**South Carolina General Assembly**

123rd Session, 2019-2020

**H. 3135**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. G.M. Smith, Erickson, Yow, Funderburk, Huggins, Wheeler, Clemmons, Anderson and Henderson‑Myers

Document Path: l:\council\bills\nbd\11115dg19.docx

Companion/Similar bill(s): 179

Introduced in the House on January 8, 2019

Introduced in the Senate on February 5, 2019

Currently residing in the Senate Committee on **Finance**

Summary: Workforce Enhancement and Military Recognition Act

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

12/18/2018 House Prefiled

12/18/2018 House Referred to Committee on **Ways and Means**

1/8/2019 House Introduced and read first time ([House Journal‑page 99](file:///h:\hj\20190108.docx))

1/8/2019 House Referred to Committee on **Ways and Means** ([House Journal‑page 99](file:///h:\hj\20190108.docx))

1/24/2019 House Member(s) request name added as sponsor: Funderburk

1/29/2019 House Member(s) request name added as sponsor: Huggins

1/30/2019 House Member(s) request name added as sponsor: Wheeler

1/30/2019 House Committee report: Favorable **Ways and Means** ([House Journal‑page 17](file:///h:\hj\20190130.docx))

1/31/2019 House Member(s) request name added as sponsor: Clemmons, Anderson, Henderson‑Myers

1/31/2019 House Read second time ([House Journal‑page 27](file:///h:\hj\20190131.docx))

1/31/2019 House Roll call Yeas‑106 Nays‑0 ([House Journal‑page 28](file:///h:\hj\20190131.docx))

1/31/2019 House Unanimous consent for third reading on next legislative day ([House Journal‑page 29](file:///h:\hj\20190131.docx))

2/1/2019 House Read third time and sent to Senate ([House Journal‑page 2](file:///h:\hj\20190201.docx))

2/5/2019 Senate Introduced and read first time ([Senate Journal‑page 11](file:///h:\sj\20190205.docx))

2/5/2019 Senate Referred to Committee on **Finance** ([Senate Journal‑page 11](file:///h:\sj\20190205.docx))

View the latest [legislative information](http://www.scstatehouse.gov/billsearch.php?billnumbers=3135&session=123&summary=B) at the website

**VERSIONS OF THIS BILL**

[12/18/2018](file:///p:\pprever\2019-20\3135_20181218.docx)

[1/30/2019](file:///p:\pprever\2019-20\3135_20190130.docx)

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Indicates New Matter

COMMITTEE REPORT

January 30, 2019

**H. 3135**

Introduced by Reps. G.M. Smith, Erickson, Yow, Funderburk, Huggins and Wheeler

S. Printed 1/30/19--H.

Read the first time January 8, 2019.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3135) to amend the Code of Laws of South Carolina, 1976, so as to enact the “Workforce Enhancement and Military Recognition Act”; to amend Section 12-6-1171, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

G. MURRELL SMITH, JR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on January 8, 2019**

**State Expenditure**

The bill alters the military retirement income deduction, which may require the department to modify individual income tax forms and instructions. DOR indicates that these additional duties will be managed within existing appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

**State Revenue**

Beginning in tax year 2021, this bill allows an individual taxpayer under age 65 who has military retirement income to deduct an equal amount of South Carolina earned income from taxable income. This bill allows further that a taxpayer 65 and older who has military retirement income to deduct any military retirement income that is included in South Carolina taxable income.

Presently, Act 272 of 2016 provides an individual income tax deduction of up to $17,500 of earned income for taxpayers under age 65 that receive military retirement income for tax year 2020. The deduction is equal to the amount of military retirement income, not to exceed $17,500. When a taxpayer reaches age 65, the taxpayer may deduct up to $30,000 of military retirement income. The military retirement deductions were phased-in beginning in tax year 2016 over a five-year period through tax year 2020. The estimated revenue impact in FY 2020-21 for these deductions total $19,563,645. The BEA revenue forecast for that fiscal year will reflect this reduction in General Fund Individual income tax revenue.

Table 1 reports the estimated revenue impact of implementing Act 272 of 2016 and a full deduction of all military retirement income for taxpayers under age 65 in tax year 2021. We estimate that the individual income tax revenue impact of the fully implemented military retirement income deduction in FY 2021-22 will total $18,186,060. For taxpayers under age 65, the BEA has included a $10,042,255 reduction in the individual income tax revenue forecast to implement Act 272 of 2016 through FY 2020-21. Therefore, the proposed complete deduction of the remaining military retirement for taxpayers under age 65 will reduce individual income tax revenue by an additional $8,143,805 in FY 2021-22.

