**A** **BILL**

TO AMEND SECTION 12‑6‑1140 OF THE 1976 CODE, RELATING TO DEDUCTIONS FROM SOUTH CAROLINA TAXABLE INCOME OF INDIVIDUALS FOR THE PURPOSES OF THE SOUTH CAROLINA INCOME TAX ACT, 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 OF THE 1976 CODE, RELATING TO THE RETIREMENT INCOME DEDUCTION, 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. This act may be cited as the “South Carolina Giving Back to Our Veterans Act”.

SECTION 2. A. Section 12‑6‑1140 of the 1976 Code is amended by adding:

“(12) for taxable years beginning after 2016, military retirement benefits attributable to service on active duty in the armed forces of the United States.”

B. Notwithstanding the deduction allowed by subsection A of this section, a percentage of military retirement benefits a taxpayer may deduct must be phased-in three equal installments, with the military retirement benefit being one hundred percent deductible in all tax years beginning after 2016.

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 2016, military retirement is not included as retirement income for purposes of the deduction allowed by this section.”

SECTION 4. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2014.

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