

Highlights of the Finance Provisions

The Finance Provisions in the Conference Budget reduce General Fund revenue by \$201 million in FY 2022-23. The highlights of the Finance section provisions follow below:

Expand Income Tax Exclusion of Military Retirement Pay to All Uniformed Services (Section 42.1) - Expands the income tax exclusion of military retirement pay to include retirement pay for service in all uniformed services. The current exclusion applies to members of only the Armed Forces, but this expansion would extend it to retirees of the National Oceanic and Atmospheric Administration (NOAA) and the U.S. Public Health Service (USPHS). This provision would become effective for taxable years beginning on or after January 1, 2022.

Expand Sales Tax Exemption for Interstate Air and Ground Couriers (Section 42.2) - Exempts from sales and use tax purchases of certain equipment, including conveyor systems, and related parts and accessories purchased by air and ground couriers for use at package sorting facilities. This provision would become effective July 1, 2022.

Use Sales Tax Revenues for Transportation Needs (Section 42.3) - Transfers a portion of the sales and use tax proceeds generated from the State's general rate of tax, ranging from 2%-6% over three years, and continuing at 6% each year thereafter, to the Highway Fund and Highway Trust Fund for transportation needs. This provision would become effective when the act becomes law.

Quarterly Motor Fuel Tax Refund for Off-Highway Use (Section 42.4) - Shifts from annual to quarterly the motor fuel tax refund available for the off-highway use of motor fuel. This provision would become effective January 1, 2023, and apply to purchases of motor fuel on or after that date.