

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 997

Short Title: Retirement Pay Tax Changes.

(Public)

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Sponsors: Senator Guy.

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Referred to: Pensions & Retirement.

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April 25, 1989

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE THAT THE FIRST TWENTY-FIVE THOUSAND  
2 DOLLARS OF PUBLIC OR PRIVATE RETIREMENT PAY SHALL BE  
3 EXEMPT FROM INCOME TAX AND TO EQUALIZE RETIREMENT PAY TAX  
4 TREATMENT RETROACTIVELY FOR THE 1985 THROUGH 1988 TAX  
5 YEARS.  
6

7 The General Assembly of North Carolina enacts:

8 Section 1. G.S. 105-141(b)(8), (13), (14), (18), and (30) are repealed.

9 Sec. 2. Effective for taxable years beginning on or after January 1, 1985, and  
10 before January 1, 1989, G.S. 105-141(b) is amended by adding a new subdivision to  
11 read:

12 "(31) Amounts received as retirement benefits. As used in this  
13 subdivision, the term 'retirement benefits' means amounts paid to a  
14 former employee or the surviving spouse of a former employee  
15 under a written retirement plan established by the employer to  
16 provide payments to an employee or the surviving spouse of an  
17 employee after the end of the employee's employment with the  
18 employer where the right to receive the payments is based upon the  
19 employment relationship. With respect to a self-employed  
20 individual or the surviving spouse of a self-employed individual,  
21 the term means amounts paid to the individual or surviving spouse  
22 of the individual under a written retirement plan established by the  
23 individual to provide payments to the individual or the surviving  
24 spouse of the individual after the end of the self-employment."

1           Sec. 3. Notwithstanding the 30-day time limitation of G.S. 105-267, a  
2 taxpayer who has paid income tax on retirement benefits for the 1985, 1986, 1987, or  
3 1988 taxable year may, on or before July 1, 1989, demand a refund of the income taxes  
4 paid on retirement benefits for these taxable years. If a taxpayer makes such a demand,  
5 the taxpayer's payment of taxes on the retirement benefits for these taxable years shall  
6 be without prejudice to the taxpayer's claim for a refund based on the exemption of  
7 retirement benefits from income taxes provided in Section 2 of this act.

8           Sec. 4. Effective for taxable years beginning on or after January 1, 1989,  
9 G.S. 105-141(b)(31), as enacted by Section 2 of this act, reads as rewritten:

10           "(31) Amounts received as retirement ~~benefits~~ benefits during the taxable  
11 year from one or more retirement plans, not to exceed a total of  
12 twenty-five thousand dollars (\$25,000) in any taxable year. As  
13 used in this subdivision, the term 'retirement benefits' means  
14 amounts paid to a former employee or the surviving spouse of a  
15 former employee under a written retirement plan established by the  
16 employer to provide payments to an employee or the surviving  
17 spouse of an employee after the end of the employee's employment  
18 with the employer where the right to receive the payments is based  
19 upon the employment relationship. With respect to a self-  
20 employed individual or the surviving spouse of a self-employed  
21 individual, the term means amounts paid to the individual or  
22 surviving spouse of the individual under a written retirement plan  
23 established by the individual to provide payments to the individual  
24 or the surviving spouse of the individual after the end of the self-  
25 employment."

26           Sec. 5. This act does not affect the rights or liabilities of the State, a taxpayer,  
27 or other person arising under a statute amended or repealed by this act before its  
28 amendment or repeal; nor does it affect the right to any refund or credit of a tax that  
29 would otherwise have been available under the amended or repealed statute before its  
30 amendment or repeal.

31           Sec. 6. Section 2 of this act is effective for taxable years beginning on or  
32 after January 1, 1985, and before January 1, 1989. Section 3 of this act is effective  
33 retroactively as of January 1, 1985. The remainder of this act is effective for taxable  
34 years beginning on or after January 1, 1989.