

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB782**

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

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**Basic Change :** Sponsors: Senators Irvin, and Rep. C. Fite and others

SB782 provides an income tax exemption for retirement benefits received by a member of the uniformed services. The bill also provides an income tax exemption for survivor benefits that are funded by the retirement pay of a member of the uniformed services. The exemption is phased in and increases the current \$6,000 exemption for retirement benefits due to military service to \$12,000 for tax years beginning in 2015, \$20,000 for tax years beginning in 2016, \$28,000 for tax years beginning in 2017, and exempts all military retirement and survivor benefits for tax years beginning in 2018 and after. A member of the uniformed services is defined as a retired member of the United States Army, Marine Corps, Navy, Air Force, Coast Guard, National Guard of any state, reserve components of any of the armed forces listed, the commissioned regular or reserve corps of the United States Public Health Service, and the commissioned corps of the National Oceanic and Atmospheric Administration.

**Revenue Impact :**

FY2016 of \$4.8M reduction to General Revenue

FY2017 of \$10.2M reduction to General Revenue

FY2018 of \$11.5M reduction to General Revenue

FY2019 and after of \$13M per year reduction to General Revenue

**Taxpayer Impact :**

A taxpayer receiving retirement and survivor benefits from the armed forces will have an increased exemption beginning with tax year 2015. All retirement and survivor benefits will be exempt from tax in 2018. Taxpayers will need to maintain records for military retirement income and claim the exemption.

**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 and employees will need to be trained about the changing exemption amounts for processing returns. The tax community will need to be educated as well.

**Other Comments :**

Page 2, Line 36 and Page 3, Line 1 has the 65 and over credit as \$20. Currently this is \$26 adjusted each year by the Consumer Price Index. Suggest referencing ACA 26-51-501 for the current amount.

**Legal Analysis :**

SB782 provides a phased-in income tax exemption for uniformed services retirement income, beginning in tax year 2015 at the amount of \$12,000 and increasing by \$8,000 for the next two years, until tax years beginning on and after 2018 in which the entire amount of uniformed services retirement income is exempt.