

Gary M. De Gasta
Combined Written Testimony before
House Ways and Means Committee
April 23, 2025

I thank the Committee for permitting me to provide written testimony in support of eliminating Vermont state income tax on military retirement and military survivor pensions.

For the record, my name is Gary M. De Gasta. I am a retired US Army Medical Department Colonel. I am also a retired US Department of Veterans Affairs Senior Healthcare Executive and for two decades (1987-2008) I served as the Executive Director of the White River Junction VA Medical Center. As a matter of full disclosure, I should inform the Committee that presently I serve as the Chairperson, Vermont Governor's Veterans Advisory Council and as President, Board of Trustees, Vermont Veterans Home, Bennington, Vermont.

Proposals to exempt Military Retiree Pay (pensions) from Vermont state income tax are not new and have been presented to legislators and governors of both parties for over three decades. The risk-aversion rationale cited for not supporting these tax exemption proposals has remained basically unchanged over the years and has focuses on two key issues:

First, the projected loss of tax revenue. While the overwhelming majority of other states have found their initial "short term loss" of tax revenue are invariably overcome in the longer term, Vermont continues to be an outlier in its failure to exempt military retiree pensions and survivor benefits from state income taxes. Doing the "right thing" for our men and women who, during a career of twenty or more years of military service and put themselves in harm's way in service to their country can, and actually does, pay dividends!

Vermont has little choice and must address its demographic crisis of fewer and fewer working-age residents and a growing number of senior citizens. There are simply not enough workers to keep our economy going or growing!

Military retirees are good citizens who pay taxes. They not only bring to their states of residence their families (invariably a working spouse and school-age children) and resources (federal pensions and healthcare), but also significant employment potential which is typically in the exact age band our state is working to attract.

I submit that eliminating the tax on their retirement benefits will be an important first step to attract to Vermont, and retain within Vermont, veterans and their

families -- citizens who will strengthen our state's economy and workforce and will actually increase state tax revenue!

Unfortunately, data from 2004 to 2019 evidences only incremental growth in Vermont's military retiree population -- from 3,402 to 3,904. This unimpressive increase, in part, may be due to media reports such as Kiplinger.com, which identifies Vermont in the bottom 10 for "worst states to retire in due to taxes" and wallethub.com, which ranks Vermont at the bottom for "best places for military retirees".

Second, "other groups" will expect the same tax consideration. First responders, law enforcement officials, firefighters, EMS and other groups, are professionals who make sacrifices doing work that routinely places them at risk. There are key differences between the commitment and sacrifices expected of civilian first responders and members of the armed services:

Members of the armed services know in advance the challenges and risks that come with service and still choose to serve their state and our nation. They:

- Take an oath to protect and defend the Constitution of the United States. In doing so, they commit exposure to all sorts of conditions and risks.
- Can be expected to endure extended deployments away from home and family, often to austere, dangerous and challenging environments (exposure to burn pits, dust, poor air quality, water quality).
- Are placed at risk for serious injury or death based on national defense policy decisions by Congress and the President.
- Can expect to experience extreme working conditions to include extended workdays and seven days a week.
- Are expected to adhere to employment terms and conditions dictated by Congress and Department of Defense (DoD) policies and regulations.
- Earned compensation/benefits as prescribed by Congress -- the military does not have a union to negotiate more favorable pay.
- Are held to a higher level of accountability, conduct and integrity -- the general public expects military members to set the example.
- Incur a service commitment and cannot just say "I quit" and seek employment elsewhere.

By comparison, First Responders have a certain level of control over their employment conditions. Most are supported by unions that negotiate their work hours, compensation, working conditions, etc. They are not required to deploy around the world in defense of U.S. interests, peacekeeping and stability operations based on National Defense Policy decisions.

Eliminating state income tax for military retirees and military survivors is not a silver bullet and will not resolve all issues. However, 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. For example, in January 2025 the Vermont Joint Fiscal Office noted Vermont's less than four thousand military retirees received approximately \$90.8 million in benefits payments.

In its deliberations I urge the Committee to not forget about dependents of military retirees, military survivors -- those who receive compensation under the Survivor Benefit Plan. Vermont and California are the only two states that continue to fully tax these benefits!

Vermont can, and should, make itself more attractive, specifically in the prior service military market. Not taxing military pensions is an important tool in making Vermont a destination for military retirees and their families. The passage of legislation to exempt military retirement pay from State Income Taxes would send an important message to military veterans and retirees 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!"

I would now like to provide a few remarks about information and data provided by Vermont's Joint Fiscal Office as well as some additional data relating to military retirees and military survivors.

Earlier this year the Vermont's Joint Fiscal Office (JFO) made an important distinction between military retirees and veterans. The terms are often used interchangeably but refer to different groups of people:

- **A veteran** refers to any person who has served any length of time in any military service branch.
- **A military retiree** is a veteran who has spent at least 20 years in uniformed service and has since left the military.

Military retirees are always veterans, but veterans are not always military retirees. Only military retirees are eligible to receive military retirement benefits, so exempting that income from taxation only affects that group's tax liability.

I would be remiss if I did not add comments about a very important third group -- military survivors.

- **Military survivors** are those who receive compensation under the Survivor Benefit Plan (Members of the military can elect to participate in SBP, allowing a retiree to ensure, after death, a continuous lifetime annuity for their dependents. The maximum SBP annuity is based on 55% of the

retired member's pay). It is worthwhile to also point out that Vermont and California are the only two states that continue to fully tax military survivor benefits!

Recent data available from the Vermont Joint Fiscal Office (JFO) revealed that there are approximately 34,000 veterans, 3,900 military retirees and 750 military survivors who live in Vermont.

The JFO has estimated that:

- Vermont's military retirees received approximately \$90.8 million in benefits payments, or an average of \$25,269 per recipient. The total annual benefits payments to military survivors equaled approximately \$8.9 million or \$11,808 on average per recipient.
- A full exemption of military retirement benefits would reduce Vermont's personal income tax revenue by \$3.9 million.

Using JFO's updated and validated numbers, a recent Economic Model estimates military retirees value-added contributions to the state include:

- Military retirees inject nearly \$91M annually into Vermont's economy!
- Local spending from these benefits drives over \$108M in economic activity!
- The activity supports nearly 1,000 jobs statewide!

In summary, removing tax barriers to military retirees would "level the playing field" between Vermont and its surrounding states (all currently exempt military retirement benefits!). Utilizing its unique assets (natural beauty, peaceful and safe environment to raise children and opportunities for outdoor recreation) Vermont should be able to successfully compete for, and attract, military retirees -- those good citizens who will bring with them decades of experience, valuable skill and employment potential (precisely within the age-band our state needs!), a family (which more than likely will include a working-age spouse and school-age children) plus their own federal healthcare benefits through Tricare!

Thank you for the opportunity to provide testimony on this important matter for Vermont's veterans, its military retirees and military survivors. I will gladly respond to any questions from members of the Committee.

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