

Request to add Civil Service Retirement Benefits to H.911/S.200

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To: Vermont Senate Finance Committee

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What is CSRS? The Civil Service Retirement System was organized in 1920 to provide retirement, disability and survivor benefits for civilian government employees. It's a defined benefit plan, akin to a pension. Notably, civil service employees do not participate in Social Security (unless having previously worked in the private sector and then are subject to severe penalties). The CSRS system was replaced in 1983 by FERS (Federal Employees Retirement System), which is linked to Social Security.

Why are we asking to be included in H.911? Excluding CSRS annuitants from a tax bill that would provide relief from the Vermont income tax solely to those who receive a Social Security benefit is discriminatory and unfair. At the present time, there are fewer than 4,600 federal retirees in Vermont, and some of them participate in FERS. Since CSRS was discontinued as a retirement option 30 years ago, as our retirees pass away, the numbers are diminishing.

At the present time, the following states exempt the total amount of the Civil Service Annuity from state income taxes: Alabama, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Mississippi, New York and Pennsylvania.

Partial pension exemption states include: Arizona, Arkansas, Colorado, Delaware, Georgia, Indiana, Iowa, Maine, Maryland, Montana, New Jersey, New Mexico, South Carolina, Utah and Wisconsin.

Five states exempt certain federal CSRS annuities from taxation: (Depends on the age/dates of government service): Kentucky, Michigan, North Carolina, Oklahoma and Oregon.

States with no personal income taxes: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee and Texas.

Based on the above statistics, it's clear that Vermont is among a small minority of states that levy an income tax on CSRS pensions.

Our request: Please extend the same consideration to Civil Service Retirement System annuitants as is given to those on Social Security in H.911. We are appealing to your sense of fairness and equality.