Retirement

Individual Income Tax Law changes effective for tax years beginning on or after January 1, 2014
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The NC Department of Revenue provides this information as a courtesy to help keep you informed. As tax laws change, the application of the information provided may change as well. This information is general and summary in nature, and should not be construed as advice for your specific situation. If you would like to obtain specific tax advice which is binding on the Department, you may follow the procedure for requesting a letter ruling, which is located at www.dornc.com.
Overview

The Tax Simplification and Reduction Act (House Bill 998) was signed into law on July 23, 2013. Under this new law, all taxpayers will be taxed at a lower rate and be granted a higher standard deduction. The Act made significant changes to the individual income tax law for tax years beginning on or after January 1, 2014.
Changes to Deduction for Retirement Benefits

• **Before Tax year 2014:** Taxpayers were allowed a deduction on their NC return for government retirement income (up to $4,000) and private retirement income (up to $2,000), retirement benefits received by vested NC State government, NC local government, or Federal Government Retirees under the Bailey settlement, and Taxable Social Security.

• **Tax Year 2014:** The deductions for retirement benefits received pursuant to the Bailey settlement and Taxable Social Security are still allowed.

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<th>2014 and After</th>
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2014 Retirement Deductions

- The retirement deductions that can be claimed on your NC return are:
  - Retirement benefits received by qualified NC State, NC Local, and federal government (Bailey settlement) retirees
    - Qualifications include:
      - Retirees that had five or more years of creditable service as of August 12, 1989.
      - Retirees that received retirement benefits from the State's 401 (k) and 457 plans and had contributed or contracted to contribute to the plan prior to August 12, 1989.
- Taxable Social Security
  - You may take a deduction if any portion of your social security or railroad retirement benefits were included in federal adjusted gross income
Resources

- Website:  www.dornc.com
- Phone:    1-877-252-3052
- **Income Tax Estimator**
  - This application can help estimate individual income tax refund or liability amount.

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