

Governor Haley signed H.3147 into law. The retired pay exemption will be phased in over a 5 year period.  
Below is the simplified version:

Reminder this only applies to your SC state taxes. Your military retirement is still subject to federal income taxes.

**64 & younger**

**Current Law**

\$3,000  
against earned income

**H.3147**

\$17,500 phased in over 5 years

\$ 5,900 in year 2016  
\$ 8,800 in year 2017  
\$11,700 in year 2018  
\$14,600 in year 2019  
\$17,500 in year 2020

**Over 65**

**Current Law**

\$15,000

**H.3147**

\$18,000 in year 2016  
\$21,000 in year 2017  
\$24,000 in year 2018  
\$27,000 in year 2019  
\$30,000 in year 2020

Spouses also are provided additional protection as a result of the amendment because it clarifies (and conforms to current Department of Revenue interpretation) that “Retirement Income” also includes widowers “Retirement Benefit Plan” and “Dependent Indemnity Compensation”.

Additionally, it clarifies that a military retiree age 65 and older, where both spouses are 65 or older and they file “jointly”, the actual benefit is up to \$45,000 when fully phased in, not \$30,000. For example, in 2016 it would be \$33,000 and increase as outlined above.