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SENATE FILE
BY TINSMAN

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WAYS & MEANS

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

A BILL FOR

1 An Act reducing the amounts of pension income and social security
2 benefits that are taxable by the state and including a
3 retroactive applicability date provision.

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

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SF 93
WAYS & MEANS

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. The amount of social security benefits taxable as
7 provided in section 86 of the Internal Revenue Code, as
8 amended up to and including January 1, 1993, continues to
9 apply for state income tax purposes for tax years beginning on
10 or after January 1, 1994.

11 b. For tax years beginning on or after January 1, 2005,
12 subtract, to the extent included after the computation in
13 paragraph "a", eighty-seven and one-half percent of taxable
14 social security benefits.

15 c. Married taxpayers, who file a joint federal income tax
16 return and who elect to file separate returns or who elect
17 separate filing on a combined return for state income tax
18 purposes, shall allocate between the spouses the amount of
19 benefits subtracted under paragraphs "a" and "b" from net
20 income in the ratio of the social security benefits received
21 by each spouse to the total of these benefits received by both
22 spouses.

23 Sec. 2. Section 422.7, subsection 31, Code 2005, is
24 amended to read as follows:

25 31. For a person who is disabled, or is fifty-five years
26 of age or older, or is the surviving spouse of an individual
27 or a survivor having an insurable interest in an individual
28 who would have qualified for the exemption under this
29 subsection for the tax year, subtract, to the extent included,
30 the total amount of a governmental or other pension or
31 retirement pay, including, but not limited to, defined benefit
32 or defined contribution plans, annuities, individual
33 retirement accounts, plans maintained or contributed to by an
34 employer, or maintained or contributed to by a self-employed
35 person as an employer, and deferred compensation plans or any

1 earnings attributable to the deferred compensation plans, up
2 to a maximum of ~~six~~ twelve thousand dollars for a person,
3 other than a husband or wife, who files a separate state
4 income tax return and up to a maximum of ~~twelve~~ twenty-four
5 thousand dollars for a husband and wife who file a joint state
6 income tax return. However, a surviving spouse who is not
7 disabled or fifty-five years of age or older can only exclude
8 the amount of pension or retirement pay received as a result
9 of the death of the other spouse. A husband and wife filing
10 separate state income tax returns or separately on a combined
11 state return are allowed a combined maximum exclusion under
12 this subsection of up to ~~twelve~~ twenty-four thousand dollars.
13 The ~~twelve~~ twenty-four thousand dollar exclusion shall be
14 allocated to the husband or wife in the proportion that each
15 spouse's respective pension and retirement pay received bears
16 to total combined pension and retirement pay received.

17 Sec. 3. RETROACTIVE APPLICABILITY DATE. This Act applies
18 retroactively to January 1, 2005, for tax years beginning on
19 or after that date.

20 EXPLANATION

21 This bill reduces the amount of taxable social security
22 benefits by 87.5 percent and doubles the amount of the
23 exemptions of pension income to \$24,000 for joint filers and
24 \$12,000 for all other filers.

25 The bill applies retroactively to tax years beginning on or
26 after January 1, 2005.

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