RATES — TAX YEARS 2023-2025

5

Sec. 12. Section 422.5, subsection 3, paragraph b, Code
6 2022, is amended to read as follows:

7 **b. (1)** In lieu of the computation in subsection 1 or
8 2, or in paragraph "a" of **this subsection**, if the married
9 persons', filing jointly ~~or filing separately on a combined~~
10 ~~return~~, head of household's, or surviving spouse's net income
11 exceeds thirteen thousand five hundred dollars, the regular
12 tax imposed under **this subchapter** shall be the lesser of the
13 ~~maximum~~ alternate state individual income tax rate specified in
14 subparagraph (2) times the portion of the net income in excess
15 of thirteen thousand five hundred dollars or the regular tax
16 liability computed without regard to this sentence. Taxpayers
17 electing to file separately shall compute the alternate tax
18 described in this paragraph using the total net income of the
19 ~~husband and wife~~ spouses. The alternate tax described in this
20 paragraph does not apply if one spouse elects to carry back or
21 carry forward the loss as provided in section 422.9, subsection
22 3.

23 (2) (a) (i) (A) For the tax year beginning on or after
24 January 1, 2023, but before January 1, 2024, the alternate tax
25 rate is 6.00 percent.

26 (B) For the tax year beginning on or after January 1, 2024,
27 but before January 1, 2025, the alternate tax rate is 5.70
28 percent.

29 (C) For the tax year beginning on or after January 1, 2025,
30 but before January 1, 2026, the alternate tax rate is 5.20
31 percent.

32 (ii) This subparagraph division (a) is repealed January 1,
33 2026.

34 (b) For tax years beginning on or after January 1, 2026, the
35 alternate tax rate is 4.50 percent.

1 Sec. 13. Section 422.5, subsection 3B, paragraph b, Code
2 2022, is amended to read as follows:

3 b. (1) In lieu of the computation in subsection 1, 2, or 3,
4 if the married persons', filing jointly ~~or filing separately on~~
5 ~~a combined return~~, head of household's, or surviving spouse's
6 net income exceeds thirty-two thousand dollars, the regular
7 tax imposed under this subchapter shall be the lesser of the
8 ~~maximum~~ alternate state individual income tax rate specified in
9 subparagraph (2) times the portion of the net income in excess
10 of thirty-two thousand dollars or the regular tax liability
11 computed without regard to this sentence. Taxpayers electing
12 to file separately shall compute the alternate tax described in
13 this paragraph using the total net income of the ~~husband and~~
14 ~~wife~~ spouses. The alternate tax described in this paragraph
15 does not apply if one spouse elects to carry back or carry
16 forward the loss as provided in section 422.9, subsection 3.

17 (2) (a) (i) (A) For the tax year beginning on or after
18 January 1, 2023, but before January 1, 2024, the alternate tax
19 rate is 6.00 percent.

20 (B) For the tax year beginning on or after January 1, 2024,
21 but before January 1, 2025, the alternate tax rate is 5.70
22 percent.

23 (C) For the tax year beginning on or after January 1, 2025,
24 but before January 1, 2026, the alternate tax rate is 5.20
25 percent.

26 (ii) This subparagraph division (a) is repealed January 1,
27 2026.

28 (b) For tax years beginning on or after January 1, 2026, the
29 alternate tax rate is 4.50 percent.

30 Sec. 14. Section 422.5, subsection 6, Code 2022, is amended
31 to read as follows:

32 6. a. Upon determination of the latest cumulative inflation
33 factor, the director shall multiply each dollar amount set
34 forth in section 422.5A by this cumulative inflation factor,
35 shall round off the resulting product to the nearest one

1 dollar, and shall incorporate the result into the income tax
2 forms and instructions for each tax year.

3 b. This subsection is repealed on January 1, 2026.

4 Sec. 15. Section 422.5A, Code 2022, is amended by striking
5 the section and inserting in lieu thereof the following:

6 **422.5A Tax rates.**

7 1. a. The tax imposed in section 422.5 shall be calculated
8 using the following rates in the following tax years in the
9 case of married persons filing jointly:

10 (1) For the tax year beginning on or after January 1, 2023,
11 but before January 1, 2024:

12 (a) On taxable income from 0 through \$12,000, the rate of
13 4.40 percent.

14 (b) On taxable income exceeding \$12,000 but not exceeding
15 \$60,000, the rate of 4.82 percent.

16 (c) On taxable income exceeding \$60,000 but not exceeding
17 \$150,000, the rate of 5.70 percent.

