

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 9, 2010

**Bill Number:** S.B. 1000

**Author:** Rose

**Committee Requesting Impact:** Senate Finance Committee

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### Bill Summary

A bill to amend Chapter 6, Title 12 of the 1976 Code of Laws, relating to income taxation, by adding Section 12-6-1205 to provide that retirement compensation received for military service to the United States of America is exempt from income taxation.

### REVENUE IMPACT <sup>1/</sup>

This bill would reduce General Fund individual income tax revenue of an estimated \$77,783,045 in FY2010-11.

### Explanation

This bill add Section 12-6-1205 to allow all retirement compensation received by an individual taxpayer for military service to the United States of America to be exempt from state income tax. Based on the latest data from the United States Department of Defense, there are currently 54,718 military retirees in South Carolina receiving \$1,142,088,000 in annual military retirement benefits. This equates to an average annual retirement benefit of \$20,872 for each military retiree in the state. Adjusting these figures to FY2010-11 levels, an estimated 58,238 military retirees in South Carolina are receiving an estimated \$1,341,086,983 in annual military retirement benefits. This equates to an average annual retirement benefit of \$23,028 for each military retiree in the state. Multiplying an estimated \$1,341,086,983 in annual military retirement benefits by an average tax rate of 5.8% yields a reduction of General Fund individual income tax revenue of an estimated \$77,783,045 in FY2010-11. This act takes effect upon approval by the Governor.

/s/ WILLIAM C. GILLESPIE, PH.D.

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.