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H.21

Introduced by Representatives Donahue of Northfield, Grad of Moretown, and
Lewis of Berlin

Referred to Committee on

Date:

Subject: Taxation; income taxation; exemption for military retirement income

Statement of purpose of bill as introduced: This bill proposes to exempt from
income taxation the first \$5,000.00 of military retirement income.

An act relating to military pension income tax exemption

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

Sec. 1. 32 V.S.A. § 5823(a)(2) is amended to read:

(2) Military pay for full-time active duty with the U.S. Armed Services
earned outside the State; and the first \$2,000.00 of military pay for unit
training in the State to National Guard and U.S. Reserve personnel for whom
the Adjutant and Inspector General or Reserve Component Commander
certifies that the taxpayer completed all unit training of his or her unit during
the calendar year, and who has a federal adjusted gross income of less than
\$50,000.00; and the first \$5,000.00 of military retirement pay.

1 Sec. 2. 32 V.S.A. § 5823(b)(3) is amended to read:

2 (3) Wages, salaries, commissions, or other income (excluding military
3 pay for full-time active duty with the U.S. Armed Services and also excluding
4 funds received through the federal Armed Forces Educational Loan Repayment
5 Program under 10 U.S.C. chapters 109 and 1609; and also excluding the first
6 \$2,000.00 of military pay for unit training in the State to National Guard and
7 U.S. Reserve personnel for whom the Adjutant and Inspector General or
8 Reserve Component Commander certifies that the taxpayer completed all unit
9 training of his or her unit during the calendar year, and who has a federal
10 adjusted gross income of less than \$50,000.00; and also excluding the first
11 \$5,000.00 of military retirement pay) received with respect to services
12 performed within this State.

13 Sec. 3. EFFECTIVE DATE

14 Notwithstanding 1 V.S.A. § 214, this act shall apply retroactively to
15 January 1, 2017, and shall apply to taxable year 2017 and after.