**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE “SOUTH CAROLINA GIVING BACK TO OUR VETERANS ACT”; TO AMEND SECTION 12‑6‑1140, AS AMENDED, RELATING TO DEDUCTIONS FROM SOUTH CAROLINA TAXABLE INCOME OF INDIVIDUALS, SO AS TO ALLOW THE DEDUCTION OF RETIREMENT BENEFITS ATTRIBUTABLE TO SERVICE ON ACTIVE DUTY IN THE ARMED FORCES OF THE UNITED STATES; TO AMEND SECTION 12‑6‑1170, AS AMENDED, RELATING TO THE RETIREMENT INCOME DEDUCTION, SO AS TO CONFORM THIS DEDUCTION TO THE MILITARY RETIREMENT DEDUCTION ALLOWED BY THIS ACT; AND TO REPEAL SECTION 12‑6‑1171 RELATING TO THE DEDUCTION OF MILITARY RETIREMENT INCOME FROM THE SOUTH CAROLINA TAXABLE INCOME OF INDIVIDUALS.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. This act may be cited as the “South Carolina Giving Back to Our Veterans Act”.

SECTION 2. Section 12‑6‑1140 of the 1976 Code is amended by adding a new item at the end to read:

“(13) for taxable years beginning after 2018, military retirement benefits attributable to service on active duty in the armed forces of the United States. A surviving spouse receiving such benefits that are attributable to the deceased spouse shall apply this deduction in the same manner that the deduction applied to the deceased spouse. For purposes of a surviving spouse, such benefits also include a retirement benefit plan and dependent indemnity compensation related to the deceased spouse’s military service.”

SECTION 3. A. Section 12‑6‑1170(A)(2) of the 1976 Code is amended to read:

“(2) The term ‘retirement income’, as used in this subsection, means the total of all otherwise taxable income not subject to a penalty for premature distribution received by the taxpayer or the taxpayer’s surviving spouse in a taxable year from qualified retirement plans which include those plans defined in Internal Revenue Code Sections 401, 403, 408, and 457, and all public employee retirement plans of the federal, state, and local governments, including military retirement. After taxable year 2018, military retirement is not included as retirement income for purposes of the deduction allowed by this section.”

B. Section 12‑6‑1170(C) of the 1976 Code, as added by Act 272 of 2016, is amended to read:

“~~(C)(1)~~ ~~Notwithstanding any other provision of this section, if a taxpayer claims a deduction pursuant to Section 12‑6‑1171, then the deduction allowed by this section must be reduced by the amount the taxpayer deducts pursuant to Section 12‑6‑1171; however, this subsection does not apply if the deduction claimed pursuant to Section 12‑6‑1171 is claimed by a surviving spouse.~~

~~(2)~~ ~~In the case of married taxpayers who file a joint federal income tax return, the reduction required by item (1) applies to each individual separately, so that the reduction only applies to the amount the individual claiming the deduction pursuant to Section 12‑6‑1171 otherwise could have claimed pursuant to this section if the individual had not filed a joint return.~~”

SECTION 4. In addition to amounts allowed as a deduction pursuant to Section 12‑6‑1170 of the 1976 Code, there is allowed as a deduction from South Carolina taxable income of individuals, and surviving spouses in accordance with SECTION 2 of this act, a portion of otherwise taxable military retirement benefits attributable to service on active duty in the armed forces of the United States according to the following schedule:

Taxable Year Maximum Deduction

2017 $21,000 or 33.33 percent, whichever is greater

2018 $24,000 or 66.67 percent, whichever is greater.

SECTION 5. Section 12‑6‑1171 of the 1976 Code, as added by Act 272 of 2016, is repealed after December 31, 2016.

SECTION 6. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2016.

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