



HOUSE BILL 103: Equal Tax Treatment of Gov't Retirees.

2017-2018 General Assembly

Committee:	House Finance. If favorable, re-refer to Pensions and Retirement	Date:	April 11, 2017
Introduced by:	Reps. Cleveland, Iler, Setzer, Dollar	Prepared by:	Greg Roney Committee Counsel
Analysis of:	First Edition		

OVERVIEW: House Bill 103 would phase-in a deduction for benefits from State, local, or federal government retirement plans, starting for the 2017 tax year and fully phased-in for the 2026 tax year.

CURRENT LAW: G.S. 105-153.5(b)(5) allows an unlimited deduction for benefits from State, local, or federal government retirement plans to the extent the amount is exempt from tax by court order.

Under the US and NC constitutions, courts have held that the State has the following limits on its taxation of governmental retirement plans:

- Federal retirees must be treated the same as State retirees.
- State retirees vested with five or more years of creditable service as of August 12, 1989 are not subject to State income tax. (Bailey case)

BILL ANALYSIS: House Bill 103 would phase-in an expansion of the benefits from state and federal retirement plans that are exempt from State income tax as follows:

<u>Tax Year</u>	<u>Federal/State Retirees Exempt</u>
2016 (current law)	5 years of creditable service as of 8/12/1989
2017	Vested 8/1992 (adds retirees vested 1989-1992)
2018	Vested 8/1995
2019	Vested 8/1998
2020	Vested 8/2001
2021	Vested 8/2004
2022	Vested 8/2007
2023	Vested 8/2010
2024	Vested 8/2013
2025	Vested 8/2017
2026	All Federal/State/local State/local of another state to the extent that other state would not tax NC government retirement plan

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EFFECTIVE DATE: House Bill 103 would be first effective for taxable years beginning January 1, 2017 and fully phased-in for taxable years beginning January 1, 2026.