

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Dettmer and others

**Subject:** Phased-in income tax subtraction for military retirees and survivors

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### Overview

Allows a new income subtraction for military retirees and survivors, phased in over three years starting in tax year 2015. When fully phased-in, the subtraction would equal \$1,500 for each year of active service, up to a maximum subtraction of \$30,000.

#### Section

**1** **Income tax subtraction for military retirees.** Allows a new income tax subtraction for individuals who receive military retirement pay (both retirees and their survivors). The subtraction equals a dollar amount for each year or portion of a year of active service, up to a maximum of twenty years of services. The subtraction would be phased-in on the following schedule:

- ▶ 2015: \$500 per year of service, maximum of \$10,000;
- ▶ 2016: \$1,000 per year of service, maximum of \$20,000;
- ▶ 2017 and following years: \$1,500 per year of service, maximum of \$30,000

The subtraction is not limited to the amount of military retirement pay received. In the case of married spouses who file jointly, each spouse can claim this subtraction.

**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.