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## **Extending the Baily Settlement**

Several years ago, The 4th Branch, a watchdog group of 52 organizations with NARFE as a principal member, was instrumental in the process that ultimately exempted federal, state, local, and military retirees from paying North Carolina income tax on their retirement annuities (the so-called “Bailey Settlement”). The settlement stipulated, however, an eligibility requirement of five or more years of creditable service on or before August 12, 1989, for a retiree to receive the benefit. This means those not meeting the five or more years creditable service criterion and those retiring on or after August 13, 2004, with 20 years of service are excluded. It is The 4th Branch’s belief that this was never the intent of the General Assembly and we have supported legislation to correct it.

Obviously, the Legislature is reluctant to witness a loss in state tax revenue. The economic impact statement accompanying the bill House Bill 1267 showed an estimated negative revenue stream of more than \$60 million over the next five years if the bill passed. The 4<sup>th</sup> Branch feels this is only part of the economic picture and as such it is very misleading. Exempting these retirees’ annuities from state income tax would encourage them to stay in North Carolina or move to our state rather than to, say, Florida. Furthermore, while living in North Carolina the retirees would still pay both real and personal property and sales taxes; and many would continue into second careers and pay state income taxes. Quantifying this is easier said than proved, hence the need for a rigorous economic study. Several studies addressing the impact of retirees in general on a geographic area have been done in Georgia, South Carolina, and in Western North Carolina; but, to our knowledge nothing has been done addressing a specific federal, state, local, and military retiree cohort.

A committee of The 4th Branch members is in the process of interviewing suitable candidates from academia and the private sector to conduct the study. Obviously, the economist selected must have recognized stature and the research product must be rigorous and thorough or it will have little or no influence on the Legislature. Studies of this quality are not cheap.

All of those who benefited from the Bailey Settlement as well as the organizations comprising, The 4<sup>th</sup> Branch will be asked to contribute resources for the study. I believe that it is incumbent on us as NARFE members to make sure that this effort succeeds. The North Carolina Federation has a unique interest in this effort as so many of our members benefited from the Bailey Settlement and, doubtless, would want to see their fellow and future retirees who fall outside the original settlement receive equal treatment.