18 (d) On taxable income exceeding \$150,000, the rate of 6.00
19 percent.

20 (2) For the tax year beginning on or after January 1, 2024,
21 but before January 1, 2025:

22 (a) On taxable income from 0 through \$12,000, the rate of
23 4.40 percent.

24 (b) On taxable income exceeding \$12,000 but not exceeding
25 \$60,000, the rate of 4.82 percent.

26 (c) On taxable income exceeding \$60,000, the rate of 5.70
27 percent.

28 (3) For the tax year beginning on or after January 1, 2025,
29 but before January 1, 2026:

30 (a) On taxable income from 0 through \$12,000, the rate of
31 4.40 percent.

32 (b) On taxable income exceeding \$12,000, the rate of 4.82
33 percent.

34 b. The tax imposed in section 422.5 shall be calculated
35 using the following rates in the following tax years in the

1 case of any other taxpayer other than married persons filing
2 jointly:

3 (1) For the tax year beginning on or after January 1, 2023,
4 but before January 1, 2024:

5 (a) On taxable income from 0 through \$6,000, the rate of
6 4.40 percent.

7 (b) On taxable income exceeding \$6,000 but not exceeding
8 \$30,000, the rate of 4.82 percent.

9 (c) On taxable income exceeding \$30,000 but not exceeding
10 \$75,000, the rate of 5.70 percent.

11 (d) On taxable income exceeding \$75,000, the rate of 6.00
12 percent.

13 (2) For the tax year beginning on or after January 1, 2024,
14 but before January 1, 2025:

15 (a) On taxable income from 0 through \$6,000, the rate of
16 4.40 percent.

17 (b) On taxable income exceeding \$6,000 but not exceeding
18 \$30,000, the rate of 4.82 percent.

19 (c) On taxable income exceeding \$30,000, the rate of 5.70
20 percent.

21 (3) For the tax year beginning on or after January 1, 2025,
22 but before January 1, 2026:

23 (a) On taxable income from 0 through \$6,000, the rate of
24 4.40 percent.

25 (b) On taxable income exceeding \$6,000, the rate of 4.82
26 percent.

27 2. This section is repealed January 1, 2026.

28 Sec. 16. REPEAL. 2018 Iowa Acts, chapter 1161, section 107,
29 is repealed.

30 Sec. 17. EFFECTIVE DATE. This division of this Act takes
31 effect January 1, 2023.

32 Sec. 18. APPLICABILITY. This division of this Act applies
33 to tax years beginning on or after January 1, 2023.

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DIVISION V

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INDIVIDUAL INCOME TAX — FLAT RATE

1 Sec. 19. Section 421.27, subsection 9, paragraph a,
2 subparagraph (3), Code 2022, is amended to read as follows:

3 (3) In the case of all other entities, including
4 corporations described in [section 422.36, subsection 5](#), and all
5 other entities required to file an information return under
6 section 422.15, subsection 2, the entity's Iowa net income
7 after the application of the Iowa business activity ratio,
8 if applicable, multiplied by the ~~top~~ income tax rate imposed
9 under [section 422.5A 422.5](#) for the tax year, less any Iowa tax
10 credits available to the entity.

11 Sec. 20. Section 422.5, subsection 1, paragraph a, Code
12 2022, is amended to read as follows:

13 a. A tax is imposed upon every resident and nonresident
14 of the state which tax shall be levied, collected, and paid
15 annually upon and with respect to the entire taxable income
16 as defined in [this subchapter](#) at ~~rates as provided in section~~
17 [422.5A a rate of four percent](#).

18 Sec. 21. Section 422.16B, subsection 2, paragraph a, Code
19 2022, is amended to read as follows:

20 a. (1) A pass-through entity shall file a composite return
21 on behalf of all nonresident members and shall report and pay
22 the income or franchise tax imposed under [this chapter](#) at the
23 maximum state income or franchise tax rate applicable to the
24 member under [section 422.5A 422.5, 422.33, or 422.63](#) on the
25 nonresident members' distributive shares of the income from the
26 pass-through entity.

27 (2) The tax rate applicable to a tiered pass-through entity
28 shall be the ~~maximum~~ state income tax rate under section ~~422.5A~~
29 [422.5](#).

30 Sec. 22. Section 422.25A, subsection 5, paragraph c,
31 subparagraphs (3), (4), and (5), Code 2022, are amended to read
32 as follows:

33 (3) Determine the total distributive share of all final
34 federal partnership adjustments and positive reallocation
35 adjustments as modified by [this title](#) that are reported to

1 nonresident individual partners and nonresident fiduciary
2 partners and allocate and apportion such adjustments as
3 provided in [section 422.33](#) at the partnership or tiered
4 partner level, and multiply the resulting amount by the ~~maximum~~
5 individual income tax rate pursuant to [section 422.5A 422.5](#) for
6 the reviewed year.

