

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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HOUSE BILL 1656

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

Sponsors: Representatives Setzer; Faison and Moore.

Referred to: Homeland Security, Military and Veterans Affairs, if favorable, Finance.

April 19, 2007

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

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 (5b) The amount received during the taxable year from one or more State,
11 local, or federal government retirement plans to the extent the amount
12 is exempt from tax under this Part pursuant to a court order in
13 settlement of the following cases: Bailey v. State, 92 CVS 10221, 94
14 CVS 6904, 95 CVS 6625, 95 CVS 8230; Emory v. State, 98 CVS
15 0738; and Patton v. State, 95 CVS 04346. Amounts deducted under
16 this subdivision may not also be deducted under subdivision (5c) or (6)
17 of this subsection.

18 (5c) The amount received during the taxable year from the United States
19 government as retirement pay for a retired member of the armed forces
20 of the United States or as survivorship benefits for survivors of active
21 duty or retired members of the armed forces of the United States.
22 Amounts deducted under this subdivision may not also be deducted
23 under subdivision (5b) or (6) of this subsection.

24 ...

25 (19) Compensation that is paid by the armed forces of the United States to
26 an individual who is on active duty as a full-time officer or enlisted
27 member."

28 **SECTION 2.** This act is effective for taxable years beginning on or after
29 January 1, 2007.