

FILED APR 27 2005

SENATE FILE 414
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 400)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing for income tax credits for the cost of
2 purchasing life insurance coverage by certain members of the
3 national guard and the reserves, providing for death benefits
4 for certain deceased members of the national guard and the
5 reserves, making appropriations, and providing for effective
6 and retroactive applicability dates.

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

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SF 414

1 Section 1. NEW SECTION. 29A.27A MILITARY SERVICE LIFE
2 INSURANCE TAX CREDITS AND DEATH BENEFITS -- APPROPRIATION.

3 1. A member of the national guard or reserve forces of the
4 United States on active duty in the military service of this
5 state or of the United States, who purchases a life insurance
6 policy that is obtained through the federal servicemembers'
7 group life insurance program pursuant to 38 U.S.C. § 1965 et
8 seq., as amended, during the member's period of active duty,
9 may claim a tax credit that equals one hundred percent of the
10 cost to the member of purchasing such life insurance coverage
11 during the member's period of active duty.

12 2. Each member of the national guard or reserve forces of
13 the United States who died on or after January 1, 2003, and
14 prior to the effective date of this Act, while on active duty
15 in the military service of this state or of the United States
16 pursuant to military orders related to Operation Iraqi
17 Freedom, Operation Noble Eagle, or Operation Enduring Freedom
18 shall have a death benefit paid on behalf of that member by
19 the state. This death benefit shall be paid in an amount up
20 to and including two hundred fifty thousand dollars or so much
21 thereof as is necessary to make the total death benefit
22 payable on behalf of that member, including any amount
23 received on behalf of that member under a life insurance
24 policy obtained through the federal servicemembers' group life
25 insurance program pursuant to 38 U.S.C. § 1965 et seq., as
26 amended, equal to the amount of two hundred fifty thousand
27 dollars.

28 3. The adjutant general shall adopt rules necessary to
29 determine eligibility for and to administer the death benefit
30 program.

31 4. The department of revenue shall adopt rules necessary
32 to determine eligibility for and to administer the military
33 service life insurance tax credit program.

34 5. This section is not intended to alter, amend, or change
35 the eligibility or applicability requirements of the federal

1 servicemembers' group life insurance program pursuant to 38
2 U.S.C. § 1965 et seq., as amended, or any rights,
3 responsibilities, or benefits thereunder.

4 6. The cost of death benefits payable pursuant to this
5 section shall be paid out of moneys in the state treasury not
6 otherwise appropriated.

7 Sec. 2. NEW SECTION. 422.11K MILITARY SERVICE LIFE
8 INSURANCE TAX CREDIT.

9 The taxes imposed under this division, less the credits
10 allowed under sections 422.12 and 422.12B, shall be reduced by
11 a military service life insurance tax credit as allowed under
12 section 29A.27A.

13 Any credit in excess of the tax liability shall be
14 refunded. In lieu of claiming a refund, a taxpayer may elect
15 to have the overpayment shown on the taxpayer's final,
16 completed return credited to the tax liability for the
17 following taxable year.

18 Sec. 3. EFFECTIVE DATES AND RETROACTIVE APPLICABILITY
19 DATES. This Act, being deemed of immediate importance, takes
20 effect upon enactment and applies retroactively to January 1,
21 2005, for tax years beginning on or after that date.

22 EXPLANATION

23 This bill provides for income tax credits for the cost of
24 purchasing life insurance coverage by certain members of the
25 military who are on active duty and for the payment of a death
26 benefit on behalf of certain members of the military who died.

27 The bill provides that a member of the national guard or
28 reserve forces of the United States on active duty in the
29 military service of this state or of the United States is
30 eligible to claim a refundable tax credit for the yearly
31 amount paid by the member for the purchase of a life insurance
32 policy obtained through the federal servicemembers' group life
33 insurance program during the member's period of active duty.

