

HOUSE
AMENDMENT

THIS AMENDMENT
ADOPTED

CONE/MELTON
APRIL 7, 2014

CLERK OF THE HOUSE

REP. PROPOSES THE FOLLOWING AMENDMENT
No. TO H. 3112
(COUNCIL\BBM\3112C004.BBM.HTC14):

REFERENCE IS TO THE BILL AS INTRODUCED.

**AMEND THE BILL, AS AND IF AMENDED, BY
STRIKING ALL AFTER THE ENACTING WORDS AND
INSERTING:**

**/ 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:**

“(12) FOR TAXABLE YEARS BEGINNING AFTER 2015, MILITARY RETIREMENT BENEFITS ATTRIBUTABLE TO SERVICE ON ACTIVE DUTY IN THE ARMED FORCES OF THE UNITED STATES.”

SECTION 3. 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”

2015, MILITARY RETIREMENT IS NOT INCLUDED AS RETIREMENT INCOME FOR PURPOSES OF THE DEDUCTION ALLOWED BY THIS SECTION.”

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 FOR PURPOSES OF THE SOUTH CAROLINA INCOME TAX 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	DEDUCTION PERCENTAGE
2014	33.33 PERCENT
2015	66.67 PERCENT.

SECTION 5. THIS ACT TAKES EFFECT UPON APPROVAL BY THE GOVERNOR AND APPLIES FOR TAXABLE YEARS BEGINNING AFTER 2013. /

**RENUMBER SECTIONS TO CONFORM.
AMEND TITLE TO CONFORM.**

REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

(Allison, Simrill, G.M. Smith, Hosey & Stavrinakis - Staff Contact: Katie Owen)

HOUSE BILL 3112

H. 3112 -- Rep. G.M. Smith: A BILL TO AMEND SECTION 12-6-1140, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DEDUCTIONS FROM SOUTH CAROLINA TAXABLE INCOME OF INDIVIDUALS FOR PURPOSES OF THE SOUTH CAROLINA INCOME TAX ACT, SO AS TO ALLOW THE DEDUCTION OF RETIREMENT BENEFITS ATTRIBUTABLE TO SERVICE ON ACTIVE DUTY IN THE ARMED FORCES OF THE UNITED STATES; AND 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.

Summary of Bill:

This bill provides for military retirement income, as long as the income is attributable to service on active duty, to be allowed as a deduction from individual taxable income.

Introduced: 12/11/2012

Received by Ways and Means: 12/11/2012

Estimated Fiscal Impact:

This bill as amended will reduce General Fund individual income tax revenue by an estimated \$7,004,545 in FY 13-14, an estimated \$14,447,576 in FY 14-15, and an estimated \$22,351,912 in FY 15-16, when the income tax deduction is fully phased in.

Subcommittee Recommendation:

Passed favorably as amended

Full Committee Recommendation:

Pending

Other Notes/Comments:

The subcommittee amendment phases the deduction in over 2014, 2015 and 2016 at 1/3, 1/3 and 1/3 respectively.

Statement of Estimated State Revenue Impact

Date: May 20, 2013 (As amended May 15, 2013 by the House Sales and Income Tax Subcommittee)
Bill Number: H.B. 3112
Authors: G.M. Smith and Daning

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend Section 12-6-1140, as amended, of the Code of Laws of South Carolina, 1976, relating to deductions from South Carolina taxable income of individuals for purposes of the South Carolina Income Tax Act, so as to allow the deduction of retirement benefits attributable to service on active duty in the armed forces of the United States; and 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.

REVENUE IMPACT ¹¹

This bill would reduce General Fund individual income tax revenue by an estimated \$7,004,545 in FY2013-14, an estimated \$14,447,576 in FY2014-15, and an estimated \$22,351,912 in FY2015-16, when the income tax deduction is fully phased in place.

Explanation of Amendment (May 15, 2013) – By the Sales & Income Tax Subcommittee

This amendment would strike all after the enacting words and insert language to amend Section 12-6-1140 to allow eligible taxpayers to deduct a portion of military retirement benefits attributable to service on active duty in the armed forces of the United States from state income tax liability. The state individual income tax deduction percentage would be as follows: a 33.33% deduction in taxable year 2013 (FY2014), a 66.66% deduction in taxable year 2014 (FY2015), and a 100% deduction in taxable year 2015 (FY2016). This bill would also amend Section 12-6-1170(A)(2) to amend the definition of "retirement income" that is subject to the \$3,000 / \$15,000 exclusion to not include active duty military retirement income for taxable years beginning after 2014.

In total, exempting the military benefits attributable to active duty service in the military would reduce General Fund individual income tax revenue by an estimated \$21,015,738 in FY2013-14. After applying a deduction percentage of 33.33% in tax year 2013 would reduce General Fund individual income tax revenue an estimated \$7,004,545 in FY2013-14. Also, after applying a deduction percentage of 66.66% in tax year 2014, this would reduce General Fund individual income tax revenue an estimated \$14,447,576 in FY2014-15. Finally, after applying a deduction percentage of 100% in tax year 2015, this would reduce General Fund individual income tax revenue an estimated \$22,351,912 in FY2015-16. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2012.

