

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2233
Version: As amended (H2233A1)

DATE: March 3, 2014

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Subject: Income tax subtraction for military retirement pay

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Overview

Adjusts the current federal subtractions contained in statute. Creates a new income subtraction for compensation that is received from a pension or other source of retirement pay from the federal government in return for military service.

Section

- 1 Subtractions.** Creates a subtraction from income for any member of the military who has 20 or more years of service in an active component or a reserve component, or a person who was separated from the military prior to 20 years due to a service-connected disability. The subtraction equals \$1,500 for every year, or portion thereof, of military service. In the case married spouses who file jointly, each spouse can claim this credit.
- 2 Definitions.** Modifies the calculation for the alternative minimum tax (AMT) to prevent use of the credit contained in section 1 from shifting affected taxpayers onto the AMT.