

**House File 2105 - Introduced**

HOUSE FILE 2105

BY JONES

**A BILL FOR**

1 An Act excluding nonqualified deferred compensation income  
2 from the individual income tax, and including retroactive  
3 applicability provisions.

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

1 Section 1. Section 422.7, subsection 19, paragraph a, Code  
2 2024, is amended to read as follows:

3 a. Subtract, to the extent included, the total amount  
4 received from a governmental or other pension or retirement  
5 plan, including defined benefit or defined contribution plans,  
6 annuities, individual retirement accounts, plans maintained or  
7 contributed to by an employer, or maintained or contributed  
8 to by a self-employed person as an employer, and qualified  
9 and nonqualified deferred compensation plans or any earnings  
10 attributable to ~~the~~ such deferred compensation plans received  
11 by a person who is disabled, or is fifty-five years of age  
12 or older, or is the surviving spouse of an individual or is  
13 a survivor having an insurable interest in an individual who  
14 would have qualified for the exemption under **this subsection**  
15 for the tax year.

16 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies  
17 retroactively to January 1, 2024, for tax years beginning on  
18 or after that date.

19 EXPLANATION

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

22 Under current law, a taxpayer may exclude retirement  
23 income from the computation of net income for purposes of  
24 the individual income tax. In order to be eligible for  
25 the retirement income exclusion, a person must be disabled,  
26 at least 55 years of age, or be the surviving spouse of an  
27 individual or be a survivor having an insurable interest in an  
28 individual who would have qualified for the retirement income  
29 exclusion.

30 This bill excludes nonqualified deferred compensation plan  
31 income from the computation of net income for purposes of  
32 the individual income tax under similar circumstances as the  
33 retirement income exclusion. In order to be eligible for the  
34 nonqualified deferred compensation plan income exclusion, the  
35 taxpayer must be disabled, at least 55 years of age, or be the

1 surviving spouse of an individual or be a survivor having an  
2 insurable interest in an individual who would have qualified  
3 for the income exclusion.

4 The bill also inserts the term "qualified" in Code section  
5 422.7(19)(a) to ensure "qualified" deferred compensation plans  
6 remain excludable from the computation of net income for  
7 purposes of the individual income tax.

8 A nonqualified deferred compensation plan is deferred  
9 compensation with no federal legal deferral limit that is  
10 subject to tax at a later date, and is usually made available  
11 to select employees.

12 A qualified deferred compensation plan is subject to  
13 compensation deferral limits like 401(k) plans.

14 The bill applies retroactively to January 1, 2024, for tax  
15 years beginning on or after that date.