

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2005**

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**SENATE BILL 546**

Short Title: Income Tax - Exempt Certain Military Income. (Public)

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Sponsors: Senators Rand, Smith; Apodaca, Berger of Rockingham, Bingham, Boseman, Brock, Brown, Forrester, Garwood, Horton, Hunt, Jacumin, Kerr, Presnell, Stevens, Swindell, Thomas, and Tillman.

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Referred to: Finance.

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March 15, 2005

A BILL TO BE ENTITLED  
AN ACT TO EXEMPT FROM INCOME TAX CERTAIN COMPENSATION PAID  
TO MILITARY PERSONNEL OR THEIR SURVIVORS.

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:

...

(5b) The amount received during the taxable year from one or more State, local, or federal government retirement plans to the extent the amount is exempt from tax under this Part pursuant to a court order in settlement of the following cases: Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS 8230; Emory v. State, 98 CVS 0738; and Patton v. State, 95 CVS 04346. Amounts deducted under this subdivision may not also be deducted under subdivision (5c) or (6) of this subsection.

(5c) The amount received during the taxable year from the United States government as retirement pay for a retired member of the Armed Forces of the United States or as survivorship benefits for survivors of active duty or retired members of the Armed Forces of the United States. Amounts deducted under this subdivision may not also be deducted under subdivision (5b) or (6) of this subsection.

...

(18) Compensation that is paid by the Armed Forces of the United States to an individual who is on active duty as a full-time officer or enlisted member."

1                   **SECTION 2.** This act is effective for taxable years beginning on or after  
2   January 1, 2005.