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H.255

Introduced by Representatives Canfield of Fair Haven, Bartley of Fairfax,  
Birong of Vergennes, Branagan of Georgia, Brennan of  
Colchester, Burditt of West Rutland, Burrows of West Windsor,  
Christie of Hartford, Cina of Burlington, Clifford of Rutland  
City, Cole of Hartford, Demar of Enosburgh, Dickinson of St.  
Albans Town, Dolan of Waitsfield, Donahue of Northfield,  
Galfetti of Barre Town, Goslant of Northfield, Graham of  
Williamstown, Gregoire of Fairfield, Hango of Berkshire,  
Harrison of Chittenden, Higley of Lowell, Hooper of Randolph,  
Howard of Rutland City, Krasnow of South Burlington, Labor  
of Morgan, LaBounty of Lyndon, Laroche of Franklin, Lipsky  
of Stowe, Maguire of Rutland City, Marcotte of Coventry,  
Mattos of Milton, McFaun of Barre Town, Morgan of Milton,  
Morris of Springfield, Morrissey of Bennington, Noyes of  
Wolcott, Nugent of South Burlington, Oliver of Sheldon, Page  
of Newport City, Parsons of Newbury, Peterson of Clarendon,  
Sammis of Castleton, Sabilia of Dover, Sims of Craftsbury,  
Smith of Derby, Taylor of Milton, Templeman of Brownington,  
Toof of St. Albans Town, Troiano of Stannard, Walker of  
Swanton, Williams of Granby, and Wilson of Lyndon

1 Referred to Committee on

2 Date:

3 Subject: Taxation; income tax; exemption; military retirement income

4 Statement of purpose of bill as introduced: This bill proposes to exempt all  
5 military retirement income and military survivor income received by surviving  
6 spouses or dependents from income tax in Vermont.

7 An act relating to exempting all military retirement and military survivor  
8 benefit income

9 It is hereby enacted by the General Assembly of the State of Vermont:

10 Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

11 (21) “Taxable income” means, in the case of an individual, federal  
12 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

13 \* \* \*

14 (B) decreased by the following items of income (to the extent such  
15 income is included in federal adjusted gross income):

16 \* \* \*

17 (v) the amount of any federal deduction or credit that the taxpayer  
18 would have been allowed for the cultivation, testing, processing, or sale of  
19 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,  
20 but for 26 U.S.C. § 280E; ~~and~~

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\* \* \*

(vii) U.S. military retirement income and U.S. military survivor benefit income received by the surviving spouse or dependent of a deceased service member; and

\* \* \*

Sec. 2. 32 V.S.A. § 5830e is amended to read:

§ 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

\* \* \*

(c) Other contributory retirement systems; earnings not covered by Social Security. Other retirement income, ~~except U.S. military retirement income pursuant to subsection (d) of this section,~~ received by a taxpayer of this State shall be excluded pursuant to subsection (b) of this section as though the income were received from the Civil Service Retirement System and shall be subject to the limitations under subsection ~~(e)~~(d) of this section, provided that:

\* \* \*

~~(d) U.S. military retirement income. U.S. military retirement income received by a taxpayer of this State shall be excluded pursuant to subsection (b) of this section as though the income were received from the Civil Service Retirement System and shall be subject to the limitations under subsection (e) of this section.~~

1           (e) Requirement to elect one exclusion. A taxpayer of this State who is  
2 eligible during the taxable year for the Social Security income exclusion under  
3 subsection (a) of this section and ~~any one or both~~ of the exclusions under  
4 subsections (b)–(d) and (c) of this section shall elect either one of the  
5 exclusions for which the taxpayer is eligible under subsections (b)–(d) and (c)  
6 of this section or the Social Security income exclusion under subsection (a) of  
7 this section, but not both, for the taxable year. A taxpayer of this State who is  
8 eligible during the taxable year for ~~more than one of the~~ both exclusions under  
9 subsections (b)–(d) and (c) of this section shall elect only one of the exclusions  
10 for which the taxpayer is eligible for the taxable year.

11       Sec. 3. 32 V.S.A. § 5813(aa) is added to read:

12           (aa) The statutory purpose of the exemption for military retirement income  
13 and military survivor benefit income in subdivision 5811(21)(B)(vii) of this  
14 title is to honor and thank military retirees and their families for their military  
15 service.

16       Sec. 4. EFFECTIVE DATE

17           Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on  
18 January 1, 2023 and shall apply to taxable years beginning on and after  
19 January 1, 2023.