

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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HOUSE BILL 1267

Short Title: Exclude Pensions from Income Tax. (Public)

Sponsors: Representatives Underhill; and Faison.

Referred to: Finance.

April 18, 2005

1 A BILL TO BE ENTITLED  
2 AN ACT TO PROVIDE EQUAL INCOME TAX TREATMENT OF GOVERNMENT  
3 RETIREES' BENEFITS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 105-134.6(b) reads as rewritten:

6 "(b) Deductions. – The following deductions from taxable income shall be made  
7 in calculating North Carolina taxable income, to the extent each item is included in  
8 taxable income:

9 ...

10 (6) a. ~~An amount, not to exceed four thousand dollars (\$4,000), equal to~~  
11 ~~the sum of the amount calculated in subparagraph b. plus the amount~~  
12 ~~calculated in subparagraph c.~~

13 b. ~~The amount calculated in this subparagraph is the amount~~  
14 ~~received during the taxable year from one or more state, local,~~  
15 ~~or federal government retirement plans.~~

16 e. ~~The amount calculated in this subparagraph is the~~ The amount  
17 received during the taxable year from one or more retirement  
18 plans other than state, local, or federal government retirement  
19 plans, not to exceed a total of two thousand dollars (\$2,000) in  
20 any taxable year.

21 d. ~~In year. In the case of a married couple filing a joint return~~  
22 ~~where~~ return, if both spouses received retirement benefits during  
23 the taxable year, the maximum dollar amounts provided in this  
24 subdivision for various types of retirement benefits  
25 apply amount applies separately to each spouse's benefits.

26 (6a) The amount received during the taxable year under North Carolina  
27 State and local government retirement plans and under federal  
28 government retirement plans.

29 (6b) The greater of the following:

- a. The amount received during the taxable year under a state or local government retirement plan of a state other than North Carolina, to the extent that other state would not subject to individual income tax the equivalent amount received under a North Carolina State or local government retirement plan.
- b. Up to four thousand dollars (\$4,000) received during the taxable year under a state or local government retirement plan of a state other than North Carolina. In the case of a married couple filing a joint return, if both spouses received benefits from a retirement plan during the taxable year, the maximum dollar amount applies separately to each spouse's benefits."

**SECTION 2.** G.S. 105-134.1(13) reads as rewritten:

~~"(13) Retirement benefits. — Amounts paid to a former employee or the beneficiary of a former employee under a plan. — A written retirement plan established by the employer to provide payments to an employee or the beneficiary of an employee after the end of the employee's employment with the employer where the right to receive the payments is based upon the employment relationship. With respect to a self-employed individual or the beneficiary of a self-employed individual, the term means amounts paid to the individual or beneficiary of the individual under a written retirement plan established by the individual to provide payments to the individual or the beneficiary of the individual after the end of the self-employment. In addition, the term includes amounts received from an individual retirement account described in section 408 of the Code or from an individual retirement annuity described in section 408 of an individual retirement plan as defined in the Code and any plan treated as an individual retirement plan under the Code. For the purpose of this subdivision, the term "employee" includes a volunteer worker."~~

**SECTION 3.** This act is effective for taxable years beginning on or after January 1, 2005.