

The House Committee on Ways and Means offers the following substitute to HB 749:

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,
2 relating to the imposition, rate, computation, and exemptions from state income tax, so as to
3 clarify an exemption for retirement income is applicable to income received by a taxpayer
4 as a retirement benefit from noncivilian service in the armed forces of the United States or
5 the reserve components thereof; to provide an exemption for certain military retirement
6 income for surviving family members; to provide for related matters; to provide for an
7 effective date and applicability; to repeal conflicting laws; and for other purposes.

8 **BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:**

9 **SECTION 1.**

10 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the
11 imposition, rate, computation, and exemptions from state income tax, is amended in
12 subsection (a) of Code Section 48-7-27, relating to the computation of taxable net income,
13 by revising paragraph (5) as follows:

14 "(5)(A) Retirement income otherwise included in Georgia taxable net income shall be
15 subject to an exclusion amount as follows:

16 (i) For taxable years beginning on or after January 1, 1989, and prior to January 1,
17 1990, retirement income not to exceed an exclusion amount of \$8,000.00 per year
18 received from any source;

19 (ii) For taxable years beginning on or after January 1, 1990, and prior to January 1,
20 1994, retirement income not to exceed an exclusion amount of \$10,000.00 per year
21 received from any source;

22 (iii) For taxable years beginning on or after January 1, 1994, and prior to January 1,
23 1995, retirement income from any source not to exceed an exclusion amount of
24 \$11,000.00;

- 25 (iv) For taxable years beginning on or after January 1, 1995, and prior to January 1,
26 1999, retirement income from any source not to exceed an exclusion amount of
27 \$12,000.00;
- 28 (v) For taxable years beginning on or after January 1, 1999, and prior to January 1,
29 2000, retirement income from any source not to exceed an exclusion amount of
30 \$13,000.00;
- 31 (vi) For taxable years beginning on or after January 1, 2000, and prior to January 1,
32 2001, retirement income not to exceed an exclusion amount of \$13,500.00 per year
33 received from any source;
- 34 (vii) For taxable years beginning on or after January 1, 2001, and prior to January 1,
35 2002, retirement income from any source not to exceed an exclusion amount of
36 \$14,000.00;
- 37 (viii) For taxable years beginning on or after January 1, 2002, and prior to January
38 1, 2003, retirement income from any source not to exceed an exclusion amount of
39 \$14,500.00;
- 40 (ix) For taxable years beginning on or after January 1, 2003, and prior to January 1,
41 2006, retirement income from any source not to exceed an exclusion amount of
42 \$15,000.00;
- 43 (x) For taxable years beginning on or after January 1, 2006, and prior to January 1,
44 2007, retirement income from any source not to exceed an exclusion amount of
45 \$25,000.00;
- 46 (xi) For taxable years beginning on or after January 1, 2007, and prior to January 1,
47 2008, retirement income from any source not to exceed an exclusion amount of
48 \$30,000.00;
- 49 (xii) For taxable years beginning on or after January 1, 2008, and prior to January 1,
50 2012, retirement income from any source not to exceed an exclusion amount of
51 \$35,000.00; and
- 52 (xiii) For taxable years beginning on or after January 1, 2012, retirement income
53 from any source not to exceed an exclusion amount of \$35,000.00 for each taxpayer
54 meeting the eligibility requirement set forth in division (i) or (ii) of subparagraph (D)
55 of this paragraph or an amount of \$65,000.00 for each taxpayer meeting the eligibility
56 requirement set forth in division (iii) of subparagraph (D) of this paragraph.
- 57 (B) In the case of a married couple filing jointly, each spouse shall if otherwise
58 qualified be individually entitled to exclude retirement income received by that spouse
59 up to the exclusion amount.

60 (C) The exclusions provided for in this paragraph shall not apply to or affect and shall
 61 be in addition to those adjustments to net income provided for under any other
 62 paragraph of this subsection.

63 (D) A taxpayer shall be eligible for the exclusions granted by this paragraph only if the
 64 taxpayer:

65 (i) Is 62 years of age or older but less than 65 years of age during any part of the
 66 taxable year; or

67 (ii) Is permanently and totally disabled in that the taxpayer has a medically
 68 demonstrable disability which is permanent and which renders the taxpayer incapable
 69 of performing any gainful occupation within the taxpayer's competence; or

70 (iii) Is 65 years of age or older during any part of the year.

71 (E)(i) For the purposes of this paragraph, retirement income shall include but not be
 72 limited to income from military retirement, interest income, dividend income, net
 73 income from rental property, capital gains income, income from royalties, income
 74 from pensions and annuities, and no more than \$4,000.00 of an individual's earned
 75 income. Earned income in excess of \$4,000.00, including but not limited to net
 76 business income earned by an individual from any trade or business carried on by
 77 such individual, wages, salaries, tips, and other employer compensation, shall not be
 78 regarded as retirement income. The receipt of earned income shall not diminish any
 79 taxpayer's eligibility for the retirement income exclusions allowed by this paragraph
 80 except to the extent of the express limitation provided in this ~~subparagraph~~ division.

81 (ii) Any income received by a surviving family member that is based on the service
 82 record of a deceased veteran shall be excluded from Georgia taxable net income
 83 without regard to the age of the surviving family member.

84 (F) The commissioner shall by regulation require proof of the eligibility of the taxpayer
 85 for the exclusions allowed by this paragraph.

86 (G) The commissioner shall by regulation provide that for taxable years beginning on
 87 or after January 1, 1989, and ending before October 1, 1990, penalty and interest may
 88 be waived or reduced for any taxpayer whose estimated tax payments and tax
 89 withholdings are less than 70 percent of such taxpayer's Georgia income tax liability
 90 if the commissioner determines that such underpayment or deficiency is due to an
 91 increase in net taxable income attributable directly to amendments to this paragraph or
 92 paragraph (4) of this subsection enacted at the 1989 special session of the General
 93 Assembly and not due to willful neglect or fraud;"

94 **SECTION 2.**

95 This Act shall become effective on July 1, 2018, and shall be applicable to all taxable years
96 beginning on or after January 1, 2018.

97 **SECTION 3.**

98 All laws and parts of laws in conflict with this Act are repealed.