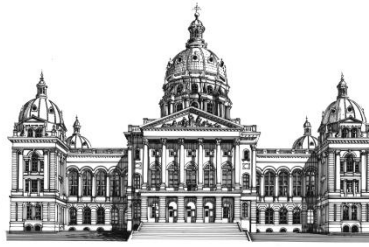


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The Senate

State of Iowa
Eighty-sixth General Assembly
STATEHOUSE
Des Moines, Iowa 50319

COMMITTEES

Local Government, Ranking Member
Commerce
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For immediate release
Wednesday, March 11, 2015

Senator Smith proposes bill to lift up retirees

DES MOINES – In an effort to keep Iowa retirees from relocating to more tax friendly climates, Senator Roby Smith, R-Davenport, introduced legislation to phase out taxation on pensions, annuities and retirement accounts.

“Iowa must step up to prevent losing our retirees to other states,” Senator Smith said. “The focus of this legislation is to make our state more welcoming and tax friendly to retirees. We must show retirees they play an important role in Iowa and our economy. Every time retirees move out of state they take their wealth with them, their contacts, their experience and the state loses.”

Senate File 277, if passed, would phase-out the taxation of pension, annuities, and Individual Retirement Account income over five years (tax years 2017 through 2021). The phase-out would occur in 20 percent increments during the 2017 through 2020 tax years with a 100 percent exemption in tax year 2021 and beyond. The exempted pension income would not be included in the calculation of the alternate tax or the filing threshold.

The proposal is estimated to reduce tax liability for more than 11 percent of taxpayers.

“The cost of living continues to increase for our Iowa retirees,” Senator Smith said. “They also face added pressures of living on a fixed income. The legislation would reduce the tax burden on retirees, eliminating an impediment retirees face when deciding if they should stay in Iowa.”

The proposed legislation would apply to taxpayers who are currently eligible for the pension exemption. Under current law if an individual or their spouse receives a pension, annuity, self-employed retirement plan, deferred compensation, IRA, or other retirement plan benefits, they may be eligible to exclude from Iowa income tax a portion of the retirement income that is taxable on your federal return. The exclusion can be up to \$6,000 single/\$12,000 married filing jointly depending on the taxpayer’s filing status.

“Ultimately, I would like to reform the Iowa Tax Code, but I am aware of our budget limitations,” Senator Smith said. “It would be our preference to begin the pension reduction immediately. As a state we cannot spend more than we receive in revenues. This does not work on a personal level, a family level, or a business level.”

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