

April 24, 2025

Testimony submitted by June D. Heston

Testimony to the Senate Committee on Economic Development, Housing, and General Affairs regarding H.34 An act referring to workforce leadership in Vermont

Thank you, Madam Chair and committee members for the invitation to be here today to speak to you regarding H. 34.

I am the surviving spouse of BG Michael Heston, and I believe many of you know him from the time he served as the Deputy Adjutant General for the Vermont National Guard. For his entire career, Mike advocated for the members of the National Guard and their families, and I am here today to continue to carry that torch, not only for the members of the military, veterans, and their families; but I am here because I am a native Vermonter, and I love this State.

Throughout our history, Vermont has been a leader in treating all people with the respect and honor they deserve. Unfortunately, when it comes to our veterans and military members, we are falling short. Which is why I am here to speak to all of you about the effects of this short coming on the ability to recruit and keep our military retirees and veterans and their spouses in Vermont. They are leaving, because there is a financial benefit to do so. As you heard from MG Knight, there are many examples of these individuals, and I just want to highlight one example, Kim Siner and her husband Mark, who both retired from the Vermont National Guard, and they moved to NH. Their grandchildren are here in Vermont. For any of you with grandchildren, you know the significance of this decision.

As you have already heard, exempting military pensions and survivor benefits from taxation in Vermont can be a smart strategy to support workforce development, bolster the state's economy, and address demographic challenges. Here's a breakdown of why this makes sense:

1. Attracting and Retaining Skilled Veterans

- **Veterans bring valuable skills** from military service—leadership, discipline, logistics, tech expertise, healthcare, and more.
- By **taxing their pensions**, Vermont becomes less attractive compared to neighboring states (like **New Hampshire**, which has no income tax at all).
- **Retired military personnel often re-enter the workforce**, start businesses, or pursue second careers—losing them is a missed economic opportunity.

You heard in testimony that the average retirement pay is \$27,576; in 2023, the median income in Vermont was \$41, 013, and the household income was \$78, 024. Let's assume the average income tax rate in Vermont is approximately 6 percent (with tax rates between 3.25 and 8.75 percent), the tax gain on the \$27,576 retirement pay is \$1,654.56. If this retiree relocates their family including a spouse, you have a tax loss of \$4,681.44. This does not take into consideration if this family has working age children. Which means 65 percent of the taxable income of this family is leaving the state.

2. Boosting Workforce Participation

- Vermont faces a **shrinking and aging workforce**. The state is actively trying to recruit working-age residents.
- **Survivors**—often spouses or dependents—are also part of this equation. Tax relief can make Vermont a more viable place for them to stay, work, and thrive.
- Removing this tax would **encourage relocation or retention** of younger, working-age military families.

My husband, Mike, passed away in 2018 from pancreatic cancer that was deemed service connected. For more than a decade before Mike got sick, we discussed moving out of Vermont upon retirement, because of the tax implication. As a person who was born and raised here, that was not exactly what I wanted to do, but it seemed like a good financial decision. Since Mike's passing, that move may become a necessity for me. I am fortunate that Mike chose to opt into the Survivor Benefit Plan, SBP, which means he contributed a portion of each paycheck to ensure I would receive this benefit. Obviously, he did this not knowing how important this benefit would become. As you heard in earlier testimony this week, SBP provides 55 percent of the pension earned by the service member to the surviving spouse. The reason this is so important to me is, I left my job as an

Associate Vice President at Norwich University after two years of trying to meet my personal obligations with my family while Mike was going through treatment and my professional obligations with my career. So for many survivors, a two-income family becomes a household of 55 percent of one pension. Obviously, most survivors will have to work. I am a non-profit professional and I started my own business after Mike lost his battle with cancer, and as you heard on Tuesday, one out of every five Vermonters work in non-profit. My skills are transferrable anywhere. Our adult children live in Rhode Island, one of 18 states that do not tax survivor benefits. There are 10 other states that give a partial exemption on SBP, and there are eight states that have no income tax. All of New England and New York exempt survivor benefits from income tax.

The reason this is important is we now know that toxic exposure of our veterans will result in more illnesses and death. These survivors will need to make decisions that are best for their financial future. In addition, as mentioned in testimony on Tuesday, spouses are making many of the decisions of where to locate after years of following a military member from post to post during their careers.

3. Enhancing Economic Competitiveness

- States that exempt military retirement benefits often **outperform Vermont in veteran population growth** and economic mobility.
- Veterans and their families tend to **spend and invest locally**—housing, services, education—especially if they feel welcomed and supported.
- Exemptions would signal that Vermont is serious about **economic development** through inclusive policies.

As you have already heard, the annual local spending by military members is \$8.261 million. In addition, they often bring federal health care, they start second careers and establish new businesses, and contribute to their communities. One of things not mentioned in earlier testimony, that I am aware of, is that survivors of a service-connected loss with school age children are eligible for Dependent Educational Assistance which provide educational benefits for dependents to age 26 or for spouses for up to ten years after a loss. This benefit could be an economic boost both for our educational institutions and for our workforce with

surviving spouses looking to build their skills in another career and add value to our workforce.

4. Honoring Service, Building Loyalty

- Exempting these benefits isn't just economic policy—it's **moral and strategic**.
- Demonstrating respect for military families builds **state loyalty**, civic engagement, and community investment.
- It also improves Vermont's reputation as a **veteran-friendly** state, which can attract **federal support and partnerships**.

I have heard the concerns that by exempting these benefits, the expectation would be to do the same for all public servants to do good. I want to express my thoughts on this. Mike was a Vermont State Trooper for his entire career, and he also joined the National Guard early on in his career. As a Trooper, he was home most days, he missed few birthdays or anniversaries, and he was able to get the kids to soccer or football practice.

As a soldier, there were many days and months without seeing his family. He deployed for 7, 15, or 12 months to Afghanistan, and he missed many birthdays and holidays. He did not see his son learn how to ride a bike, or his daughter's freshmen year of high school. Military service is a different kind of sacrifice for the service member and the family. Less than one percent of the populations volunteers to serve this country, and we owe it to them to honor this commitment.

5. Low Fiscal Impact, High Return

- The number of recipients is relatively small, so the **cost to the state budget is modest**.
- The **long-term return**—in tax revenue from veterans who work, buy homes, or start businesses—can outweigh the short-term loss.

The current estimated tax loss is \$3.9 million dollars. That is approximately .04 percent, that is 4/100's of a percent) of the State's \$9,060,000,000 budget. According to recent state data, the fiscal cost of such an exemption is **relatively modest**, especially when compared to the economic and social benefits of retaining military retirees. It is an investment in people who have already given so much.

Beyond economics and policy, this is a matter of values. Vermont has a proud tradition of service. Let's honor that by ensuring we do not burden those who served or the families left behind. One thing Mike would often say to others is "do the right thing," sometimes in more colorful language. I ask you now, to do the right thing.

Thank you for your service to our state and your consideration of this important issue.