

Keep the Promise, Grow the Economy, Keep & Create Jobs!

North Carolina should keep its promise to *all* those who have fought for our country and dedicated their careers to federal, state and local public service by exempting their retirement benefits from state income tax.

- It will boost the state's economy and create jobs.
- It will help protect our military bases by encouraging retired military personnel to relocate or remain in the state, providing support services to both bases and private-sector defense contractors.
- It's the right thing to do!

Did You Know? Some of North Carolina's military, federal, state and local public-service retirees are exempted from state income taxes on their pensions, while others must pay income taxes – an unfair tax policy effectively creating two classes of retirees. Restoring the state income tax exemption for *all* military and public-service retirees is not only the right thing to do, but also an excellent investment in North Carolina's economy – with a benefit-to-cost ratio of 2.5 to 1!

Job Creation, Increased Consumer Spending & GDP – It would have created 3,600 jobs and increased the state's output by more than \$390 million during the first year! As retirees spend in local economies, jobs are generated.

Increase in the Capital Pool – The increased capital pool from these high-income, well-educated retirees would provide North Carolina banks and financial institutions with funds to lend small businesses and help grow jobs.

Boost to Public Schools – It would help public schools by providing an incentive for these retirees to set up households here. The household real estate taxes of two retirees support the public schooling of one "community student" since few retiree households have students.

In-Migration/Retention Benefits – It would increase the in-migration and retention of these retirees, yielding significant benefits such as increased sales and property tax revenues, new home construction and purchases, a more stable business cycle, more volunteer service and charitable contributions, and support services for military bases and defense contractors.

Bottom Line: A state income tax exemption for military, federal, state and local public service retirees is an important economic development tool for North Carolina. The benefits outweigh the costs by more than two to one, making it clear that the *right* thing to do is also the *wise* thing to do. It's time for North Carolina to keep its promise and exempt military and other federal, state and local government pensions from state income tax.

For more information, contact Mitch Leonard, NC Co-Chair, The 4th Branch, at (919) 417-4068.

*Source: Investing in North Carolina's Future: The Positive Economic Impact of Extending the Bailey Settlement to All Government Retirees, prepared by independent economist James L. Hedrick for The 4th Branch. The methodology superimposes the income tax exemption and estimates its economic impact on the NC economy in 2007, using the widely used and generally accepted IMPLAN model. *The 4th Branch is a statewide "watchdog" and advocacy group for more than 300,000 military, federal, state and local public-service retirees in North Carolina.*