7 (4) For the total distributive share of all final federal
8 partnership adjustments and positive reallocation adjustments
9 as modified by [this title](#) that are reported to tiered partners:

10 (a) Determine the amount of such adjustments which are of a
11 type that would be subject to sourcing to Iowa under section
12 422.8, subsection 2, paragraph "a", as a nonresident, and then
13 determine the portion of this amount that would be sourced to
14 Iowa under those provisions as if the tiered partner were a
15 nonresident.

16 (b) Determine the amount of such adjustments which are of
17 a type that would not be subject to sourcing to Iowa under
18 section 422.8, subsection 2, paragraph "a", as a nonresident.

19 (c) Determine the portion of the amount in subparagraph
20 division (b) that can be established, as prescribed by the
21 department by rule, to be properly allocable to indirect
22 partners that are nonresident partners or other partners not
23 subject to tax on the adjustments.

24 (d) Multiply the total of the amounts determined in
25 subparagraph divisions (a) and (b), reduced by any amount
26 determined in subparagraph division (c), by the ~~highest~~
27 individual income tax rate pursuant to [section 422.5A 422.5](#) for
28 the reviewed year.

29 (5) For the total distributive share of all final federal
30 partnership adjustments and positive reallocation adjustments
31 as modified by [this title](#) that are reported to resident
32 individual partners and resident fiduciary partners, multiply
33 that amount by the ~~highest~~ individual income tax rate pursuant
34 to [section 422.5A 422.5](#) for the reviewed year.

35 Sec. 23. EFFECTIVE DATE. This division of this Act takes

1 effect January 1, 2026.

2 Sec. 24. APPLICABILITY. This division of this Act applies
3 to tax years beginning on or after January 1, 2026.

4 DIVISION VI

5 CORPORATE INCOME TAX RATES — ADJUSTMENTS

6 Sec. 25. Section 422.33, subsection 1, Code 2022, is amended
7 to read as follows:

8 1. a. A tax is imposed annually upon each corporation doing
9 business in this state, or deriving income from sources within
10 this state, in an amount computed by applying the following
11 rates of taxation to the net income received by the corporation
12 during the income year:

13 ~~a.~~ (1) On the first twenty-five thousand dollars of taxable
14 income, or any part thereof, the rate of six percent for tax
15 years beginning prior to January 1, 2021, and the rate of
16 five and one-half percent for tax years beginning on or after
17 January 1, 2021.

18 ~~b.~~ (2) On taxable income between twenty-five thousand
19 dollars and one hundred thousand dollars or any part thereof,
20 the rate of eight percent for tax years beginning prior to
21 January 1, 2021, and the rate of five and one-half percent for
22 tax years beginning on or after January 1, 2021.

23 ~~c.~~ (3) On taxable income between one hundred thousand
24 dollars and two hundred fifty thousand dollars or any part
25 thereof, the rate of ten percent for tax years beginning prior
26 to January 1, 2021, and the rate of nine percent for tax years
27 beginning on or after January 1, 2021.

28 ~~d.~~ (4) On taxable income of two hundred fifty thousand
29 dollars or more, the rate of twelve percent for tax years
30 beginning prior to January 1, 2021, and the rate of nine
31 and eight-tenths percent for tax years beginning on or after
32 January 1, 2021.

33 b. (1) (a) Notwithstanding paragraph "a", the department
34 of management and the department of revenue shall determine
35 corporate income tax rates as provided in this paragraph. A

1 tax rate in this subsection shall remain in effect until the
2 tax rate is adjusted pursuant to this paragraph.

3 (b) By November 1, 2022, and by November 1 each year
4 thereafter, the department of management shall determine the
5 net corporate income tax receipts for the fiscal year preceding
6 the determination date. If net corporate income tax receipts
7 for the preceding fiscal year exceed seven hundred million
8 dollars, the department of revenue shall adjust and apply new
9 corporate income tax rates as provided in subparagraph (2).

10 (2) (a) If a determination has been made that net
11 corporate income tax receipts for the preceding fiscal year
12 exceeded seven hundred million dollars, the department of
13 revenue shall adjust the tax rates specified in paragraph "a",
14 subparagraphs (3) and (4), and apply the adjusted rates for tax
15 years beginning on or after the next January 1 following the
16 determination date.