34 The bill also provides that a death benefit shall be paid
35 by the state on behalf of each member of the national guard or

1 reserve forces of the United States who died on or after
2 January 1, 2003, and prior to the effective date of the bill,
3 while on active duty pursuant to military orders related to
4 Operation Iraqi Freedom, Operation Noble Eagle, or Operation
5 Enduring Freedom. The bill provides that the death benefit
6 shall be paid by the state in an amount up to and including
7 \$250,000 or so much thereof as is necessary to make the total
8 death benefit payable on behalf of the member, including any
9 amount received on behalf of the member from a federal
10 servicemembers' group life insurance policy, equal to the
11 amount of \$250,000.

12 The bill provides that the adjutant general shall adopt
13 rules necessary to determine eligibility for and to administer
14 the death benefit program. The bill provides that the
15 department of revenue shall adopt rules necessary to determine
16 eligibility for and to administer the tax credit program.

17 The bill does not alter, amend, or change the eligibility
18 or applicability requirements of the federal servicemembers'
19 group life insurance program.

20 The bill provides that the cost of death benefits payable
21 pursuant to the bill is appropriated out of the general fund
22 of the state.

23 The bill takes effect upon enactment and applies
24 retroactively to January 1, 2005, for tax years beginning on
25 or after that date.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 414 - Life Insurance, National Guard (LSB 1967 SV)
Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.state.ia.us)
Fiscal Note Version - New

Description

Senate File 414 provides an Iowa tax credit for mobilized (State and federal active duty) Iowa Reserve Component members for their Servicemembers' Group Life Insurance (SGLI) policy premiums while the member is serving on active duty. The Bill also provides that a death benefit be paid by the State on behalf of each member of the National Guard or United States Reserve Forces who died on or after January 1, 2003, and prior to the effective date of the Bill, while on active duty related to Operation Iraqi Freedom, Operation Noble Eagle, or Operation Enduring Freedom.

Background

1. There are approximately 1,700 National Guard Reserve Component members on active duty. National Guard members are activated for 15 months.
2. The current rate for the Servicemembers' Group Life Insurance (SGLI) is \$16.50 a month for \$250,000 in coverage. (Estimated through FY 2006.)
3. There have been 37 Iowans who have been killed since January 1, 2003.
4. There are currently 31 National Guard members who are activated and do not carry the maximum insurance.

Assumptions

1. Senate File 414 takes effect upon enactment and applies retroactively to January 1, 2005, for tax years beginning on or after that date.
2. Reserve Component members who are killed after January 1, 2003, who did not have \$250,000 in SGLI will be paid the difference between the insurance coverage they carried and \$250,000 by the State.
3. The cost of death benefits payable pursuant to the Bill will be appropriated from the General Fund.
4. Based on National Guard data, 2.25% of the reservists killed on active duty did not have \$250,000 in SGLI. The weighted average of those reservists not carrying the maximum coverage is \$65,000.
5. In FY 2007, the cost in this fiscal note assumes that all members will sign up for the maximum amount of life insurance.

Fiscal Impact

The fiscal impact in FY 2005 for the difference in the death benefit is \$185,000. The total tax credit on 2005 tax returns filed in FY 2006 is estimated to result in a \$332,000 reduction in General Fund revenues. Assuming that all members sign up for the maximum amount of life insurance, the total tax credit on 2006 tax returns filed in FY 2007, is estimated to reduce General Fund revenue by \$337,000.

Source

Department of Public Defense, Military Division

/s/ Holly M. Lyons

April 27, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

SENATE FILE 414

S-3241

1 Amend the amendment, S-3230, to Senate File 414 as
2 follows:

3 1. Page 1, by striking line 4, and inserting the
4 following:

5 "Sec. ____ . Section 97A.6, subsection 16, Code
6 2005, is amended by adding the following new
7 paragraph:

8 NEW PARAGRAPH. c. There is appropriated annually
9 from the general fund of the state to the board of
10 trustees an amount sufficient to pay death benefit
11 claims under this subsection.

