Iowa Department of Revenue
www.iowa.gov/tax

2014 IA 2440

Disability Income Exclusion

This form applies to retirees under 65 who are disabled.

Your Name	Social Security Number	Date of Birth
Spouse's Name	Social Security Number	Date of Birth

Date Retired:	Employer's Name (and Payer's name if other than employer):
You	
Spouse	

		Column 1 Spouse-Combined Only	Column 2 Taxpayer, Joint, Separate, or Single
1. Total disability income received during the tax year.	1.		
2. Exclude disability pay. See instructions			
a. Multiply $100 by the number of weeks your Disability Payments were $100 or more. Enter total.	2a.		
b. If you received disability payments of less than $100 for any week enter the total you received for all such weeks.	2b.		
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. See instruction.	2c.		
d. Add lines a, b, and c. Enter total.	2d.		

3. Add amounts on line 2d column 1 and column 2. Enter total.	3.	
4. Limit on exclusion. See instructions.		
a. Enter your federal adjusted gross income from federal 1040.	4a.	
b. Amount used to figure exclusion decrease.	4b.	$15,000
c. Subtract line 4b from line 4a. Enter difference. If line 4b is greater than line 4a, enter zero.	4c.	
5. Subtract line 4c from line 3. Enter difference here and on line 24 of IA 1040	5.	

Physician's Statement of Permanent and Total Disability

Name of Taxpayer with Disability	Social Security No.

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

Date retired: ________________

Physician's Name	
Physician's Address	
Physician's Signature	Date

IA 2440 General Instructions

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. To qualify for the exclusion you must meet all of the tests below.

Who Can Exclude Disability?

You can take the exclusion if you meet all these tests:

- You received disability pay.
- 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 these 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.
2) The first day of the tax year for which you choose to treat your disability income as a pension.
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 1: Enter your total disability income received in the tax year. If married and filing separately on the combined return form for Iowa tax purposes, and both spouses receive disability income, report these amounts separately using both columns 1 and 2.

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

Line 2c: 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.

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 dies.

Line 4: Generally, 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. That line shows 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 line 24 of your IA 1040.

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.