17 (b) (i) The tax rates subject to adjustment shall be
18 adjusted in such a way that when combined with all the other
19 rates specified in paragraph "a", the tax rates would have
20 generated net corporate income tax receipts that equal seven
21 hundred million dollars in the preceding fiscal year.

22 (ii) When adjusting the tax rates, the tax rates shall be
23 adjusted as follows:

24 (A) The tax rate in effect that corresponds with the
25 specified tax rate in paragraph "a", subparagraph (4),
26 shall first be adjusted but not below the tax rate in effect
27 that corresponds with the specified rate in paragraph "a",
28 subparagraph (3).

29 (B) If after the adjustment in subparagraph part (A) is
30 made, and an additional adjustment is necessary, the tax rates
31 that correspond with the rates specified in paragraph "a",
32 subparagraphs (3) and (4), shall be adjusted on an equal basis.

33 (iii) The tax rates adjusted pursuant to this paragraph
34 shall not be adjusted below five and one-half percent.

35 (iv) The tax rates, when adjusted, shall be rounded down to

1 the nearest one-tenth of one percent.

2 (3) If a tax rate is adjusted pursuant to this paragraph,
3 the director of revenue shall cause an advisory notice
4 containing the new corporate tax rates to be published in the
5 Iowa administrative bulletin and on the internet site of the
6 department of revenue. The calculation and publication of the
7 adjusted tax rate by the director of revenue is exempt from
8 chapter 17A, and shall be submitted for publication by the
9 first December 31 following the determination date to adjust
10 the tax rates.

11 DIVISION VII

12 CORPORATE INCOME TAX — FLAT RATE

13 Sec. 26. Section 422.33, subsection 1, Code 2022, is amended
14 by striking the subsection and inserting in lieu thereof the
15 following:

16 1. A tax is imposed annually upon each corporation doing
17 business in this state, or deriving income from sources within
18 this state, in an amount computed by applying the rate of
19 five and one-half percent to the net income received by the
20 corporation during the income year.

21 Sec. 27. CONTINGENT EFFECTIVE DATE. This division of
22 this Act takes effect on the first January 1 after each rate
23 of taxation on the net income received by a corporation is
24 equalized to equal five and one-half percent pursuant to
25 section 422.33, subsection 1, paragraph "b", as amended by this
26 Act. The director of revenue shall inform the Code editor upon
27 the occurrence of this contingency.

28 Sec. 28. APPLICABILITY. This division of this Act applies
29 to tax years beginning on or after the effective date of this
30 division of this Act.

31 DIVISION VIII

32 RETIREMENT INCOME

33 Sec. 29. Section 8.57E, subsection 2, Code 2022, is amended
34 to read as follows:

35 2. Moneys in the taxpayer relief fund shall only be used

1 pursuant to appropriations or transfers made by the general
2 assembly for tax relief, ~~including but not limited to increases~~
3 ~~in the general retirement income exclusion under section 422.7,~~
4 ~~subsection 31,~~ or reductions in income tax rates.

5 Sec. 30. Section 422.5, subsection 3, paragraph a, Code
6 2022, is amended to read as follows:

7 a. The tax shall not be imposed on a resident or nonresident
8 whose net income, as defined in [section 422.7](#), is thirteen
9 thousand five hundred dollars or less in the case of married
10 persons filing jointly or filing separately on a combined
11 return, heads of household, and surviving spouses or nine
12 thousand dollars or less in the case of all other persons; but
13 in the event that the payment of tax under [this subchapter](#)
14 would reduce the net income to less than thirteen thousand five
15 hundred dollars or nine thousand dollars as applicable, then
16 the tax shall be reduced to that amount which would result
17 in allowing the taxpayer to retain a net income of thirteen
18 thousand five hundred dollars or nine thousand dollars as
19 applicable. The preceding sentence does not apply to estates
20 or trusts. For the purpose of [this subsection](#), the entire net
21 income, including any part of the net income not allocated
22 to Iowa, shall be taken into account. ~~For purposes of this~~
23 ~~subsection, net income includes all amounts of pensions or~~
24 ~~other retirement income, except for military retirement pay~~
25 ~~excluded under [section 422.7, subsection 31A](#), paragraph "a", or~~
26 ~~[section 422.7, subsection 31B](#), paragraph "a", received from any~~
27 ~~source which is not taxable under [this subchapter](#) as a result~~
28 ~~of the government pension exclusions in [section 422.7](#), or any~~
29 ~~other state law.~~ If the combined net income of a husband and
30 wife exceeds thirteen thousand five hundred dollars, neither
31 of them shall receive the benefit of [this subsection](#), and it
32 is immaterial whether they file a joint return or separate
33 returns. However, if a husband and wife file separate returns
34 and have a combined net income of thirteen thousand five
35 hundred dollars or less, neither spouse shall receive the

