

Are We Obligated?

Ira N. Schwarz
(Rev. Nov. 2012)

Government retirees achieved a significant victory several years ago, referred to as the “Bailey Settlement” with the State of North Carolina. This Settlement assures us of exclusion from payment of state income tax on our government retirement benefits for the rest of our lives. It applies, however, only to those who had five or more years of creditable service toward retirement as of August 12, 1989. This means that any government retiree who retired with only twenty years of service on August 12, 2004, or after, will not qualify for this tax exclusion. This limitation applies to subsequent retirees with more service years who did not have five years credit on that key date.

The question we must each ponder is: Do we, who are currently retired, have an obligation to our fellow government employees (state, military & civil service) to work toward extending the exclusion to this younger group? There are those who would say, using an old Navy term, “Pull up the ladder – I’m aboard.” But is this our attitude? Most of you are aware that the “Hatch Act” precludes active federal government employees, including military, from political activism - thus they cannot act on their own behalf. But as retirees we can act for them.

The 4th Branch, at a meeting several years ago, voted unanimously to take on the task of pressuring our State General Assembly to enact legislation correcting this inequity. This group primarily responsible for the Bailey Settlement, is made up of all government organizations within North Carolina (state and federal). This effort remains ongoing.

A bill titled House Bill 473 was introduced in the 2011 session of the General Assembly. A later modification allows an extended phase-in period. The 2012 session took no action, but has promised to reintroduce this bill, but with a new number.

Those of us leading this struggle remain confident that eventually our legislature will heed the result of an extensive study showing that the State gains \$2.50 for each dollar of tax lost by extending this exclusion.

The proposed bill phases the exclusion over several years to all federal, NC State and NC local retirees and also restores the reciprocal agreements with other states that grant NC retirees exclusion.

It is certain that this will be a long and difficult struggle since, as is usually the case, we are competing for limited funds and fighting shortages. Our fervent hope is that this issue can be taken up when our General Assembly looks at revisions to our State tax structure.

All of our organizations are continually working to recruit new members and particularly younger members. The incentive to become a part of such an undertaking, with personal benefit, should encourage recent retirees to join and participate.

Remember that, unless we are successful in this effort, many of our brave military fighting men and woman now returning from combat assignments will be taxed by this State upon retirement. A disgrace for a State that claims to be “Military Friendly.”