

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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HOUSE DRH70343-LY-226 (4/12)

Short Title: Exclude Pensions from Income Tax.

(Public)

Sponsors: Representative Underhill.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE EQUAL INCOME TAX TREATMENT OF GOVERNMENT  
RETIREES' BENEFITS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-134.6(b) reads as rewritten:

"(b) Deductions. – The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:

...

- (6) a. ~~An amount, not to exceed four thousand dollars (\$4,000), equal to the sum of the amount calculated in subparagraph b. plus the amount calculated in subparagraph c.~~
- b. ~~The amount calculated in this subparagraph is the amount received during the taxable year from one or more state, local, or federal government retirement plans.~~
- c. ~~The amount calculated in this subparagraph is the~~ The amount received during the taxable year from one or more retirement plans other than state, local, or federal government retirement plans, not to exceed a total of two thousand dollars (\$2,000) in any taxable year.
- d. ~~In year. In the case of a married couple filing a joint return where~~ return, if both spouses received retirement benefits during the taxable year, the maximum dollar amounts provided in this subdivision for various types of retirement benefits apply amount applies separately to each spouse's benefits.

1           (6a) The amount received during the taxable year under North Carolina  
2           State and local government retirement plans and under federal  
3           government retirement plans.

4           (6b) The greater of the following:

5           a. The amount received during the taxable year under a state or  
6           local government retirement plan of a state other than North  
7           Carolina, to the extent that other state would not subject to  
8           individual income tax the equivalent amount received under a  
9           North Carolina State or local government retirement plan.

10          b. Up to four thousand dollars (\$4,000) received during the  
11          taxable year under a state or local government retirement plan  
12          of a state other than North Carolina. In the case of a married  
13          couple filing a joint return, if both spouses received benefits  
14          from a retirement plan during the taxable year, the maximum  
15          dollar amount applies separately to each spouse's benefits."

16       **SECTION 2.** G.S. 105-134.1(13) reads as rewritten:

17       "~~(13) Retirement benefits.— Amounts paid to a former employee or the~~  
18       ~~beneficiary of a former employee under a plan. — A~~ written retirement  
19       plan established by the employer to provide payments to an employee  
20       or the beneficiary of an employee after the end of the employee's  
21       employment with the employer where the right to receive the  
22       payments is based upon the employment relationship. With respect to a  
23       self-employed individual or the beneficiary of a self-employed  
24       individual, the term means ~~amounts paid to the individual or~~  
25       ~~beneficiary of the individual under~~ a written retirement plan  
26       established by the individual to provide payments to the individual or  
27       the beneficiary of the individual after the end of the self-employment.  
28       In addition, the term includes ~~amounts received from an individual~~  
29       ~~retirement account described in section 408 of the Code or from an~~  
30       ~~individual retirement annuity described in section 408 of an individual~~  
31       ~~retirement plan as defined in the Code and any plan treated as an~~  
32       ~~individual retirement plan under~~ the Code. For the purpose of this  
33       subdivision, the term "employee" includes a volunteer worker."

34       **SECTION 3.** This act is effective for taxable years beginning on or after

35       January 1, 2005.