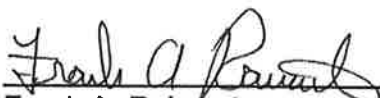
Explanation of Bill filed January 8, 2013

This bill would amend Section 12-6-1140 to allow eligible taxpayers to deduct all military

Statement of Estimated State Revenue Impact

retirement benefits attributable to service on active duty in the armed forces of the United States from state income tax liability. This bill would also amend Section 12-6-1170(A)(2) to amend the definition of "retirement income" that is subject to the \$3,000 / \$15,000 exclusion to not include active duty military retirement income for taxable years beginning after 2015.

Based on the latest data from the United States Department of Defense, there are currently 56,486 military retirees in South Carolina receiving \$1,266,108,000 in annual military retirement benefits. This equates to an average annual retirement benefit of \$22,415 for each military retiree in the state. Of this amount, there are currently 26,235 military retirees over 65 years of age in the state receiving an average military retirement benefit of \$24,048 and 30,251 military retirees under 65 years of age in the state receiving an average military retirement benefit of \$20,998. Pursuant to Section 12-6-1170(B), a taxpayer may deduct up to \$15,000 from taxable income in the year the taxpayer attains the age of 65 years. Adjusting these figures to FY2013-14 levels, multiplying 28,178 military retirees over 65 years of age by an average military retirement benefit of \$26,440 less a \$15,000 annual deduction, a \$3,800 personal exemption, and a \$5,950 standard deduction from taxable income, and applying an average tax rate of 5.8% yields a reduction of General Fund individual income tax revenue of an estimated \$2,762,008 in FY2013-14. Also, pursuant to Section 12-6-1170(A)(1), a taxpayer may deduct up to \$3,000 from taxable income in the years before the taxpayer attains the age of 65 years. Adjusting these figures to FY2013-14 levels, multiplying 30,955 military retirees under 65 years of age by an average military retirement benefit of \$22,917 less a \$3,000 annual deduction, a \$3,800 personal exemption, and a \$5,950 standard deduction from taxable income, and applying an average tax rate of 5.8% yields a reduction of General Fund individual income tax revenue of an estimated \$18,253,730 in FY2013-14. In total, exempting the military benefits attributable to active duty service in the military would reduce General Fund individual income tax revenue by an estimated \$21,015,738 in FY2013-14. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2012.



Frank A. Rainwater
Chief Economist

Analyst: Martin

¹¹ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

South Carolina General Assembly
120th Session, 2013-2014

H. 3112

STATUS INFORMATION

General Bill

Sponsors: Reps. G.M. Smith and Daning

Document Path: I:\council\bills\bbm\10772htc13.docx

Companion/Similar bill(s): 3110

Introduced in the House on January 8, 2013

Currently residing in the House Committee on **Ways and Means**

Summary: Military income tax deductions

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
12/11/2012	House	Prefiled
12/11/2012	House	Referred to Committee on Ways and Means
1/8/2013	House	Introduced and read first time (<u>House Journal-page 89</u>)
1/8/2013	House	Referred to Committee on Ways and Means (<u>House Journal-page 89</u>)

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VERSIONS OF THIS BILL

12/11/2012

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A BILL

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11 TO AMEND SECTION 12-6-1140, AS AMENDED, CODE OF
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO
13 DEDUCTIONS FROM SOUTH CAROLINA TAXABLE
14 INCOME OF INDIVIDUALS FOR PURPOSES OF THE SOUTH
15 CAROLINA INCOME TAX ACT, SO AS TO ALLOW THE
16 DEDUCTION OF RETIREMENT BENEFITS ATTRIBUTABLE
17 TO SERVICE ON ACTIVE DUTY IN THE ARMED FORCES
18 OF THE UNITED STATES; AND TO AMEND SECTION
19 12-6-1170, AS AMENDED, RELATING TO THE
20 RETIREMENT INCOME DEDUCTION, SO AS TO CONFORM
21 THIS DEDUCTION TO THE MILITARY RETIREMENT
22 DEDUCTION ALLOWED BY THIS ACT.

23

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

26

27 SECTION 1. Section 12-6-1140 of the 1976 Code, as last
28 amended by Act 353 of 2008, is further amended by adding an
29 appropriately numbered new item at the end to read:

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31 “() military retirement benefits attributable to service on active
32 duty in the armed forces of the United States;”

33

34 SECTION 2. Section 12-6-1170(A)(2) of the 1976 Code is
35 amended to read:

36

37 “(2) The term ‘retirement income’, as used in this subsection,
38 means the total of all otherwise taxable income not subject to a
39 penalty for premature distribution received by the taxpayer or the
40 taxpayer’s surviving spouse in a taxable year from qualified
41 retirement plans which include those plans defined in Internal
42 Revenue Code Sections 401, 403, 408, and 457, and all public

1 employee retirement plans of the federal, state, and local
2 governments, but not including military retirement.”

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4 SECTION 3. This act takes effect upon approval by the Governor
5 and applies for taxable years beginning after 2012.

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