

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

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HOUSE BILL 46

Short Title: Eliminate Tax on Gov't Retirees. (Public)

Sponsors: Representatives Cleveland, Iler, Hardister, and White (Primary Sponsors).  
*For a complete list of sponsors, refer to the North Carolina General Assembly web site.*

Referred to: Finance, if favorable, Rules, Calendar, and Operations of the House

February 6, 2023

1 A BILL TO BE ENTITLED  
2 AN ACT TO MAKE INCOME RECEIVED FROM A NORTH CAROLINA STATE OR  
3 LOCAL GOVERNMENT RETIREMENT PLAN OR A FEDERAL GOVERNMENT  
4 RETIREMENT PLAN EXEMPT FROM THE STATE INCOME TAX.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-153.5(b) reads as rewritten:

7 "(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may  
8 deduct from the taxpayer's adjusted gross income any of the following items that are included in  
9 the taxpayer's adjusted gross income:

- 10 ...
- 11 (5) The amount received during the taxable year from one or more ~~State, local, or~~  
12 ~~federal government retirement plans to the extent the amount is exempt from~~  
13 ~~tax under this Part pursuant to a court order in settlement of any of the~~  
14 ~~following cases:~~of the following:
- 15 a. ~~Bailey v. State, 92 CVS 10221, 94 CVS 6904, 95 CVS 6625, 95 CVS~~  
16 ~~8230.~~
- 17 b. ~~Emory v. State, 98 CVS 0738.~~
- 18 c. ~~Patton v. State, 95 CVS 04346.~~
- 19 a. A North Carolina State government retirement plan.
- 20 b. A North Carolina local government retirement plan.
- 21 c. A federal government retirement plan.

22 (5a) ~~(Effective for taxable years beginning on or after January 1, 2021, and~~  
23 ~~before January 1, 2022)~~ The amount received during the taxable year from  
24 the United States government for the payments listed in this subdivision.  
25 ~~Amounts deducted under this subdivision may not also be deducted under~~  
26 ~~subdivision (5) of this subsection. The payments are:~~of a Plan defined in 10  
27 U.S.C. § 1447 to a beneficiary of a retired member of the Armed Forces of the  
28 United States that either (i) served at least 20 years or (ii) medically retired  
29 under 10 U.S.C. Chapter 61.

- 30 a. ~~Retirement pay for service in the Armed Forces of the United States~~  
31 ~~to a retired member that meets either of the following:~~
- 32 1. ~~Served at least 20 years.~~
- 33 2. ~~Medically retired under 10 U.S.C. Chapter 61. This deduction~~  
34 ~~does not apply to severance pay received by a member due to~~  
35 ~~separation from the member's armed forces.~~



