



Written Testimony on H.255
Military Pension Tax Exemption
House Ways and Means Committee
Chris Carrigan, Vice President
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The Vermont Chamber of Commerce represents businesses of all sizes, from every industry, across every region of Vermont. We understand what it takes to help businesses grow and thrive to build strong and vibrant communities, and businesses have trusted us to center stewardship in our mission of advancing the Vermont economy. It is because of this mission that I offer written testimony for the Committee's consideration of H.255, an act relating to exempting all military retirement and military survivor benefit income.

Last year, Vermont passed a law allowing the first \$10,000 of federally taxable U.S. military retirement pay from taxable income for residents with gross incomes of \$50,000 or less (\$65,000 or less for those married but filing a joint tax return). Before this change, Vermont was one of the last states to not exempt any taxable income for military retiree residents. However, Vermont remains [ranked](#) as the worst state for military retirees, in part due to the threshold of tax-exempt military retirement pay being the lowest in the country. New Hampshire and Maine are both in the top 10 best.

Vermont employers are facing severe workforce shortages. With a shrinking, aging, demographic, and declining school enrollments, 20% of the Vermont population is over the age of 65. Vermont needs more people.

Military retirees often serve for 20 years and retire from military service between the ages of 38 and 42. With 200,000 people transitioning out of the military annually, many have a full civilian career ahead of them. Military retirees are dedicated to public service, are highly skilled, and many already have housing in a very tight housing market. These retirees also possess transferable, professional training and are poised to fill essential jobs in impacted industries such as manufacturing.

For Vermont military retirees and active-duty military personnel approaching retirement, the current tax exemption is an incentive to leave and move to states that do not tax military pensions. According to the Vermont Legislative Joint Fiscal Office, over the past 15 years, an annual average of only 36 new people have been added to Vermont's list of retirees. This number could, and should, be much higher to help address Vermont's workforce shortage. As of 2021, according to the Governor's Veterans Advisory Council, Vermont's military retiree, and military survivors' population was static for the previous five years. During this timeframe, 475 Vermont National Guard members retired, but the vast majority left the state.

As we work to recruit more people to live, and work, in Vermont, we must do so in a way that welcomes all people. 43% of people in the U.S. Military identify as Black, Indigenous, or People of Color, while fewer than 6% of Vermonters do the same. The Vermont Chamber believes incentivizing military retirees to move to Vermont would increase the diversity of our population and communities while also strengthening our workforce.

The Vermont Chamber strongly supports fully exempting military pensions and survivors' benefits for military retirees. This would aid workforce recruitment and retention efforts, make our communities more diverse, and bring us in line with neighboring states. A full exemption is a small, affordable, timely, and much-needed investment to ensure the economic vitality of Vermont.