

10                   An act relating to the military retirement income tax exclusion  
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12                   It is hereby enacted by the General Assembly of the State of Vermont:  
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14                   Sec. 1. 32 V.S.A. § 5830e is amended to read:  
15                   § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME  
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17                   \* \* \*  
18  
19                   (d) U.S. military retirement income and U.S. military survivor benefit  
income. For taxpayers of any filing status, U.S. military retirement income,  
and U.S. military survivor benefit income received by an eligible beneficiary  
received by a taxpayer of this State shall be excluded from taxable income  
under subdivision 5811(21)(B)(iv) of this chapter as follows:

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

4 (2) If the federal adjusted gross income of the taxpayer is greater than  
5 \$125,000.00 but less than \$175,000.00, the percentage of federally taxable  
6 U.S. military retirement income and survivor benefit income to be excluded  
7 shall be proportional to the amount of the taxpayer's federal adjusted gross  
8 income over \$125,000.00, determined by:

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

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

20 \* \* \*

1 Sec. 2. EFFECTIVE DATE

2 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on  
3 January 1, 2026, and apply to taxable years beginning on and after January 1,  
4 2026.