**A** **BILL**

TO AMEND ARTICLE 9, CHAPTER 6, TITLE 12 OF THE 1976 CODE, BY ADDING SECTION 12‑6‑1165 TO EXEMPT FROM STATE INCOME TAX THE TAXABLE INCOME OF A RESIDENT INDIVIDUAL WHO HAS ATTAINED THE AGE OF SIXTY‑FIVE AND TO ALLOW A MARRIED INDIVIDUAL WHO IS ELIGIBLE FOR THE EXEMPTION AND FILING A JOINT FEDERAL TAX RETURN WITH A SPOUSE WHO HAS NOT ATTAINED THE AGE OF SIXTY‑FIVE TO APPLY THE EXEMPTION TO ALL TAXABLE INCOME REPORTED ON THE JOINT RETURN; AND TO AMEND SECTION 12‑6‑1170, RELATING TO RETIREMENT INCOME DEDUCTIONS FROM TAXABLE INCOME OF INDIVIDUALS, TO DELETE LANGUAGE ALLOWING AN INCOME TAX DEDUCTION FOR INDIVIDUALS SIXTY‑FIVE AND OLDER.

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

SECTION 1. Article 9, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑1165. (A) The South Carolina taxable income of a resident individual who has attained the age of sixty‑five years is exempt from the tax imposed pursuant to this chapter beginning with the taxable year in which the individual attains the age of sixty‑five.

(B) If a married individual who is eligible for the exemption allowed pursuant to this section files a joint federal tax return with a spouse who has not attained the age of sixty‑five years, then all taxable income reported on the joint tax return is attributable to the taxable income of the older spouse.

(C) Notwithstanding Section 12‑6‑4910, a taxpayer who qualifies for the exemption provided in this section is not required to file an income tax return.”

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

“Section 12‑6‑1170. (A)~~(1)~~ An individual taxpayer who is the original owner of a qualified retirement account is allowed an annual deduction from South Carolina taxable income of not more than three thousand dollars of retirement income received. ~~Beginning in the year in which the taxpayer reaches age sixty‑five, the taxpayer may deduct not more than ten thousand dollars of retirement income that is included in South Carolina taxable income.~~

~~(2)~~(B) 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.

~~(3)~~(C) A surviving spouse receiving retirement income that is attributable to the deceased spouse shall apply this deduction in the same manner that the deduction applied to the deceased spouse. If the surviving spouse also has another retirement income, an additional retirement exclusion is allowed.

~~(4)~~(D) The department may require the taxpayer to provide information necessary for proper administration of this subsection.

~~(B) Beginning for the taxable year during which a resident individual taxpayer attains the age of sixty‑five years, the resident individual taxpayer is allowed a deduction from South Carolina taxable income received in an amount not to exceed fifteen thousand dollars reduced by any amount the taxpayer deducts pursuant to subsection (A) not including amounts deducted as a surviving spouse. If married taxpayers eligible for this deduction file a joint federal income tax return, then the maximum deduction allowed is fifteen thousand dollars in the case when only one spouse has attained the age of sixty‑five years and thirty thousand dollars when both spouses have attained such age.~~”

SECTION 3. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2009.

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