

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

H

1

HOUSE BILL 1438

Short Title: Credit to Refund Federal Retirees.

(Public)

Sponsors: Representatives Justus; Rayfield, McMahan, Cummings, and Hurley.

Referred to: Finance.

June 3, 1996

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE FEDERAL RETIREES A TAX CREDIT IN FIVE
2 INSTALLMENTS TO REIMBURSE THEM FOR NORTH CAROLINA INCOME
3 TAX THEY PAID ON THEIR RETIREMENT BENEFITS FOR TAX YEARS 1985
4 THROUGH 1988.
5

6 The General Assembly of North Carolina enacts:

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

8 "**§ 105-151.20. ~~Credit~~ Refundable credit for tax paid on certain government-federal**
9 **retirement benefits.**

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

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

15 (2) Net pension tax. – The amount of tax a taxpayer paid under this
16 Division for the 1985, 1986, 1987, and 1988 tax years on federal
17 retirement benefits, without interest, less any part of the tax for which
18 the taxpayer received a credit under this section before 1997 and any
19 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. ~~The amount by which the~~
6 ~~tax under this Division paid by the taxpayer for the 1988 tax year would have been reduced if~~
7 ~~none of the taxpayer's government retirement benefits had been included in the taxpayer's taxable~~
8 ~~income. If a taxpayer received a refund of any tax paid under this Division on government~~
9 ~~retirement benefits for the 1988 tax year, the amount of the refund reduces the amount of the~~
10 ~~credit allowed under this section.~~

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

15 ~~The credit allowed under this section shall be taken in equal installments over the~~
16 ~~taxpayer's first three~~five taxable years beginning on or after January 1, ~~1990~~1996. In
17 order to claim a credit under this section, a taxpayer must provide any information
18 required by the Secretary to establish the taxpayer's eligibility for credit and the amount
19 of the credit. ~~The credit allowed under this section may not exceed the amount of tax imposed~~
20 ~~by this Division reduced by the sum of all credits allowed against the tax, except payments of tax~~
21 ~~made by or on behalf of the taxpayer.~~

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

29 Sec. 2. Effective January 1, 2005, G.S. 105-151.20 is repealed.

30 Sec. 3. There is appropriated from the General Fund to the Department of
31 Revenue the sum of two million dollars (\$2,000,000) for the 1996-97 fiscal year to pay
32 for the costs of administering this act. These funds shall not revert until the Director of
33 the Budget certifies that the Department of Revenue has completed all duties necessary to
34 administer this act, including processing the escheat of refund checks that have not been
35 cashed.

36 Sec. 4. Section 1 of this act is effective for taxable years beginning on or after
37 January 1, 1996. Section 2 of this act becomes effective January 1, 2005. The remainder
38 of this act becomes effective July 1, 1996.