

FEB 15 2002

WAYS AND MEANS

HOUSE FILE 2373
BY SUKUP

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

A BILL FOR

1 An Act phasing out the tax on social security benefits under the
2 state individual income tax 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 2373

1 Section 1. Section 422.7, subsection 13, Code Supplement
2 2001, is 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, 2005. 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, 2005.

12 b. Subtract, to the extent included after the subtraction
13 in paragraph "a", the following:

14 (1) For tax years beginning in the 2002 calendar year,
15 one-fourth of taxable social security benefits received.

16 (2) For tax years beginning in the 2003 calendar year,
17 one-half of taxable social security benefits received.

18 (3) For tax years beginning in the 2004 calendar year,
19 three-fourths of taxable social security benefits received.

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

28 d. Subtract, to the extent included, the amount of social
29 security benefits taxable under section 86 of the Internal
30 Revenue Code for tax years beginning on or after January 1,
31 2005.

32 Sec. 2. APPLICABILITY DATE. This Act applies
33 retroactively to January 1, 2002, for tax years beginning on
34 or after that date.

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EXPLANATION

1 This bill exempts from the state individual income tax all
2 social security benefits received by the taxpayer for tax
3 years beginning on or after January 1, 2005. Prior to this
4 date, the tax on social security benefits is phased out. One-
5 fourth is exempt for tax years beginning in the 2002 calendar
6 year, one-half is exempt for tax years beginning in the 2003
7 calendar year, and three-fourths is exempt for tax years
8 beginning in the 2004 calendar year. The bill applies
9 retroactively to January 1, 2002, for tax years beginning on
10 or after that date.

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