



HOUSE BILL 384: Nat. Guard Tax Deduction for Fed. Pay.

2025-2026 General Assembly

Committee:	House Homeland Security and Military and Veterans Affairs. If favorable, re-refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 8, 2025
Introduced by:	Reps. Loftis, Schietzelt, Gable, Campbell	Prepared by:	Nicholas Giddings Staff Attorney
Analysis of:	PCS to First Edition H384-CSBAf-5		

OVERVIEW: House Bill 384 would allow members of the National Guard to deduct their federal basic pay from State income tax if they hold a rank of E-5 or below.

The PCS would (1) remove the residency requirement for a member of the National Guard to be able to deduct their federal basic pay and (2) reduce the sports wagering tax proceeds allocated to the Major Events, Games, and Attractions Fund by 1% and reallocate that amount to the General Fund.

CURRENT LAW/BILL ANALYSIS/EFFECTIVE DATE:

National Guard Basic Pay Deduction

The calculation of State taxable income for individual taxpayers starts with federal adjusted gross income (AGI). Currently, federal AGI includes federal basic pay for members of the National Guard and North Carolina does not provide a State-level income tax deduction for such pay. Therefore, the federal basic pay of National Guard members is currently taxable in North Carolina.

Section 1 of House Bill 384 would allow members of the Army National Guard and Air National Guard who hold the rank of E-5¹ or below to deduct the amount of their federal basic pay included in their federal AGI from their State income tax return. This section would be effective for taxable years beginning on or after January 1, 2025.

Sports Wagering Tax Reallocation

Tax proceeds on interactive sports wagering operators are allocated under G.S. 105-113.128. First, payments are made to cover the administrative expenses of the Department of Revenue and the Lottery Commission. Next, transfers are made to various entities in a priority list for purposes such as problem gambling, grants associated with youth sports, and to support collegiate athletic departments. The remaining proceeds are credited as follows: 20% to certain universities to support collegiate athletic departments; 30% to the Major Events, Games, and Attractions Fund to promote the attraction of major entertainment, musical, political, sporting, or theatrical events to the State; and 50% to the General Fund.

Section 2 of House Bill 384 would reduce the allocation of tax proceeds to the Major Events, Games, and Attractions Fund from 30% to 29%. The difference would be reallocated to the General Fund. This section would become effective July 1, 2025, and apply to net proceeds credited on or after that date.

¹ The E-5 level equates to an enlisted rank of Sergeant for the Army National Guard and Staff Sergeant for the Air National Guard.

Kara McCraw
Director



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Legislative Analysis
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