1 benefit of this paragraph, if one spouse has a net operating
2 loss and elects to carry back or carry forward the loss as
3 provided in [section 422.9, subsection 3](#). A person who is
4 claimed as a dependent by another person as defined in section
5 422.12 shall not receive the benefit of [this subsection](#) if
6 the person claiming the dependent has net income exceeding
7 thirteen thousand five hundred dollars or nine thousand dollars
8 as applicable or the person claiming the dependent and the
9 person's spouse have combined net income exceeding thirteen
10 thousand five hundred dollars or nine thousand dollars as
11 applicable.

12 Sec. 31. Section 422.5, subsection 3B, paragraph a, Code
13 2022, is amended to read as follows:

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

1 ~~pension exclusions in section 422.7, or any other state law.~~
2 If the combined net income of a husband and wife exceeds
3 thirty-two thousand dollars, neither of them shall receive the
4 benefit of this subsection, and it is immaterial whether they
5 file a joint return or separate returns. However, if a husband
6 and wife file separate returns and have a combined net income
7 of thirty-two thousand dollars or less, neither spouse shall
8 receive the benefit of this paragraph, if one spouse has a net
9 operating loss and elects to carry back or carry forward the
10 loss as provided in section 422.9, subsection 3. A person
11 who is claimed as a dependent by another person as defined in
12 section 422.12 shall not receive the benefit of this subsection
13 if the person claiming the dependent has net income exceeding
14 thirty-two thousand dollars or twenty-four thousand dollars
15 as applicable or the person claiming the dependent and the
16 person's spouse have combined net income exceeding thirty-two
17 thousand dollars or twenty-four thousand dollars as applicable.

18 Sec. 32. Section 422.7, subsection 31, Code 2022, is amended
19 to read as follows:

20 31. a. ~~For a person who is disabled, or is fifty-five years~~
21 ~~of age or older, or is the surviving spouse of an individual or~~
22 ~~a survivor having an insurable interest in an individual who~~
23 ~~would have qualified for the exemption under this subsection~~
24 ~~for the tax year, subtract Subtract, to the extent included,~~
25 ~~the total amount of received from a governmental or other~~
26 ~~pension or retirement pay plan, including, but not limited~~
27 ~~to, defined benefit or defined contribution plans, annuities,~~
28 ~~individual retirement accounts, plans maintained or contributed~~
29 ~~to by an employer, or maintained or contributed to by a~~
30 ~~self-employed person as an employer, and deferred compensation~~
31 ~~plans or any earnings attributable to the deferred compensation~~
32 ~~plans, up to a maximum of six thousand dollars for a person,~~
33 ~~other than a husband or wife, who files a separate state income~~
34 ~~tax return and up to a maximum of twelve thousand dollars~~
35 ~~for a husband and wife who file a joint state income tax~~

1 ~~return. However, a surviving spouse who is not disabled or~~
2 ~~fifty-five years of age or older can only exclude the amount~~
3 ~~of pension or retirement pay received as a result of the death~~
4 ~~of the other spouse. A husband and wife filing separate state~~
5 ~~income tax returns or separately on a combined state return~~
6 ~~are allowed a combined maximum exclusion under this subsection~~
7 ~~of up to twelve thousand dollars. The twelve thousand dollar~~
8 ~~exclusion shall be allocated to the husband or wife in the~~
9 ~~proportion that each spouse's respective pension and retirement~~
10 ~~pay received bears to total combined pension and retirement~~
11 ~~pay received~~ received by a person who is disabled, or is
12 fifty-five years of age or older, or is the surviving spouse of
13 an individual or is a survivor having an insurable interest in
14 an individual who would have qualified for the exemption under
15 this subsection for the tax year.

16 b. Married taxpayers who file separate state income tax
17 returns shall allocate their combined annual exclusion amount
18 to each spouse in the proportion that each spouse's respective
19 income received from a pension or retirement plan bears to the
20 total combined pension or retirement pay received.

21 c. A taxpayer who is not disabled or fifty-five years of
22 age or older and who receives pension or retirement pay as a
23 surviving spouse or as a survivor with an insurable interest
24 in an individual who would have qualified for the exemption
25 for the tax year may only exclude the amount received from a
26 pension or retirement plan in the tax year as a result of the
27 death of the decedent.