**Table 1: Estimated Number and Tax Revenue Reduction for**

**Military Retirees Under Age 65**

Fiscal Total Number Maximum Earned Total Tax Revenue Annual Revenue Additional Revenue

Year of Active Duty Income Deduction Reduction from Reduction Reduction from

Military Retirees Amount Full Deduction Full Military Retirement

Deduction in H. 3135

FY 2016-17 19,338 $5,900 ($4,048,245) ($4,048,245) $0

FY 2017-18 19,410 $8,800 ($5,636,034) ($1,587,789) $0

FY 2018-19 19,481 $11,700 ($7,230,806) ($1,594,772) $0

FY 2019-20 19,553 $14,600 ($8,599,377) ($1,368,571) $0

FY 2020-21 19,625 $17,500 ($10,042,255) ($1,442,878) $0

FY 2021-22 19,697 All ($18,186,060) ($8,143,805) ($8,143,805)

Table 2 reports the estimated revenue impact of implementing Act 272 of 2016 and a full deduction of all military retirement income for taxpayers age 65 and older in tax year 2021. We estimate that the individual income tax revenue impact of the fully implemented military retirement income deduction in FY 2020-21 will total $11,230,350. For taxpayers age 65 and older, the BEA has included a $9,521,390 reduction in the individual income tax revenue forecast to implement Act 272 of 2016 through FY 2020-21. Therefore, the proposed complete deduction of the remaining military retirement for taxpayers age 65 and older will reduce individual income tax revenue by an additional $1,708,960 in FY 2021-22.

Combining the revenue impacts of the retirement income tax deduction for all military retirees results in an estimated total reduction in General Fund individual income tax revenue of $29,416,410 in FY 2021-22. Of this total, the BEA has included a $19,563,645 reduction in the individual income tax revenue forecast to implement Act 272 of 2016 through FY 2020-21. Therefore, the proposed complete deduction of all remaining military retirement income beginning in tax year 2021 will reduce General Fund individual income tax revenue by an additional $9,852,765 in FY 2021-22.

**Table 2: Estimated Number and Tax Revenue Reduction for**

**Military Retirees Age 65 and Older**

**Fiscal Total Number Maximum Retirement Total Tax Revenue Annual Revenue Additional Revenue**

**Year of Active Duty Income Deduction Reduction from Reduction Reduction from**

**Military Retirees Amount Full Deduction Full Military Retirement Deduction in H. 3135**

FY 2016-17 17,874 $18,000 ($2,451,350) ($2,451,350) $0

FY 2017-18 18,127 $21,000 ($4,282,550) ($1,831,200) $0

FY 2018-19 18,383 $24,000 ($6,143,350) ($1,860,800) $0

FY 2019-20 18,643 $27,000 ($7,892,100) ($1,748,750) $0

FY 2020-21 18,906 $30,000 ($9,521,390) ($1,629,290) $0

FY 2021-22 19,173 All ($11,230,350) ($1,708,960) ($1,708,960)

**Table 3: Estimated Total Tax Revenue Reduction for All Military Retirees**

**Fiscal Total Tax Annual Tax Revenue Additional Revenue Reduction**

**Year Revenue Reduction from from Full Military Retirement**

**Reduction Full Deduction Deduction in H. 3135**

**from Phased-**

**In Deduction**

FY 2016-17 ($6,499,595) ($6,499,595) $0

FY 2017-18 ($9,918,584) ($3,418,989) $0

FY 2018-19 ($13,374,156) ($3,455,572) $0

FY 2019-20 ($16,491,477) ($3,117,321) $0

FY 2020-21 ($19,563,645) ($3,072,168) $0

FY 2021-22 ($29,416,410) ($9,852,765) ($9,852,765)

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE “WORKFORCE ENHANCEMENT AND MILITARY RECOGNITION ACT”; TO AMEND SECTION 12-6-1171, RELATING TO THE MILITARY RETIREMENT INCOME DEDUCTION, SO AS TO REMOVE CERTAIN LIMITS.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. This act shall be know and may be cited as the “Workforce Enhancement and Military Recognition Act”.

SECTION 2. Section 12‑6‑1171(A) of the 1976 Code is amended to read:

“(A)(1) An individual taxpayer who has military retirement income, each year may deduct an amount of his South Carolina earned income from South Carolina taxable income equal to the amount of military retirement income that is included in South Carolina taxable income~~, not to exceed seventeen thousand five hundred dollars~~. In the case of married taxpayers who file a joint federal income tax return, the deduction allowed by this section shall be calculated separately as though they had not filed a joint return, so that each individual’s deduction is based on the same individual’s retirement income and earned income. For purposes of this item, ‘South Carolina earned income’ has the same meaning as provided in Section 12‑6‑3330.

(2) Notwithstanding item (1), beginning in the year in which an individual taxpayer reaches age sixty‑five, an individual taxpayer who has military retirement income may deduct ~~up to thirty thousand dollars of~~ any military retirement income that is included in South Carolina taxable income.”

SECTION 3. This act takes effect January 1, 2021, and first applies for tax year 2021.

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