

**Vermont House Bill 846-Exemption of Military Retirement Pay from
State Tax
January 27, 2020 Robert Tower Berkshire, VT**

One sometimes forgets the importance of the many Vermont National Guard (VTNG), citizen soldiers, that have dedicated their service to our state and nation over the last several decades. Least we forget those VTNG units deployed to Germany during WW II and Korea during the Korean War serving with distinction! Recently some VTNG units were deployed to Southwest Asia during Desert Storm. Even giving time from their civilian occupations when not deployed these dedicated men and women were ready to serve when called upon by the Governor. They responded and carried out their State Mission during a tragic train derailment, a severe drought trucking water to communities and farms, and helping after a massive ice storm in 1968. Most recently, following the September 11, 2001 terrorist attacks, Vermont Army and Air National Guard members performed missions in support of Operations Noble Eagle, Enduring Freedom in Afghanistan and Iraqi Freedom. VTNG units are constantly training and can always be ready to live by the tradition of the a Green Mountain Boys. During the Civil War, our citizen soldiers were called upon by General John Sedgwick, who is quoted as saying, "Put the Vermonters ahead and keep the column well closed."

This is a unique segue into what I have undertaken the past several weeks. I have reread Governor Scotts State of the State Speech and Budget Proposal a few times now. As you may know, I have been working with fellow Veterans and our friends to enact House Bill 846, which would exempt military retirement pay from state income tax. There have been several versions of this Bill: H.20, S.129, and H 435. In his speech the Governor said, *"I vowed to always put Vermonters first... And to do it all while allowing working Vermonters, and our retirees, to keep more of what they earn."* I am finding that this is not necessarily true for many Vermonters. So, what is currently happening in Montpelier and what can the Governor and Legislators do help financially struggling Vermonters!

I have learned from Veterans that they are grappling with the high rate of taxes on just about everything. One Veteran, Cathy wrote, *"As soon as I am able, I will move to TN, which does not tax our retirements. Being a GS-06, I don't have much to live on as a retiree. It is a shame that I worked full*

time and can't get enough retirement to live on now." The Governor said that from 2013 to 2016, 2,000 Vermont tax filers left the state. He said this represented a \$150 million in adjusted gross income leaving Vermont. Many who grew up here are moving out of state where they have settled for a more affordable life.

Chuck, a Vermont Veteran, wrote to me, *"I love and live in Vermont. If my children and grandchildren and great grandchild did not live here, I would move tomorrow. Veterans have served this state and country with honor for many years of their lives. Veterans should receive relief from taxes on their retired pay."* Robert, also a Veteran and native Vermonter wrote, *"We have enjoyed our home in Vermont for many years but as time goes on, it is becoming more difficult to remain in Vermont because of the financial burdens we endure year after year. We have seriously considered moving to Alaska because of the many benefits that it offers to veterans."*

The Governor believes we should be recruiting from the pool of talented, committed workers already here in our state...our National Guard and retired, full-time service members. In his speech he said, *"The Vermont National Guard has nearly 3,500 members here in the state – a third of whom aren't Vermonters. So, when they leave the Guard, they leave Vermont."* But what we are seeing is the other two-thirds are also leaving because of the high cost of living and taxes. Many young people who sign up to join the Armed Forces do so and move to those states that offer better benefit to service members and Veterans. But we also have a significant part of our population known as the "gray area retirees" following this bill. Gray area retirees are those from all branches of the National Guard and Reserve Service who pledge 20 years (minimum), who will receive a "retirement" at age 60+. They could be age 30 or older right now and still working full time in Vermont at their civilian occupation while participating as a soldier in the Vermont Army or Air National Guard. They will not be eligible to collect their military retirement until age 60+. They are however Vermont citizens, wage earners, taxpayers, community members...Vermonters. They are looking ahead to the plans they will make when they reach retirement age.

Al, a good friend and soldier wrote, *"We have been in this house for 46 years and just don't have the ability to get it cleaned and sold and look for another place. The cost of living is killing us slowly each year. A 1.6% raise in SS and retirement is wiped out each year by the increases in*

medicine, food, taxes and most everything else. It's always a challenge to figure out what we'll cut out of the budget to meet all the increases." Why aren't we taking care of those that have sacrificed so much like our neighbors in New Hampshire, New York, Massachusetts and several southern states, who offer benefits to Veterans. So many Veterans have written and commented why they moved, Steve's comment pretty much sums it up, "Hated leaving my home state, but taxes drove me out. My military retirement and my social security are not taxable. 100% VA disability so no property tax on a 3-bedroom house, but still miss Vermont."

Toward the end of the Governor's speech he said about Veterans, *"These are the men and women who bravely serve our country and communities. They have valuable skills that benefit our employers and economy. They can help us grow our workforce and put kids back in our schools. That's why I'm proposing a package to level the playing field by offering tuition-free college in Vermont, for those who commit to serve in our National Guard.... And, if we want to compete with other states, we must make Vermont more affordable for retired Veterans, which is why I'll propose to remove the income tax on military pensions."* This is a good start to honoring and supporting our hard-working Veterans, always on call, ready to serve their community, state, and country, as Susan said in her comments to me.

Linda Fowler shared this message from LTC Doran D. Metzger, and it really drives the importance of taking care of our Veterans, *"Vermont continues to distinguish itself as having one of the highest rates of per capita military service. Unfortunately, Vermont is also notable for being one of only eight states that fully taxes military retirement pay. Due to this tax, many of those I served with immediately left Vermont after meeting their military retirement requirements, or they did not return after having served on active duty elsewhere. Many military retirees continue to work in civilian occupations after leaving the armed forces. Considering that Vermont is currently facing a significant population and workforce shortage, it is doubly unfortunate that our state is not doing what it can to incentivize our military community to remain here."*

"With major military installations existing around the Northeast, Vermont has an opportunity to attract a diverse community of military retirees who would move here to live and work in our local communities. These veterans would bring with them desperately needed professional skills, like

the emergency services backgrounds Vermont's leaders have identified as lacking in our rural towns. Additionally, the relatively low revenue gained by this tax would almost certainly be offset by the influx of military retirees who would pay other state taxes, while contributing to Vermont as valuable community members."

"Please consider the overwhelming benefit of retaining and attracting military retirees to Vermont - Support H.846!"