

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):

Table with 3 columns: Description, B. Spouse, A. You. Rows include: 1. Total disability income received during the tax year, 2. Exclude disability pay, 3. Add amounts on line 2d, 4. Limit on exclusion, 5. Subtract line 4c from line 3.

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 they retired, as noted above. Physician's signature: Date:



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**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 qualified 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 the 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 Schedule 1, line 19b.

**Physician's Statement**

Include 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.