

1 H.603
2 Introduced by Representative Ode of Burlington
3 Referred to Committee on
4 Date:
5 Subject: Taxation; personal income tax; veterans; disability income
6 Statement of purpose of bill as introduced: This bill proposes to exclude
7 military disability retirement income from income taxation.

8 An act relating to excluding military disability retirement from personal
9 income taxation
10 It is hereby enacted by the General Assembly of the State of Vermont:
11 Sec. 1. 32 V.S.A. § 5830e is amended to read:
12 § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME
13 * * *
14 (d) U.S. military disability retirement income, U.S. military retirement
15 income, and U.S. military survivor benefit income. All military disability
16 retirement income provided in accordance with 10 U.S.C. chapter 61 shall be
17 excluded from taxable income under subdivision 5811(21)(B)(iv) of this
18 chapter. For taxpayers of any filing status, other U.S. military retirement
19 income, and U.S. military survivor benefit income received by an eligible

1 beneficiary, received by a taxpayer of this State shall be excluded from taxable
2 income under subdivision 5811(21)(B)(iv) of this chapter as follows:

3 (1) If the federal adjusted gross income of the taxpayer is less than or
4 equal to \$125,000.00, all federally taxable U.S. military retirement income and
5 survivor benefit income shall be excluded.

6 (2) If the federal adjusted gross income of the taxpayer is greater than
7 \$125,000.00 but less than \$175,000.00, the percentage of federally taxable
8 U.S. military retirement income and survivor benefit income to be excluded
9 shall be proportional to the amount of the taxpayer's federal adjusted gross
10 income over \$125,000.00, determined by:

11 (A) subtracting the federal adjusted gross income of the taxpayer
12 from \$175,000.00;

13 (B) dividing the value under subdivision (A) of this subdivision (2)
14 by \$50,000.00; and

15 (C) multiplying the value under subdivision (B) of this subdivision
16 (2) by the federally taxable U.S. military retirement income and survivor
17 benefit income received.

18 (3) If the federal adjusted gross income of the taxpayer is equal to or
19 greater than \$175,000.00, no amount of the federally taxable U.S. military
20 retirement income and survivor benefit income received shall be excluded
21 under this section.

9 Sec. 2. EFFECTIVE DATE

10 Notwithstanding 1 V.S.A. § 214, this section and Sec. 1 (military disability
11 retirement income) shall take effect retroactively on January 1, 2026, and shall
12 apply to taxable years beginning on and after January 1, 2026.