**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 PHASE IN THIS DEDUCTION OVER FOUR YEARS; 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.

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

SECTION 1. Section 12‑6‑1140 of the 1976 Code, as last amended by Act 353 of 2008, is further amended by adding a new item to read:

“(9) for taxable years beginning after 2012, military retirement benefits attributable to service on active duty in the armed forces of the United States;”

SECTION 2. 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, but, for taxable years beginning after 2012, not including military retirement.”

SECTION 3. 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 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

2010 25 percent

2011 50 percent

2012 75 percent.

SECTION 4. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2009.

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