28 Sec. 33. EFFECTIVE DATE. This division of this Act takes
29 effect January 1, 2023.

30 Sec. 34. APPLICABILITY. This division of this Act applies
31 to tax years beginning on or after January 1, 2023.

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 state revenue and finance by modifying

1 individual and corporate income taxes.

2 DIVISION I — SALE OF CERTAIN QUALIFIED STOCK — NET
3 CAPITAL GAIN EXCLUSION. The bill grants an employee-owner one
4 irrevocable lifetime election to exclude from state individual
5 income tax the net capital gain from the state of the capital
6 stock on one qualified corporation. The election applies to
7 all subsequent sales or exchanges of capital stock.

8 The bill phases in over a three-year period the complete
9 exclusion from the individual income tax the net capital gain
10 from the sale of capital stock on one qualified corporation.
11 The percentage of the capital gain that is excluded for tax
12 years beginning in 2023, 2024, and 2025 and beyond is 33
13 percent, 66 percent, and 100 percent, respectively. Several
14 requirements must be met for the capital stock to qualify
15 as capital stock of a qualified corporation. The qualified
16 corporation must have employed individuals in this state for
17 at least 10 years. The qualified corporation must have had at
18 least five shareholders for the 10 years prior to the first
19 sale or exchange pursuant to the bill, and the corporation must
20 have had at least two shareholders or groups of shareholders
21 who are not related for the 10 years prior to the sale or
22 exchange. The bill requires the capital stock to be common or
23 preferred stock, and may be either voting or nonvoting, but
24 does not include warrants, stock options, or debt securities.

25 The bill provides that the election applies to transfers of
26 the capital stock by inter vivos gift from the employee-owner
27 to a spouse, or to a trust for the benefit of the
28 employee-owner's spouse. The election will apply to a spouse
29 only if the spouse was married to the employee-owner on the
30 date of the sale or the date of the employee-owner's death.

31 If, after making a valid inter vivos gift of stock that meets
32 all the requirements for an election, an employee-owner dies
33 without making an election, the surviving spouse, or if there
34 is no surviving spouse, the personal representative of the
35 employee-owner's estate, may make the election.

1 An election under the bill is made on a form prescribed by
2 the department of revenue and included with the taxpayer's
3 state income tax return for the taxable year in which the
4 election is made.

5 The division takes effect January 1, 2023, and applies to tax
6 years beginning on or after that date.

7 DIVISION II — RETIRED FARMER LEASE INCOME EXCLUSION.

8 Commencing with tax years beginning on or after January 1,
9 2023, the bill excludes from the individual income tax a
10 retired farmer's total net income received pursuant to a
11 farm tenancy agreement covering real property held by the
12 retired farmer for 10 or more years, if the farmer materially
13 participated in a farming business for 10 or more years.

14 Net income from a farm tenancy agreement earned by an
15 entity taxed as a partnership for federal tax purposes, an S
16 corporation, or a trust or estate is not eligible for the lease
17 income exclusion, even if the net income passes through to a
18 retired farmer.

19 A retired farmer is not eligible for the lease income
20 exclusion unless the farmer is at least 55 years of age and no
21 longer materially participating in farming.

22 A retired farmer who elects to claim the lease income
23 exclusion is not eligible, in the tax year the election is made
24 or in succeeding tax years, to claim the capital gain exclusion
25 under Code section 422.7(21), as amended by another division of
26 the bill, or the beginning farmer tax credit.

27 The division takes effect January 1, 2023, and applies to tax
28 years beginning on or after that date.

29 DIVISION III — RETIRED FARMER CAPITAL GAIN EXCLUSION. The
30 bill modifies the individual income tax capital gain exclusion
31 for the sale of real property used in a farming business which
32 otherwise would have gone into effect in tax year 2023, which
33 was enacted in 2018 Iowa Acts, chapter 1161, section 113,
34 and later modified in 2019 Iowa Acts, chapter 162. The bill
35 repeals both 2018 Iowa Acts, chapter 1161, section 113, and

1 2019 Iowa Acts, chapter 162, and creates a new capital gain
2 exclusion provision based upon the 2019 Iowa Acts, chapter
3 162 provisions, effective for tax years beginning on or after
4 January 1, 2023.

5 Under the provisions in 2019 Iowa Acts, chapter 162, section
6 1, which otherwise would have gone into effect during the 2023
7 tax year, a taxpayer who materially participates in a farming
8 business for at least 10 years and held real property used
9 in such a business for at least 10 years, may make a single
10 lifetime exclusion election from the individual income tax of
11 the capital gain of the sale of such property.

