

JAN 1 1 2005
WAYS AND MEANS

HOUSE FILE 24
BY J. K. VAN FOSSEN

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to a phaseout of the state income taxation of
2 social security benefits and providing a retroactive
3 applicability date.

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

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1 Section 1. Section 422.7, subsection 13, Code 2005, is
2 amended to read as follows:

3 13. a. Subtract, to the extent included, the amount of
4 additional social security benefits taxable under the Internal
5 Revenue Code for tax years beginning on or after January 1,
6 1994, but before January 1, 2009. The amount of social
7 security benefits taxable as provided in section 86 of the
8 Internal Revenue Code, as amended up to and including January
9 1, 1993, continues to apply for state income tax purposes for
10 tax years beginning on or after January 1, 1994, but before
11 January 1, 2009.

12 b. (1) For tax years beginning in the 2005 calendar year,
13 subtract, to the extent included, twenty percent of taxable
14 social security benefits remaining after the subtraction in
15 paragraph "a".

16 (2) For tax years beginning in the 2006 calendar year,
17 subtract, to the extent included, forty percent of taxable
18 social security benefits remaining after the subtraction in
19 paragraph "a".

20 (3) For tax years beginning in the 2007 calendar year,
21 subtract, to the extent included, sixty percent of taxable
22 social security benefits remaining after the subtraction in
23 paragraph "a".

24 (4) For tax years beginning in the 2008 calendar year,
25 subtract, to the extent included, eighty percent of taxable
26 social security benefits remaining after the subtraction in
27 paragraph "a".

28 c. Married taxpayers, who file a joint federal income tax
29 return and who elect to file separate returns or who elect
30 separate filing on a combined return for state income tax
31 purposes, shall allocate between the spouses the amount of
32 benefits subtracted under paragraphs "a" and "b" from net
33 income in the ratio of the social security benefits received
34 by each spouse to the total of these benefits received by both
35 spouses.

1 d. For tax years beginning on or after January 1, 2009,
2 subtract, to the extent included, the amount of social
3 security benefits taxable under section 86 of the Internal
4 Revenue Code.

5 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
6 retroactively to January 1, 2005, for tax years beginning on
7 or after that date.

8 EXPLANATION

9 This bill phases out the state income tax on social
10 security benefits over a five-year period. For tax years
11 beginning in 2005, 20 percent of taxable social security
12 benefits are exempted; for tax years beginning in 2006, 40
13 percent of taxable social security benefits are exempted; for
14 tax years beginning in 2007, 60 percent of taxable social
15 security benefits are exempted; for tax years beginning in
16 2008, 80 percent of taxable social security benefits are
17 exempted; and for tax years beginning on or after January 1,
18 2009, 100 percent of social security benefits are exempted
19 from state income taxation.

20 The bill applies retroactively to January 1, 2005, for tax
21 years beginning on or after that date.

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