STATEMENT OF PURPOSE

RS23258

Federal employees who retired under the Civil Service Retirement System (CSRS) are allowed to claim the retirement benefits deduction because they did not contribute into social security. This deduction puts those retirees on the same footing as individuals who receive social security benefits and are able to take an Idaho deduction for those benefits. Certain foreign service workers that contributed to the Foreign Service Retirement and Disability System (FSRDS) also did not contribute into social security but have been excluded from claiming the retirement benefits deduction, making those benefits taxable. Federal workers covered under the Federal Employees retirement System (FERS) cannot claim the deduction because they are covered under social security.

The legislative proposal would expand the retirement benefits deduction to include workers covered under FSRDS and employees receiving benefits under the offset programs for CSRS and FSRDS and clarifies that retirees under FERS do not qualify for the deduction.

FISCAL NOTE

A reduction in General Fund revenue of $10,000 per year.

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