



## SENATE BILL 153: Military Retiree State Income Tax Relief.

2017-2018 General Assembly

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<b>Committee:</b>	Senate Rules and Operations of the Senate	<b>Date:</b>	June 27, 2017
<b>Introduced by:</b>	Sens. Rabin, Sanderson, Britt	<b>Prepared by:</b>	Cindy Avrette
<b>Analysis of:</b>	Second Edition		Staff Attorney

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**OVERVIEW:** *Senate Bill 153 would exempt from State income tax retirement pay for a retired member of any branch of the Armed Forces of the United States.*

**CURRENT LAW:** Members of the military pay federal income tax on their retirement pay. North Carolina residents pay a flat 5.499% income tax rate on their adjusted gross income unless it is otherwise exempt. There is an income tax exemption of retirement pay for a retired member of the military who vested prior to August 12, 1989.

Prior to 1989, North Carolina tax law provided \$3,000 income tax exclusion for military retirees. For taxable years beginning on or after 1989, and before 2014, North Carolina tax law provided \$4,000 income tax exclusion for military retirees who did not vest prior to August 12, 1989 and a full exemption for military retirees who vested before August 12, 1989. The tax simplification and reform legislation enacted in 2013 eliminated the \$4,000 income tax exemption for governmental retirees, including military retirees, effective for taxable years beginning on or after January 1, 2014. Military retirees who vested before August 12, 1989, continue to receive a full State income tax exemption of the military retirement income, under the *Bailey* court decision.

**BILL ANALYSIS:** This bill would exempt from NC income tax the military retirement income for retired members of the military.

**EFFECTIVE DATE:** The bill would become effective for taxable years beginning on or after January 1, 2017.

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