

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1412**

**Bill Subtitle: TO CREATE AN INCOME TAX EXEMPTION FOR RETIREMENT AND SURVIVOR BENEFITS FROM THE UNIFORMED SERVICES.**

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**Basic Change :** Sponsors: Senator J. Hendren Representatives C. Fite, C. Armstrong, Baltz, Branscum, Brown, Copeland, Cozart, Deffenbaugh, D. Douglas, Drown, Harris, K. Hendren, House, Johnson, Lemons, Lowery, Lundstrum, G. McGill, D. Meeks, B. Overbey, Ratliff, Richmond, Rushing, Sabin, Scott, B. Smith, Speaks, Sturch, Tosh, Vines, Wallace, D. Whitaker

HB1412 will create an income tax exemption for retirement and survivor benefits from the uniformed services. A member of the uniformed services means a retired member of the United States Navy, Army, Air Force, Marine Corps, Coast Guard, reserve components of the armed forces, national guard of any state, commissioned regular or reserve corps of the United States Public Health Service, and the commissioned corps of the National Oceanic and Atmospheric Administration. This bill is effective for tax years beginning on or after January 1, 2015.

**Revenue Impact :**

FY2016 and after of \$13M per year reduction to General Revenue

**Taxpayer Impact :**

Taxpayers who were a member of the uniformed services and receive income from retirement and survivor benefits will receive an income tax exemption for such income. Taxpayers who claim the military retirement exemption cannot also claim the \$6,000 exemption for any other retirement benefits.

**Resources Required :**

Update computer programs, tax forms, and instructions.

**Time Required :**

Adequate time is provided.

**Procedural Changes :**

Tax forms and instruction booklets will need to be updated. Employees will need training about the changing exemption amounts as well as the tax community.

**Other Comments :**

Note: Page 2, line 36 and page 3, line 1 of bill states the amount of the additional state income tax credit is \$20. Currently this is \$26.

**Legal Analysis :**

Current law provides a \$6,000 maximum exemption from income tax for retirement benefits. HB1412 adds a new subdivision (e) to create an exemption from income tax for the entire amount of retirement benefits received by a member of the "uniformed services" or survivor benefits that are funded by the retirement pay of a member of the "uniformed services." A person using the exemption available under new subdivision (e) may not also claim the \$6,000 exemption currently provided in subdivision (a).

The bill also makes clear that a retired member of the uniformed services may not take the newly provided retirement benefit exemption for all uniformed services retirement income in addition to the current \$6,000 exemption for retirement benefits received from public or private employment-related retirement plans.