12 Sec. ____ . Section 411.6, subsection 15, Code".

13 2. Page 1, line 13, by inserting after the word
14 "for" the following: "members of the peace officers'
15 retirement, accident, and disability system and for".

16 3. By renumbering as necessary.

By JEFF DANIELSON

S-3241 FILED MAY 3, 2005

SENATE FILE 414

S-3230

1 Amend Senate File 414 as follows:

2 1. Page 2, by inserting after line 6, the
3 following:

4 "Sec. ____ . Section 411.6, subsection 15, Code
5 2005, is amended by adding the following new
6 paragraph:

7 NEW PARAGRAPH. c. There is appropriated annually
8 from the general fund of the state to the system an
9 amount sufficient to pay death benefit claims under
10 this subsection."

11 2. Title page, line 5, by inserting after the
12 word "reserves," the following: "providing for the
13 payment of certain death benefits for members of the
14 retirement system for police officers and fire
15 fighters,".

16 3. By renumbering as necessary.

By JEFF DANIELSON

S-3230 FILED MAY 3, 2005

Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 414 - Life Insurance, National Guard (LSB 1967 SV.1)
Analyst: Jennifer Acton (Phone: (515) 281-7846) (jennifer.acton@legis.state.ia.us)
Fiscal Note Version – As Amended by Amendment S-3230

Description

Senate File 414 as amended by S-3230, provides an Iowa tax credit for mobilized (State and federal active duty) Iowa Reserve Component members for their Servicemembers' Group Life Insurance (SGLI) policy premiums while the member is serving on active duty. The Bill also provides that a death benefit be paid by the State on behalf of each member of the National Guard or United States Reserve Forces who died on or after January 1, 2003, and prior to the effective date of the Bill, while on active duty related to Operation Iraqi Freedom, Operation Noble Eagle, or Operation Enduring Freedom. Amendment S-3230 adds language allowing for the payment of certain death benefits from the General Fund for members of the retirement system for police officers and fire fighters.

Background

1. There are approximately 1,700 National Guard Reserve Component members on active duty. National Guard members are activated for 15 months.
2. The current rate for the Servicemembers' Group Life Insurance (SGLI) is \$16.50 a month for \$250,000 in coverage. (Estimated through FY 2006.)
3. There have been 37 Iowans who have been killed since January 1, 2003.
4. There are currently 31 National Guard members who are activated and do not carry the maximum insurance.
5. Section 411.6(15)(a) and (b), Code of Iowa, define a line of duty death benefit for a firefighter or police officer killed in the line of duty. A lump sum payment of \$100,000 is paid to the person authorized to receive an accidental death benefit. Under current law, the payment comes from the pension fund.
6. From 1993 to 2003, there have been five deaths paid out of the 411 retirement system (four firefighters and one police officer).
7. In calendar year 2005, to date, no one has died in the line of duty.

Assumptions

1. Senate File 414 takes effect upon enactment and applies retroactively to January 1, 2005, for tax years beginning on or after that date.
2. Reserve Component members who are killed after January 1, 2003, who did not have \$250,000 in SGLI will be paid the difference between the insurance coverage they carried and \$250,000 by the State.
3. The cost of death benefits payable pursuant to the Bill will be appropriated from the General Fund.
4. Based on National Guard data, 2.25% of the reservists killed on active duty did not have \$250,000 in SGLI. The weighted average of those reservists not carrying the maximum coverage is \$65,000.
5. In FY 2007, the cost in this fiscal note assumes that all members will sign up for the maximum amount of life insurance.

Fiscal Impact

The fiscal impact in FY 2005 for the difference in the death benefit is \$185,000. The total tax credit on 2005 tax returns filed in FY 2006 is estimated to result in a \$332,000 reduction in General Fund revenues. Assuming that all members sign up for the maximum amount of life insurance, the total tax credit on 2006 tax returns filed in FY 2007, is estimated to reduce

General Fund revenue by \$337,000. Under the Bill as amended, if one person dies in the line of duty, the fiscal impact would be a \$100,000 standing unlimited appropriation paid from the General Fund.

