A BILL TO BE ENTITLED

AN ACT TO MAKE INCOME RECEIVED FROM A NORTH CAROLINA STATE OR LOCAL GOVERNMENT RETIREMENT PLAN OR A FEDERAL GOVERNMENT RETIREMENT PLAN EXEMPT FROM THE STATE INCOME TAX.

The General Assembly of North Carolina enacts:

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

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

..."

(5) The amount received during the taxable year from one or more State, local, or federal government retirement plans to the extent the amount is exempt from tax under this Part pursuant to a court order in settlement of any of the following cases of the following:


(5a) The amount received during the taxable year from the United States government for the payments listed in this subdivision. Amounts deducted under this subdivision may not also be deducted under subdivision (5) of this subsection. The payments are of a Plan defined in 10 U.S.C. § 1447 to a beneficiary of a retired member of the Armed Forces of the United States that either (i) served at least 20 years or (ii) medically retired under 10 U.S.C. Chapter 61.

a. Retirement pay for service in the Armed Forces of the United States to a retired member that meets either of the following:

1. Served at least 20 years.

2. Medically retired under 10 U.S.C. Chapter 61. This deduction does not apply to severance pay received by a member due to separation from the member's armed forces.
b. Payments of a Plan defined in 10 U.S.C. § 1447 to a beneficiary of a retired member eligible to deduct retirement pay under sub-subdivision a. of this subdivision.

..."

SECTION 2. This act is effective for taxable years beginning on or after January 1, 2024.