

1 S.308

2 Introduced by Senators Brock, Beck, Chittenden, Ingalls, Mattos, Ram

3 Hinsdale, Weeks and Westman

4 Referred to Committee on

5 Date:

6 Subject: Taxation; income tax; military retirement

7 Statement of purpose of bill as introduced: This bill proposes to remove the  
8 income-based eligibility requirements for excluding military retirement income  
9 from income taxation.

10 An act relating to the military retirement income tax exclusion

11 It is hereby enacted by the General Assembly of the State of Vermont:

12 Sec. 1. 32 V.S.A. § 5830e is amended to read:

13 § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

14 \* \* \*

15 (d) U.S. military retirement income and U.S. military survivor benefit  
16 income. For taxpayers of any filing status, U.S. military retirement income,  
17 and U.S. military survivor benefit income received by an eligible beneficiary,  
18 received by a taxpayer of this State shall be excluded from taxable income  
19 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:~~

9                     ~~(A) subtracting the federal adjusted gross income of the taxpayer~~  
10           ~~from \$175,000.00;~~

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

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.