12 The bill modifies the term "materially participated" in a
13 farming business to include a retired farmer if the retired
14 farmer materially participated in a farming business for 10
15 years or more, in the aggregate, prior to making the election
16 to exclude the capital gain of the sale of real property used
17 in a farming business.

18 In addition to a single lifetime exclusion of the capital
19 gain from the sale of real property used in a farming business,
20 the bill also allows a retired farmer to make a single lifetime
21 exclusion of the net capital gain from the sale of cattle
22 or horses if held by the retired farmer for breeding, draft,
23 dairy, or sporting purposes for more than 24 months, and
24 only if the retired farmer materially participated in the
25 farming business for five of the eight years preceding the
26 retired farmer's retirement or disability, and who sold all
27 or substantially all of the retired farmer's interest in the
28 farming business by the time the election to exclude capital
29 gain of the sale of livestock from the individual income tax
30 is made.

31 Additionally, the bill allows a retired farmer to make a
32 single lifetime exclusion of the net capital gain from the
33 sale of breeding livestock, other than cattle and horses, if
34 the livestock is held by the retired farmer for more than 12
35 months, and only if the retired farmer materially participated

1 in the farming business for five of the eight years preceding
2 the retired farmer's retirement or disability, and who sold all
3 or substantially all of the retired farmer's interest in the
4 farming business by the time the election to exclude capital
5 gain of the sale of livestock from the individual income tax
6 is made.

7 Under the bill, a retired farmer is not eligible for the
8 capital gain exclusion if the retired farmer claims the
9 beginning farmer tax credit in the same tax year. A retired
10 farmer electing the capital gain exclusion is not eligible to
11 elect to exclude retired farmer lease income in the same tax
12 year or any succeeding tax year.

13 The division takes effect January 1, 2023, and applies to
14 sales consummated on or after that date.

15 For sales consummated prior to January 1, 2023, the existing
16 law in Code section 422.7(21) shall govern.

17 DIVISION IV — INDIVIDUAL INCOME TAX — TAX YEARS 2023-2025.

18 The bill repeals the individual income tax rates and brackets
19 described in 2018 Iowa Acts, chapter 1161, section 107, which
20 otherwise would have gone into effect January 1, 2023, and
21 strikes and replaces the individual income tax rates and
22 brackets for the tax year beginning January 1, 2023, in Code
23 section 422.5A. The bill reduces individual income tax rates
24 beginning with the 2023 tax year, and reduces the number of
25 individual income tax brackets beginning with the 2024 tax
26 year. The modified individual income tax rates and brackets
27 are as follows:

28 For the 2023 tax year:

29 Married filing jointly

30	Income over:	But not over:	Tax Rate:
31	1) \$0	\$12,000	4.40%
32	2) \$12,000	\$60,000	4.82%
33	3) \$60,000	\$150,000	5.70%
34	4) \$150,000		6.00%

35 All other filers other than married filing jointly

	Income over:	But not over:	Tax Rate:
1			
2	1) \$0	\$6,000	4.40%
3	2) \$6,000	\$30,000	4.82%
4	3) \$30,000	\$75,000	5.70%
5	4) \$75,000		6.00%

6 For the 2024 tax year:

7 Married filing jointly

	Income over:	But not over:	Tax Rate:
8			
9	1) \$0	\$12,000	4.40%
10	2) \$12,000	\$60,000	4.82%
11	3) \$60,000		5.70%

12 All other filers other than married filing jointly

	Income over:	But not over:	Tax Rate:
13			
14	1) \$0	\$6,000	4.40%
15	2) \$6,000	\$30,000	4.82%
16	3) \$30,000		5.70%

17 For the 2025 tax year:

18 Married filing jointly

	Income over:	But not over:	Tax Rate:
19			
20	1) \$0	\$12,000	4.40%
21	2) \$12,000		4.82%

22 All other filers other than married filing jointly

	Income over:	But not over:	Tax Rate:
23			
24	1) \$0	\$6,000	4.40%
25	2) \$6,000		4.82%

26 Currently, an alternate income tax calculation exists
 27 in Code section 422.5. The alternate income tax is an
 28 alternate method of calculating income tax liability in lieu
 29 of the regular income tax calculation. The alternate method
 30 multiplies the taxpayer's taxable income above the income tax
 31 filing thresholds in Code section 422.5(3)(b) or 422.5(3B)(b)
 32 by the highest existing individual income tax rate until
 33 the taxpayer's tax liability is equal to the tax liability
 34 that would have been calculated under the regular income tax
 35 calculation method, then after such point the regular income

1 tax calculation with the regular income tax rates are used.
2 The bill phases in changes to the alternate tax rate until the
3 rate is set at 3.50 percent commencing with tax years beginning
4 on or after January 1, 2026.

