

## **Testimony to House Ways and Means Committee**

**Jan. 30, 2018**

Good morning. I'm Greg Marchildon and I am State Director for AARP Vermont.

As many of you know, AARP Vermont has been an advocate for low income Vermonters for many, many years. Whether it's Choices for Care, utility rates, LIHEAP or prescription drugs, we understand the financial burdens that weigh on older and vulnerable Vermonters and how that erodes their quality of life. The issue of taxing their Social Security benefits falls squarely in this same category. In Vermont, lower income individuals do not pay taxes on Social Security benefits because their income will likely be below the threshold for taxation -- \$25,000 for a single filer and \$32,000 for joint filers. However, it is a different story for lower and middle income taxpayers. The Social Security threshold exemption levels have not been adjusted for inflation in over 30 years. If inflation adjusted, these numbers would be closer to

\$54,000 and \$70,000. Vermont is one of only 4 states in the nation that taxes these benefits at these levels. As stressed in Governor Scott's budget address, this adjustment is overdue and we hope you agree.

We are hearing from your constituents and others around the state that aside from being grossly unfair, these taxes on their retirement benefits could go to a several essential uses in their household budgets – like paying for their medications, their food, heating fuel and helping to cover the ever increasing property tax bills. Older Vermonters on fixed incomes clearly feel the effects of rising bills and inflation more than the rest of us. With the decline of traditional pensions and the ever rising cost of living, SS is becoming an even more critical source of guaranteed income. And by the way, these beneficiaries paid into this fund for their entire working life.

Let me share a few facts:

- Some 143,000 Vermonters now collect Social Security benefits.
- About 33,000 rely on Social Security benefits for 90% or more of their income.
- More than 50,000 of them rely on these retirement benefits for 50% of their income.
- The average SS benefit in Vermont is about \$19,000.
- 90,000 Vermonters will pay tax on their benefits this year.

By raising the thresholds for taxing these benefits, the State will be putting up to as much as \$400 back into the household budgets of these lower and moderate income residents...every year. Over the span of retirement that can amount to as much as \$10 – 12,000 dollars! And don't forget, these savings go right back into the Vermont economy!

We feel strongly that providing Social Security tax relief is a matter of fairness for low and middle income retirees, and is an investment in the

financial security of Vermonters for years to come. We hope you will not miss the chance to help protect these older Vermonters and their families.