Sources

Department of Public Defense, Military Division
411 Retirement System

/s/ Holly M. Lyons

May 3, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

1 Section 1. NEW SECTION. 29A.27A MILITARY SERVICE LIFE
2 INSURANCE TAX CREDITS AND DEATH BENEFITS -- APPROPRIATION.

3 1. A member of the national guard or reserve forces of the
4 United States on active duty in the military service of this
5 state or of the United States, who purchases a life insurance
6 policy that is obtained through the federal servicemembers'
7 group life insurance program pursuant to 38 U.S.C. § 1965 et
8 seq., as amended, during the member's period of active duty,
9 may claim a tax credit that equals one hundred percent of the
10 cost to the member of purchasing such life insurance coverage
11 during the member's period of active duty.

12 2. Each member of the national guard or reserve forces of
13 the United States who died on or after January 1, 2003, and
14 prior to the effective date of this Act, while on active duty
15 in the military service of this state or of the United States
16 pursuant to military orders related to Operation Iraqi
17 Freedom, Operation Noble Eagle, or Operation Enduring Freedom
18 shall have a death benefit paid on behalf of that member by
19 the state. This death benefit shall be paid in an amount up
20 to and including two hundred fifty thousand dollars or so much
21 thereof as is necessary to make the total death benefit
22 payable on behalf of that member, including any amount
23 received on behalf of that member under a life insurance
24 policy obtained through the federal servicemembers' group life
25 insurance program pursuant to 38 U.S.C. § 1965 et seq., as
26 amended, equal to the amount of two hundred fifty thousand
27 dollars.

28 3. The adjutant general shall adopt rules necessary to
29 determine eligibility for and to administer the death benefit
30 program.

31 4. The department of revenue shall adopt rules necessary
32 to determine eligibility for and to administer the military
33 service life insurance tax credit program.

34 5. This section is not intended to alter, amend, or change
35 the eligibility or applicability requirements of the federal

1 servicemembers' group life insurance program pursuant to 38
2 U.S.C. § 1965 et seq., as amended, or any rights,
3 responsibilities, or benefits thereunder.

4 6. The cost of death benefits payable pursuant to this
5 section shall be paid out of moneys in the state treasury not
6 otherwise appropriated.

7 Sec. 2. Section 97A.6, subsection 16, Code 2005, is
8 amended by adding the following new paragraph:

9 NEW PARAGRAPH. c. There is appropriated annually from the
10 general fund of the state to the board of trustees an amount
11 sufficient to pay death benefit claims under this subsection.

12 Sec. 3. Section 411.6, subsection 15, Code 2005, is
13 amended by adding the following new paragraph:

14 NEW PARAGRAPH. c. There is appropriated annually from the
15 general fund of the state to the system an amount sufficient
16 to pay death benefit claims under this subsection.

17 Sec. 4. NEW SECTION. 422.11K MILITARY SERVICE LIFE
18 INSURANCE TAX CREDIT.

19 The taxes imposed under this division, less the credits
20 allowed under sections 422.12 and 422.12B, shall be reduced by
21 a military service life insurance tax credit as allowed under
22 section 29A.27A.

23 Any credit in excess of the tax liability shall be
24 refunded. In lieu of claiming a refund, a taxpayer may elect
25 to have the overpayment shown on the taxpayer's final,
26 completed return credited to the tax liability for the
27 following taxable year.

28 Sec. 5. EFFECTIVE DATES AND RETROACTIVE APPLICABILITY
29 DATES. This Act, being deemed of immediate importance, takes
30 effect upon enactment and applies retroactively to January 1,
31 2005, for tax years beginning on or after that date.

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