

118TH CONGRESS  
1ST SESSION

# S. 3243

To amend the Internal Revenue Code of 1986 to exclude all military retirement and related benefits from Federal income tax.

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IN THE SENATE OF THE UNITED STATES

NOVEMBER 7, 2023

Mr. RICKETTS introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude all military retirement and related benefits from Federal income tax.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tax Cuts for Veterans  
5 Act of 2023”.

6 **SEC. 2. EXCLUSION OF ALL MILITARY RETIREMENT AND**  
7 **RELATED BENEFITS.**

8 (a) IN GENERAL.—Section 122 of the Internal Rev-  
9 enue Code of 1986 is amended to read as follows:

1 **“SEC. 122. CERTAIN UNIFORMED SERVICES RETIREMENT**  
2 **PAY AND RELATED BENEFITS.**

3 “(a) GENERAL RULE.—In the case of a member or  
4 former member of the armed forces of the United States,  
5 gross income does not include—

6 “(1) any retired or retainer pay paid under title  
7 10 or 14, United States Code, or

8 “(2) any amounts not described in section  
9 104(a)(4) received as monthly compensation, pen-  
10 sion, pay, annuity, or allowance paid under title 10,  
11 14, 37, or 38, United States Code, in connection  
12 with a disability or combat-related injury or dis-  
13 ability or death of a member of the armed forces.

14 “(b) CERTAIN REDUCED UNIFORMED SERVICES RE-  
15 TIREMENT PAY.—

16 “(1) IN GENERAL.—In the case of a member or  
17 former member of the uniformed services of the  
18 United States other than a member or former mem-  
19 ber of the armed forces, gross income does not in-  
20 clude the amount of any reduction in retired or re-  
21 tainer pay pursuant to the provisions of chapter 73  
22 of title 10, United States Code.

23 “(2) SPECIAL RULE.—

24 “(A) AMOUNT EXCLUDED FROM GROSS IN-  
25 COME.—In the case of any individual referred  
26 to in paragraph (1), all amounts received as re-

1           tired or retainer pay shall be excluded from  
 2           gross income until there has been so excluded  
 3           an amount equal to the consideration for the  
 4           contract. The preceding sentence shall apply  
 5           only to the extent that the amounts received  
 6           would, but for such sentence, be includible in  
 7           gross income.

8           “(B) CONSIDERATION FOR THE CON-  
 9           TRACT.—For purposes of subparagraph (A) and  
 10          section 72(n), the term ‘consideration for the  
 11          contract’ means, in respect of any individual,  
 12          the sum of—

13                   “(i) the total amount of the reduc-  
 14                   tions before January 1, 1966, in the indi-  
 15                   vidual’s retired or retainer pay by reason  
 16                   of an election under chapter 73 of title 10  
 17                   of the United States Code, and

18                   “(ii) any amounts deposited at any  
 19                   time by the individual pursuant to section  
 20                   1438 or 1452(d) of such title 10.

21          “(c) DEFINITIONS.—For purposes of this section, the  
 22          terms ‘armed forces’ and ‘uniformed services’ have the re-  
 23          spective meanings given such terms by section 101 of title  
 24          10, United States Code.”.

25          (b) CONFORMING AMENDMENTS.—

1 (1) CONFORMING REPEAL.—

2 (A) IN GENERAL.—Section 1403 of title  
3 10, United States Code, is repealed.

4 (B) CLERICAL AMENDMENT.—The table of  
5 sections at the beginning of chapter 71 of such  
6 title is amended by striking the item relating to  
7 section 1403.

8 (2) ANNUITIES.—Subsection (n) of section 72  
9 of the Internal Revenue Code of 1986 is amended by  
10 striking “Subsection (b)” and inserting “In the case  
11 of any member or former member of the uniformed  
12 services of the United States other than a member  
13 or former member of the armed forces, subsection  
14 (b)”.

15 (c) CLERICAL AMENDMENT.—The item relating to  
16 section 122 in the table of sections for part III of sub-  
17 chapter B of chapter 1 of the Internal Revenue Code of  
18 1986 is amended to read as follows:

“Sec. 122. Certain uniformed services retirement pay and related benefits.”.

19 (d) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning after  
21 the date of the enactment of this Act.

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