**A** **BILL**

TO AMEND SECTION 12‑6‑1171, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE DEDUCTION OF MILITARY RETIREMENT INCOME, SO AS TO EXEMPT ALL MILITARY RETIREMENT INCOME FROM SOUTH CAROLINA INCOME TAXES.

SECTION 1. Section 12‑6‑1171 of the 1976 Code is amended to read:

“Section 12‑6‑1171. (A)~~(1)~~ ~~An individual taxpayer who has~~ All military retirement income~~, each year may deduct an amount of his South Carolina earned income from South Carolina taxable income equal to the amount of military retirement income that is included in South Carolina taxable income, not to exceed seventeen thousand five hundred dollars. In the case of married taxpayers who file a joint federal income tax return, the deduction allowed by this section shall be calculated separately as though they had not filed a joint return, so that each individual’s deduction is based on the same individual’s retirement income and earned income. For purposes of this item, ‘South Carolina earned income’ has the same meaning as provided in Section 12‑6‑3330.~~

~~(2)~~ ~~Notwithstanding item (1), beginning in the year in which an individual taxpayer reaches age sixty‑five, an individual taxpayer who has military retirement income may deduct up to thirty thousand dollars of military retirement income that is~~ of an individual taxpayer is exempt from the tax imposed pursuant to this chapter and must not be included in South Carolina taxable income.

(B) The term ‘retirement income’, as used in this section, 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 a qualified military retirement plan. For purposes of a surviving spouse, ‘retirement income’ also includes a retirement benefit plan and dependent indemnity compensation related to the deceased spouse’s military service.

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

(D) The department may require the taxpayer to provide information necessary for proper administration of this subsection. In implementing this exemption, the department shall ensure that no taxes are withheld on military retirement income.”

SECTION 2. This act takes effect upon approval by the Governor and first applies to tax years beginning after 2020. However, the amendment to Section 12-6-1171(D) as contained in SECTION 1 relating to withholding takes effect on the first day of the first full month beginning 90 days after approval by the Governor.

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