



301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

SC INFORMATION LETTER #89-20

TO: Vickie Jinnette
Public Information Director

FROM: John Swearingen, Manager
Tax Policy and Procedures Department

DATE: June 20, 1989

SUBJECT: Deduction for Retirement Benefits Received by
State Employees, School Teachers, Police Officers and Fireman
(Income Tax)

REFERENCE: S.C. Code Ann. Sections 12-7-435(d)&(e) (As Amended in 1989)
S.C. Code Ann. Section 12-7-441 (Added in 1989)
S.C. Code Ann. Section 12-7-565 (Repealed in 1989)

AUTHORITY: S.C. Code Ann. Section 12-3-140 (1976)
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

South Carolina Code Sections 12-7-435 (_d_)&(e) were amended to restrict the deduction for retirement benefits of state employees, school teachers, police officers and firemen effective for taxable years beginning on or after January 1, 1989.

Section 12-7-435 (d) as amended allows a deduction for the first three thousand dollars (\$3,000) of amounts received from the South Carolina State Retirement Systems and from the retirement systems of other states.

Section 12-7-435 (e) as amended allows a deduction for the first three thousand dollars (\$3,000) of retirement pay received by police officers or firemen from a South Carolina municipality or county group retirement plan.

Section 12-7-441 provides that retirees receiving benefits from the various state retirement systems or any other pension plan maintained by a political subdivision of this State who have recovered all or a part of their recoverable costs in their retirement benefits for federal income tax purposes before January 1, 1989, are considered to have recovered those costs for purposes of the state income tax. For taxable years beginning after 1988, cost recovery of these retirement benefits is the same for both state and federal income tax purposes.

Section 12-7-565, which allowed the commission to enter into reciprocal agreements with other states relating to taxation of retirement benefits of public teachers and employees, is repealed effective for taxable years beginning on or after January 1, 1989.

No taxpayer receiving benefits from the various state retirement systems provided in Title 9 of the 1976 Code may be assessed penalties or interest on underpayments of estimated individual income taxes for the 1989 taxable year occurring as a result of the elimination of the total exemption of those benefits from the South Carolina individual income tax.