

Rationale in Request for Equal Treatment

- Federal Employees hired between 1920 and 1987 were involuntarily taken out of the Social Security System and placed in the Civil Service Retirement System (CSRS).
- There are fewer than 1,000 Vermont residents over age 65 receiving Social Security benefits but having pensions from other sources (the federal government or railroad pensions). (Reference Issue Brief, March 1018 by Joyce Manchester of the Vermont Legislative Joint Fiscal Office)
- Because CSRS was closed to new employees after 1987, the number of Vermont annuitants is finite and continually decreasing as people under that system die.
- While employed, CSRS employees contributed 7% of their post-tax dollars to their retirement fund. Those contributions are meted out over a period of decades, according to the projected life expectancy of the individual.
- 90 to 95% of the CSRS retirement benefit is taxable at the federal level.
- CSRS annuitants, on average, receive a substantially higher monthly benefit (the national average is \$4,755 per month) than do those receiving a Social Security benefit. They were also able to participate in the Thrift Savings Plan, akin to a 401-K.
- Therefore, the vast majority of CSRS annuitants have annual incomes exceeding the \$45,000 to \$55,000 referenced in H.911.
- However, a small number of CSRS annuitants in Vermont entered the federal workforce later in life. Because the annuity is based on a formula that takes into account the number of years worked and the high three years of salary, these people receive a modest monthly annuity payment that is well below that national average.
- Coupled with the above, the Windfall Elimination Provision (WEP) offsets any Social Security benefit the CSRS annuitant may be eligible for (from work in the private sector before or after government service) by 2/3 of the CSRS annuity. In many cases, this offset cancels out any potential Social Security benefit.
- The majority of CSRS annuitants who would benefit from the proposed tax relief are elderly women in rural communities, many of whom were able to obtain part-time employment in their local post offices after raising their families.
- Extending the tax relief afforded to low-income Social Security beneficiaries to this very small group of CSRS annuitants would represent an insignificant loss of tax revenue for Vermont.
- No one should be penalized because he/she chose government service as a career. The financial impact of extending the tax exemption to low-income CSRS annuitants would have very little impact on the state's revenue, but it would be a blessing to those who would benefit.
- To deny low-income CSRS annuitants the same tax relief as those in the same income bracket who receive Social Security is discriminatory, unjust and contrary to the American ethos.

From: Mary Nadeau
Sent: Friday, September 27, 2019 11:32 AM
To: Robert Bancroft
Subject: bullets

Bob,

That second attachment wasn't the right one. It was supposed to contain the bullets, highlighting the major points and the rationale for our request. (k), it's again!

Mary