Iowa Department of REVENUE

2020 IA 2440

Iowa Disability Income Exclusion

tax.iowa.gov

This form should only be completed by retirees under 65 who are disabled and have a federal adjusted gross income below $20,200 (or below $25,400 if filing married and both spouses are retired, under 65, and disabled).

Your Information:

Name:__________________________________

Social Security number:____________________

Date of birth (MM/DD/YY):__________________

Retirement date:__________________________

Employer (and payer's name if other than employer):_______________________________

Spouse's Information:

Name:__________________________________

Social Security number:____________________

Date of birth (MM/DD/YY):__________________

Retirement date:__________________________

Employer (and payer's name if other than employer):_______________________________

		B. Spouse	A. You
1. Total disability income received during the tax year	1.	.00	.00
2. Exclude disability pay. See instructions.			
a. Multiply $100 by the number of weeks your disability payments were $100 or more. Enter total	2a.	.00	.00
b. If you received disability payments of less than $100 for any week enter the total you received for all such weeks	2b.	.00	.00
c. If you received disability payments for a partial week enter the smaller of either the amount you received or the highest exclusion allowable for the period	2c.	.00	.00
d. Add lines 2a, 2b, and 2c. Enter total	2d.	.00	.00
3. Add amounts on line 2d column A and column B. Enter total	3.		.00
4. Limit on exclusion. See instructions.			
a. Enter your federal adjusted gross income from federal form 1040	4a.		.00
b. Amount used to calculate exclusion decrease	4b.		$15,000 .00
c. Subtract line 4b from line 4a. Enter difference. If line 4b is greater than line 4a, enter zero	4c.		.00
5. Subtract line 4c from line 3. Enter the difference here and on IA 1040, line 24	5.		.00

Physician's Statement of Permanent and Total Disability

Name of taxpayer with disability:____

Physician's name:____

Physician's address:____

I certify that the taxpayer was permanently and totally disabled on the date he or she retired, as noted above.

Physician's signature:__________________________________Date:__________________________

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IA 2440 Instructions

Who May Exclude Disability?

If you retired on disability and reported your disability income in full on your federal income tax return, you may qualify to exclude a portion of your disability income from Iowa tax.

You may qualify for the exclusion if you meet all of these tests:

- You received disability pay and your federal adjusted gross income (AGI) is below $20,200, or married taxpayers' combined AGI is below $25,400 if both spouses are retired, under 65, and disabled.
- You were not yet 65 when your tax year ended.
- You retired on disability and were permanently and totally disabled when you retired.
- On January 1 of this tax year, you had not yet reached the age when your employer's retirement program would have required you to retire.
- You took the exclusion in a prior year and did not elect to treat your disability income as a pension for federal purposes.
- If you were married at the end of the tax year, you must have filed a joint federal income tax return for the tax year, unless you did not live with your spouse at any time during the year.

If you meet all of the above tests, you can take the exclusion until the earliest of the following dates:

1) The first day of the tax year in which you turn 65, or
2) The first day of the tax year for which you choose to treat your disability income as a pension, or
3) The day you reach the age when your employer's retirement program would have required you to retire.

What is Permanent and Total Disability?

A person is permanently and totally disabled when:

- He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and
- A physician determined that the condition (1) has lasted or can be expected to last continuously for at least a year; or (2) can be expected to lead to death.

Treating Disability Income as a Pension

Individuals may choose for federal tax purposes to either treat their disability income as a pension or to take a disability income credit computed on federal Schedule R.

If you elect to treat your disability income as a pension for federal tax purposes, or have elected to do so in a previous year, you cannot take the Iowa disability income exclusion.

Line 2: You can exclude either your actual weekly disability pay or $100 a week, whichever is less. Use lines 2a and 2b as applicable to figure your maximum exclusion.

Line 2c: Disability payments are made for part of a week when one of the following happens after the first day of the taxpayer's normal workweek:

1) The disability retirement begins.
2) The disability retirement ends because the taxpayer reaches required retirement age.
3) The taxpayer becomes deceased.

If you received disability pay for part of a week, follow the steps below.

Step 1. Divide $100 by the number of days a week you normally worked before you retired.

Step 2. Divide the disability pay you received by the number of days it covered in that week.

Step 3. Compare the Step 1 and Step 2 amounts. The smaller amount is your daily rate. Your exclusion for the week is based on it.

Step 4. Multiply your daily rate by the number of days you received disability pay in the short week. The result is your exclusion for that week.

Step 5. Add your exclusion for that week to your exclusion for any other short weeks. Enter the total on line 2c.

Line 4: The maximum disability income exclusion is $5,200. This can increase to a maximum of $10,400 if married and both spouses receive disability income and qualify for the exclusion.

The maximum exclusion is reduced, dollar for dollar, by any amount over $15,000 on line 4a. This is your federal adjusted gross income.

Line 5: Subtract the amount on line 4c from the amount on line 3. This is your disability income exclusion. Enter this amount on IA 1040, line 24.

Physician's Statement

Enclose with form IA 2440 a physician's statement of permanent and total disability. You can use the physician's statement on form IA 2440 for this purpose. If the physician's statement is on a separate form, be sure to include the completed statement with form IA 2440 and file it with your tax return.

If the Veterans Administration (VA) certifies that you are permanently and totally disabled, you can include the VA form instead of the physician's statement. The VA form must be signed by a physician of the VA disability rating board. If both taxpayer and spouse take the exclusion, each must file a statement.