

House File 2638 - Introduced

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BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 2105)

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. (1) 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 deferred
9 compensation plans or any earnings attributable to the deferred
10 compensation plans received by a person who is disabled, or is
11 fifty-five years of age or older, or is the surviving spouse of
12 an individual or is a survivor having an insurable interest in
13 an individual who would have qualified for the exemption under
14 this ~~subsection~~ subparagraph for the tax year.

15 (2) Subtract, to the extent included, up to five hundred
16 thousand dollars of a nonqualified deferred compensation plan
17 or any earnings attributable to the nonqualified deferred
18 compensation plan received by a person who is disabled, or is
19 fifty-five years of age or older, or is the surviving spouse of
20 an individual or is a survivor having an insurable interest in
21 an individual who would have qualified for the exemption under
22 this subparagraph for the tax year.

23 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
24 retroactively to January 1, 2024, for tax years beginning on
25 or after that date.

26 EXPLANATION

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

29 Under current law, a taxpayer may exclude retirement
30 income from the computation of net income for purposes of
31 the individual income tax. In order to be eligible for
32 the retirement income exclusion, a person must be disabled,
33 at least 55 years of age, or be the surviving spouse of an
34 individual or be a survivor having an insurable interest in an
35 individual who would have qualified for the retirement income

1 exclusion.

2 This bill excludes up to \$500,000 of nonqualified deferred
3 compensation plan income from the computation of net income
4 for purposes of the individual income tax under similar
5 circumstances as the retirement income exclusion. In order to
6 be eligible for the nonqualified deferred compensation plan
7 income exclusion, the taxpayer must be disabled, at least 55
8 years of age, or be the surviving spouse of an individual or be
9 a survivor having an insurable interest in an individual who
10 would have qualified for the income exclusion.

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

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