

GENERAL ASSEMBLY OF NORTH CAROLINA

SECOND EXTRA SESSION 1996

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SENATE BILL 19*

Short Title: Refund Federal Retirees.

(Public)

Sponsors: Senators Clark; Ledbetter, Horton, Blust, McKoy, Jordan, Cochrane, Forrester, Little, East, Webster, Smith, Davis, Carpenter, Pate, Allran, Hartsell, Simpson, Kincaid, McDaniel, Foxx, Carrington, Ballantine, and Blackmon.

Referred to: Finance.

July 9, 1996

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FEDERAL RETIREES A REFUNDABLE TAX CREDIT,
WITHOUT INTEREST, FOR STATE INCOME TAX PAID ON THEIR
RETIREMENT BENEFITS FOR TAX YEARS 1985 THROUGH 1988.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-151.20 reads as rewritten:

"§ 105-151.20. ~~Credit~~ **Refundable credit** for tax paid on certain ~~government~~ **federal**
retirement benefits.

(a) Purpose; Definitions. – The purpose of this section is to benefit certain retired
federal government workers on account of their public service. The following definitions
apply in this section:

(1) Federal retirement benefits. – Retirement benefits received from one or
more federal government retirement plans.

(2) Net pension tax. – The amount of tax a taxpayer paid under this
Division for the 1985, 1986, 1987, and 1988 tax years on federal
retirement benefits, without interest, less any part of the tax for which
the taxpayer received a credit under this section before 1997 and any
part of the tax refunded to the taxpayer before 1997.

1 (3) Tax year. – The taxpayer's taxable year beginning on a day in the
2 applicable calendar year.

3 (b) Credit. – A taxpayer who received ~~government~~federal retirement benefits
4 during the 1985, 1986, 1987, or 1988 tax year may claim a credit against the tax imposed
5 by this Division equal to the net pension tax on those benefits. In the case of a taxpayer
6 who is deceased, the surviving spouse may claim the credit in the name of the deceased
7 taxpayer; if there is no surviving spouse, the representative of the taxpayer's estate may
8 claim the credit in the name of the deceased taxpayer. ~~The amount by which the tax under~~
9 ~~this Division paid by the taxpayer for the 1988 tax year would have been reduced if none of the~~
10 ~~taxpayer's government retirement benefits had been included in the taxpayer's taxable income. If~~
11 ~~a taxpayer received a refund of any tax paid under this Division on government retirement~~
12 ~~benefits for the 1988 tax year, the amount of the refund reduces the amount of the credit allowed~~
13 ~~under this section.~~

14 ~~As used in this section, the term "government retirement benefits" means retirement~~
15 ~~benefits received from one or more state, local, or federal government retirement plans.~~
16 ~~As used in this section, the term "1988 tax year" means the taxpayer's taxable year~~
17 ~~beginning on a day in 1988.~~

18 The
19 credit allowed under this section shall be taken in equal installments over the taxpayer's
20 first ~~three~~four taxable years beginning on or after January 1, ~~1990~~1997. In order to
21 claim a credit under this section, a taxpayer must provide any information required by the
22 Secretary to establish the taxpayer's eligibility for credit and the amount of the credit.
23 ~~The credit allowed under this section may not exceed the amount of tax imposed by this Division~~
24 ~~reduced by the sum of all credits allowed against the tax, except payments of tax made by or on~~
25 ~~behalf of the taxpayer.~~

26 (c) Credit Refundable. – If an installment of the credit allowed by this section
27 exceeds the amount of tax imposed by this Division for the taxable year reduced by the
28 sum of all credits allowable, the Secretary shall refund the excess to the taxpayer. The
29 refundable excess is governed by the provisions governing a refund of an overpayment
30 by the taxpayer of the tax imposed in this Division. In computing the amount of tax
31 against which multiple credits are allowed, nonrefundable credits are subtracted before
32 refundable credits."

33 Sec. 2. Effective January 1, 2006, G.S. 105-151.20 is repealed.

34 Sec. 3. Section 2 of this act becomes effective January 1, 2006. The
35 remainder of this act is effective for taxable years beginning on or after January 1, 1997.