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Senate Committee on Finance  
H.510 – Social Security Tax

Good afternoon, my name is Christina FitzPatrick and I am the Director of Policy Integration for AARP, where I specialize in policy issues related to financial security.

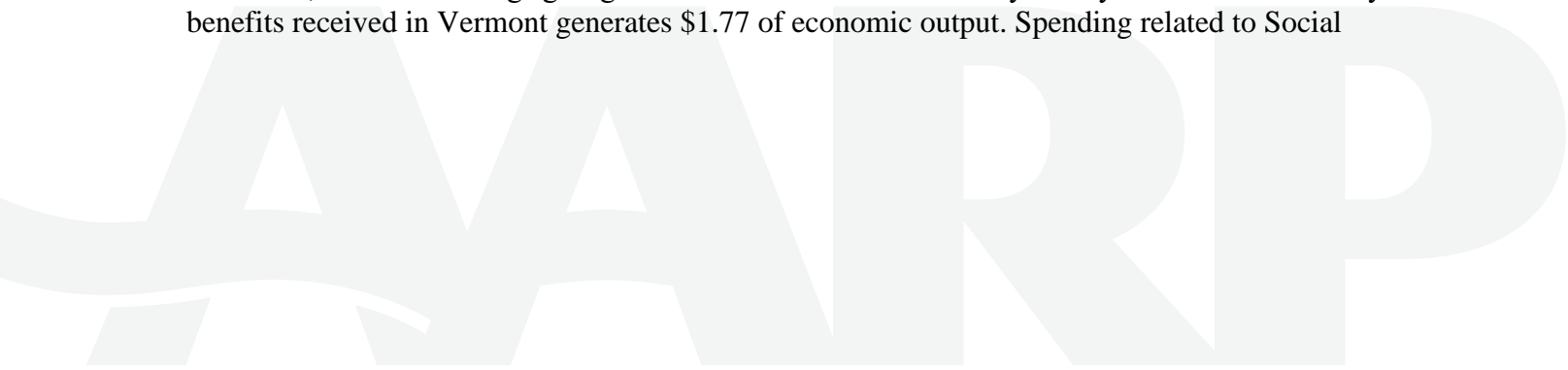
AARP has 128,000 members in Vermont. We are a non-profit, non-partisan organization that works across Vermont to strengthen communities and advocate for issues that matter most to families, such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

Thank you for the opportunity to testify today in support of increasing the income exemption for the state tax on Social Security benefits. AARP supports the intent of H 510, but we urge the Committee to further increase the existing thresholds so that more middle-class retirees and their families will not have to pay this tax and can keep more of their hard-earned benefits.

Vermont is one of only 12 states that still tax Social Security benefits and it has one of the heaviest taxes in the nation. We continuously hear from our members and your constituents that aside from being grossly unfair, these taxes on their Social Security benefits could go to several essential uses – like paying for the ever-growing cost of prescription medications, as well as food, and utility bills. In fact, according to AARP research, the average annual cost of prescription drug treatment increased by 26.3 percent between 2015-2019. Many retirees tell us they are using their Social Security to help care for their own parents, their spouses and, more and more often, are taking on the financial challenge of raising or helping care for their grandchildren. They also feel that they have limited options for rejoining the workforce and virtually no time horizon to increase their savings.

Older Vermonters on fixed incomes clearly feel the effects of inflation more than the rest of us. Social Security tax relief is one way the state can help retirees stretch their hard-earned dollars. This will afford them increased financial security throughout their retirement years, hopefully allowing them to care for their family and age in their own homes and communities - as so many of us would like to be able to do.

Moreover, these tax savings go right back into Vermont's economy. Every \$1 of Social Security benefits received in Vermont generates \$1.77 of economic output. Spending related to Social



Security by beneficiaries, businesses, and workers on goods and services generates \$3 billion in economic output for Vermont.

Within our state, Vermonters age 50 and over create an economic impact much greater than their portion of the population. As the percentage of state residents over 50 continues to grow, so will their contributions to our economy. According to the “Longevity Economy,” a report prepared by AARP and the Economist, Vermonters 50 and older generated 47 percent of the state’s gross domestic product in 2018, totaling \$18 billion. Moreover, the report found that state residents 50 and older made up just 42 percent of Vermont’s population in 2018 but supported 227,000 jobs across the state and generated \$12 billion in wages and salary. Our older population in Vermont also contributed \$0.9 billion in unpaid caregiving in 2018 for spouses, parents, aunts, uncles and Vermont’s children.

Vermont would be smart to consider maintaining and adopting programs and policies that keep this important economic engine in our state, rather than policies that might drive retirees and their contributions to our state’s economy and workforce elsewhere. AARP Vermont is available to work with this Committee to achieve that end. We are happy to participate in conversations about how our state can increase its Social Security exemption thresholds to the benefit of many more Vermonters and their families.

Thank you for your time today.

