

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1721

Amendment Number: H1

Bill Subtitle: TO CLARIFY THE INCOME TAX EXEMPTION FOR SERVICE PAY OR ALLOWANCES RECEIVED BY ACTIVE DUTY MEMBERS OF THE ARMED FORCES.

Basic Change :

Sponsor: Rep. M. Gray

House Amendment 1 - Amends the bill to delete the requirement to serve full-time duty. The amendment also adds as members of the armed forces the "National Guard, and the reserve components of the United States Army, United States Navy, United States Air Force, United States Marine Corps, and United States Coast Guard".

Original Bill - HB1721 amends § 26-51-306 to clarify that the service pay or allowance received by an active duty member of the armed forces is exempt from the state income tax. Included in the definition of "armed forces" are the United States Army, United States Navy, United States Air Force, United States Marine Corps, and United States Coast Guard.

The bill also clarifies that "armed forces" does not include: (1) military technician (dual status) under 10 U.S.C. § 10216(a)(1); (2) the National Oceanic and Atmospheric Administration Commissioned Officer Corps; or (3) the United States Commissioned Corps of the Public Health Service. Under the bill, "armed services" means the National Guard, reserve components of the armed forces, United States Army, United States Navy, United States Marine Corps, United States Coast Guard, United States Air Force, National Oceanic and Atmospheric Administration Commissioned Officer Corps, and United States Commissioned Corps of the Public Health Service.

The effective date of the amendment is for tax years beginning on or after January 1, 2020.

Revenue Impact :

Estimate is revenue neutral.

Taxpayer Impact :

Taxpayers will have better guidance regarding the income tax exemptions for active duty members of the armed forces.

Resources Required :

Update instructions and training manuals.

Time Required :

Adequate time is provided for implementation

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. Department employees will need to be educated as well as the tax community.

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Other Comments :

None.

Legal Analysis :

HB1721-H1 amends the original bill concerning § 26-51-306(c)(1) by deleting the term "full-time duty." § 26-51-306(c)(2)(A) is amended by substituting the term "Guard," with the phrase "Guard, the National Guard, and the reserve components of the United States Army, United States Navy, United States Air Force, United States Marine Corps, and United States Coast Guard."

The amendment clarifies the effect of the bill regarding the exemption in § 26-51-306. The bill maintains that (1) a military dual technician (dual status); (2) the National Oceanic and Atmospheric Administration Commissioned Officer Corps; or (3) the United States Commissioned Corps of the Public Health Service, are not entitled to the exemption under § 26-51-306(a)(1)(D)(i) and (ii).

Original Bill:

HB1721 amends § 26-51-306(a)(1)(D) to clarify that the service pay or allowance received by an active duty member of the armed forces is exempt from the income tax imposed under this chapter.

The bill amends § 26-51-306(c) to include the National Oceanic and Atmospheric Administration Commissioned Officer Corps, and the United States Commissioned Corps of the Public Health Service within the definition of "armed services"

The bill is amended to add the definition "active duty member of the armed forces" to include members serving full-time duty in the armed forces of the United States, including without limitation full-time training duty, annual training duty, and attendance while in the active military service at a school designated as a service school by law or by the secretary of the relevant military department.

The bill is amended to add the definition "armed forces" to mean the United States Army, United States Navy, United States Air Force, United States Marine Corps, and the United States Coast Guard, and to clarify that "armed forces" does not include (1) the National Oceanic and Atmospheric Administration Commissioned Officer Corps, (2) the United States Commissioned Corps of the Public Health Service, or (3) a military technician (dual status) under 10 U.S.C. § 10216(a)(1) as it existed on January 1, 2019.

The effective date of the amendment is for tax years beginning on or after January 1, 2020.