

RETIREMENT INCOME TAX CREDIT FOR
ARMED FORCES

JULY 26, 1955.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

R E P O R T

[To accompany H. R. 291]

The Committee on Finance, to whom was referred the bill (H. R. 291) to extend the retirement income-tax credit to members of the Armed Forces, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this act, the Committee on Finance accepts the report of the Committee on Ways and Means, which is as follows:

PURPOSE

H. R. 291 would allow retired members of the Armed Forces who have not attained age 65 to qualify for the retirement income-tax credit allowed under section 37 of the Internal Revenue Code of 1954 in the same manner as other persons who retire under a public retirement system.

GENERAL STATEMENT

The Internal Revenue Code of 1954 (Public Law 591, 83d Cong.) provided a new tax credit for retirement income. This retirement income-tax credit as enacted by the House (H. R. 8300, 83d Cong.) was limited to individuals who had attained the age of 65. The Senate amended the House version of this provision to provide that persons who retire under a "public retirement system" may qualify for the credit without regard to whether or not they had attained the age of 65. In defining the term "public retirement system" the Senate specifically excluded a retirement fund or system established by the United States for members of the Armed Forces of the United States. Because the subject of eliminating the age requirement for eligibility for the retirement credit with respect to military personnel was not germane to the conference, the amendment was accepted by the conferees.

Your committee's bill would remove the discrimination existing under present law against members of the Armed Forces by allowing them to claim the retirement income tax credit under the same circumstances and to the same extent as retired civil servants and others under a public retirement system. This provision will be of benefit to those persons who upon retirement from the Armed Forces do not obtain other employment. This provision is not likely to benefit a retired person who obtains other employment, since the amount of retirement income on which the credit is computed each year cannot exceed \$1,200 less the

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amount of any earned income in excess of \$900. Thus, for persons who retire and then secure another job the retirement income tax credit would be reduced, dollar for dollar, for earnings over \$900. For persons who receive \$2,100 or more per year in earned income there would be no retirement income tax credit allowed.

Your committee has adopted an amendment to H. R. 291 so that the bill would apply only with respect to taxable years beginning after December 31, 1954.

The Department of Defense has recommended this legislation to the Congress. Your committee is unanimous in urging the enactment of H. R. 291, as amended.

It is estimated that the enactment of this bill will result in a loss of revenue of \$6 million.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 37 (F) OF THE INTERNAL REVENUE CODE

SEC. 37. RETIREMENT INCOME.

(a) GENERAL RULE.—* * *

* * * * *

(f) PUBLIC RETIREMENT SYSTEM DEFINED.—For purposes of subsection (c) (2), the term "public retirement system" means a pension, annuity, retirement, or similar fund or system established by the United States, a State, a Territory, a possession of the United States, any political subdivision of any of the foregoing, or the District of Columbia; except that such term does not include a fund or system established by the United States for members of the Armed Forces of the United States].

