



**Testimony on S.53 Sections 14 and 15**  
**Military Retirement Income Tax Exemption**  
Senate Finance Committee  
Chris Carrigan, Vice President  
February 18<sup>th</sup>, 2022

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Chair Cummings and honorable committee members:

The statewide Vermont Chamber of Commerce represents 1,200 members, the vast majority being small businesses, from all industries and sectors of Vermont's business and manufacturing community.

The Vermont Chamber strongly supports the removal of the state taxation on military retirement pay and survivors benefits for military retirees, defined as service members who have served for at least 20 years.

Military retirees often serve for at least 20 years and retire from military service between the ages of 38 and 42. With a full, second civilian career ahead of them, they are public service oriented, have a high degree of training, and possess transferable, professional skills to fill essential, skilled jobs and continue contributing to the workforce, especially in impacted industries, such as manufacturing, and until they reach traditional retirement age. To illustrate, those who enlisted in the wake of September 11<sup>th</sup>, for example, are now set to retire but have more than twenty years of workforce participation ahead of them.

In the meantime, paradigm shifts brought about by the pandemic have impacted global supply chains, and, importantly, the labor market by presenting employers with yet another challenge. Vermont employers face not only a shrinking, aging demographic (20% of Vermont's population

is over the age of 65)<sup>i</sup> and declining school enrollments, but also face severe worker shortages, accentuated by the “Great Reshuffle, Resignation, and Retirement.” The Vermont Futures Project identified that Vermont needed **10,000** workers in the labor force before the pandemic. That number has certainly increased as we now have **23,000** job openings as highlighted by Vermont Governor Scott in his Annual Budget Address.

Adding to the challenge, Vermont is currently one of only three states (CA, VT, VA) that fully tax military retirement pay, and, in doing so, discourages military retirees and the next future generation of active-duty military set to retire from moving to Vermont upon conclusion of their service. It also incentivizes military retirees and active-duty military approaching retirement to leave Vermont for states that don’t tax military pensions. According to the Vermont Legislative Joint Fiscal Office, and, over the past 15 years, on average, only 36 new retirees were added annually to Vermont’s list of retirees.”<sup>ii</sup> This number could and should be much higher to help address Vermont’s severe workforce labor shortage.

As we work to recruit more people to the state of Vermont and make Vermont attractive to all new residents, we also need to do so in a way that welcomes all people. 43% of the U.S. Military is Black and Indigenous People of Color (BIPOC). Fewer than 6% of Vermonters are people of color. The Vermont Chamber believes incentivizing military retirees to either stay or move to Vermont would increase the diversity of our population and communities while also strengthening our workforce and helping to address and mitigate Vermont’s severe workforce labor shortage.

### **Conclusion:**

In closing, the Vermont Chamber supports fully exempting military pensions and survivors benefits for military retirees for workforce recruitment, retention, diversity, military service recognition, and to make Vermont more attractive and competitive with other states. As

mentioned, Vermont is facing a workforce labor shortage crisis, and the proposed \$3.1 million dollar tax expenditure for a full exemption is a small, affordable, timely, and much needed investment in building our future workforce for statewide economic growth and to help Vermont and Vermont businesses recover from the pandemic.

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<sup>i</sup> United States Census Bureau, "U.S. Census Bureau QuickFacts: Vermont," United States Census Bureau (2021), <https://www.census.gov/quickfacts/VT>

<sup>ii</sup> Vermont Legislative Joint Fiscal Office Issue Brief, Military Retirement Income Tax Exemption, p. 1, January 12, 2021. Prepared by Graham Campbell