5 The division takes effect January 1, 2023, and applies to tax
6 years beginning on or after that date.

7 DIVISION V — INDIVIDUAL INCOME TAX — FLAT RATE. Commencing
8 with tax years beginning on or after January 1, 2026, the
9 bill establishes a flat 4.00 percent individual income tax
10 rate on all taxable income and moves the individual income
11 tax rate from Code section 422.5A to Code section 422.5. The
12 division takes effect January 1, 2026, and applies to tax years
13 beginning on or after that date.

14 DIVISION VI — CORPORATE INCOME TAX RATES — ADJUSTMENTS.
15 The bill establishes a procedure where the corporate income tax
16 rates may be modified commencing with tax years beginning on or
17 after January 1, 2023.

18 By November 1, 2022, and by November 1 each year thereafter,
19 the department of management shall determine the net corporate
20 income tax receipts for the fiscal year preceding the
21 determination date. If net corporate income tax receipts for
22 the preceding fiscal year exceed \$700 million, the department
23 of revenue shall adjust and apply new corporate income tax
24 rates.

25 Under the bill, if a determination has been made that net
26 corporate income tax receipts for the preceding fiscal year
27 exceeded \$700 million, the department of revenue shall adjust
28 the two highest current corporate tax rates and apply the
29 adjusted rates for tax years beginning on or after the next
30 January 1 following the determination date.

31 The bill requires the tax rates subject to adjustment to be
32 adjusted in such a way that when combined with all the rates
33 specified in Code section 422.33(1), the tax rates would have
34 generated net corporate income tax receipts that equal \$700
35 million. The bill prohibits the tax rates to be adjusted below

1 5.5 percent.

2 If a tax rate is adjusted, the bill requires the director
3 of revenue to cause an advisory notice containing the new
4 corporate tax rates to be published in the Iowa administrative
5 bulletin and on the internet site of the department of revenue.
6 The calculation and publication of the adjusted tax rate by the
7 director of revenue is exempt from Code chapter 17A, and shall
8 be submitted for publication by the first December 31 following
9 the determination date to adjust the tax rates.

10 DIVISION VII — CORPORATE INCOME TAX — FLAT TAX. When
11 the corporate income tax rates are adjusted to a point where
12 all the rates equal 5.5 percent, the bill amends Code section
13 422.33(1) to codify that the corporate tax rate at 5.5 percent.
14 The division contingently takes effect the first January 1
15 after such an occurrence, and applies to tax years beginning
16 on or after that date.

17 DIVISION VIII — RETIREMENT INCOME EXCLUSION. Under current
18 law, a taxpayer who is disabled, who is at least 55 years of
19 age, or who is the surviving spouse or other specified survivor
20 of that qualifying taxpayer, may exclude a maximum of \$6,000 of
21 other retirement income (\$12,000 for married persons).

22 Commencing with tax years beginning January 1, 2023, the
23 bill excludes retirement income from the computation of net
24 income for purposes of the individual income tax. In order
25 to be eligible for the retirement income exclusion, a person
26 must be disabled, at least 55 years of age, or be the surviving
27 spouse of an individual or be a survivor having an insurable
28 interest in an individual who would have qualified for the
29 retirement income exclusion.

30 The bill does not change current law allowing a taxpayer
31 to exclude all retirement pay, including certain survivor
32 benefits, received from the federal government for military
33 service performed in the armed forces, the armed forces
34 military reserve, or national guard.

35 The bill strikes a provision permitting moneys in the

1 taxpayer relief fund to be used for increases in the general
2 retirement income exclusions in Code section 422.7(31) because
3 the bill provides for the complete exclusion of such retirement
4 income.

5 The bill also excludes this retirement income from the
6 calculation of net income for purposes of determining whether
7 or not a taxpayer's net income exceeds the amount at which the
8 individual income tax will not be imposed pursuant to Code
9 section 422.5(3) or 422.5(3B), and for which an individual
10 income tax return is not required to be filed, and for purposes
11 of calculating the alternate tax in Code section 422.5, and
12 further provides that any retirement income excluded from
13 the individual income tax will not be added back to these
14 calculations for tax years beginning in 2023 or later.

15 The division takes effect January 1, 2023, and applies to tax
16 years beginning on or after that date.