

WHITE PAPER

Legislation to exempt military retirement pay from Vermont State Income Tax Vermont Governor's Veterans Advisory Council (GVAC) January 24, 2018

Proposals to exempt Military Retiree Pay from Vermont state income tax are not new and date to the Kunin administration. While various proposals have been presented to state legislators and the governors of both parties over the last three decades, the risk-aversion rationale for non-support from both the legislature and incumbent governors has basically remained unchanged. The top key arguments for non-support are the loss of revenues for the state and worry that "other groups" will expect the same consideration (teachers, police, firemen and other first responders).

There are undoubtedly "risks" associated with reducing tax revenues in the short term with the promise of financial dividends "in the long term". Vermont remains only one of a handful of states that does not exempt all or some retirement pay from state income taxes. Nearly every other state in the country has concluded the benefits outweigh the risks and passed such legislation!

Not unlike the Vermont National Guard which loses recruits to surrounding states offering free college tuition for guards persons at state institutions (NY, NH, MA and Maine), a not insignificant number of Vermont veterans and veteran-retirees, whom have been contributing first-rate citizens, move to surrounding states, prior to, or at the time they retire denying the state's economy and businesses millions of dollars.

Why the loss of retirees? For many Vermont has routinely ranked near the bottom of states for its support to retirees and their families. In 2015, for example, Vermont was named (the) 'Least Tax-Friendly State for Retirees' (and not just veteran retirees) by Kiplinger.com ([attached](#)). Even using one of the most favorable ratings for our state which appeared in an article titled "2017's Best and Worst States for Military retirees" (also [attached](#)), The Green Mountain States does not fair well when compared to the other Northern New England states. Vermont is ranked #30 while New Hampshire is ranked #3 and Maine #7. Even MA achieved a higher rating at #19. Only NY's rating of #34 was worse. While some progress has been made, Vermont continues to be in an unenviable position to "attract" or retain military retirees to the state and misses the opportunity to attract large sums of federal dollars these first-citizens would bring to the state's economy!

Eliminating state income tax for military retirees is not a silver bullet and will not resolve all issues. However, as the attached material portray, stemming the exodus of military retirees from the state, as well as attracting new retirees, offer the potential to increase the inflow of first-class retirees and a not insignificant number of federal dollars to the Vermont economy.

The passage of legislation to exempt military retirement pay from State Income Tax in 2018 would send an important message to veterans looking to stay in or return to the state, or those considering moving here from other states--Vermont really does care about and supports veterans and their families and the Green Mountain

State welcomes them!