

FEB 15 2002  
WAYS AND MEANS

HOUSE FILE 2372  
BY SUKUP

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 tax on certain  
2 pension or retirement pay and including a retroactive  
3 applicability date provision.

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

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*HF 2372*

1 Section 1. Section 422.7, subsection 31, Code Supplement  
2 2001, is amended to read as follows:

3 31. For a person who is disabled, or is fifty-five years  
4 of age or older, or is the surviving spouse of an individual  
5 or a survivor having an insurable interest in an individual  
6 who would have qualified for the exemption under this  
7 subsection for the tax year, subtract, to the extent included,  
8 the total amount of a governmental or other pension or  
9 retirement pay, including, but not limited to, defined benefit  
10 or defined contribution plans, annuities, individual  
11 retirement accounts, plans maintained or contributed to by an  
12 employer, or maintained or contributed to by a self-employed  
13 person as an employer, and deferred compensation plans or any  
14 earnings attributable to the deferred compensation plans, up  
15 to a maximum of six thousand dollars for a person, other than  
16 a husband or wife, who files a separate state income tax  
17 return and up to a maximum of twelve thousand dollars for a  
18 husband and wife who file a joint state income tax return.

19 For a tax year beginning in the 2002 calendar year, subtract,  
20 to the extent included, up to a maximum of nine thousand  
21 dollars for a person, other than a husband or wife, who files  
22 a separate state income tax return and up to a maximum of  
23 eighteen thousand dollars for a husband and wife who file a  
24 joint state income tax return. For a tax year beginning in  
25 the 2003 calendar year, subtract, to the extent included, up  
26 to a maximum of twelve thousand dollars for a person, other  
27 than a husband or wife, who files a separate state income tax  
28 return and up to a maximum of twenty-four thousand dollars for  
29 a husband and wife who file a joint state income tax return.

30 For a tax year beginning in the 2004 calendar year, and  
31 subsequent tax years, subtract, to the extent included, the  
32 entire amount of a governmental or other pension or retirement  
33 pay, including, but not limited to, defined benefit or defined  
34 contribution plans, annuities, individual retirement accounts,  
35 plans maintained or contributed to by an employer, or

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

16 Sec. 2. APPLICABILITY. This Act applies retroactively to  
17 January 1, 2002, for tax years beginning on or after that  
18 date.

19 EXPLANATION

20 This bill provides a phaseout of the state income tax on  
21 pension or retirement pay. Currently, a single filer is  
22 allowed to exclude \$6,000 of pension or retirement pay and  
23 joint filers are allowed to exclude \$12,000 of pension or  
24 retirement pay for state income tax purposes. The bill allows  
25 an exclusion of \$9,000 and \$18,000, respectively, for tax  
26 years beginning in the 2002 calendar year, and an exclusion of  
27 \$12,000 and \$24,000, respectively, for tax years beginning in  
28 the 2003 calendar year. For tax years beginning in the 2004  
29 calendar year, and subsequent tax years, the bill provides an  
30 exclusion for state income tax purposes of the total amount of  
31 pension or retirement pay for single and joint filers.

32 The bill applies retroactively to January 1, 2002, for tax  
33 years beginning on or after that date.

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