

1 S.118

2 Introduced by Senators Collamore, Brock, Champion, Chittenden, Harrison,
3 Hashim, Ingalls, Mazza, Norris, Ram Hinsdale, Starr, Weeks,
4 Westman, White, Williams and Wrenner

5 Referred to Committee on

6 Date:

7 Subject: Taxation; income tax; exemption; military retirement income

8 Statement of purpose of bill as introduced: This bill proposes to exempt all
9 military retirement income and military survivor income received by surviving
10 spouses or dependents from income tax in Vermont.

11 An act relating to exempting all military retirement and military survivor
12 benefit income

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

14 Sec. 1. 32 V.S.A. § 5811(21) is amended to read:

15 (21) "Taxable income" means, in the case of an individual, federal
16 adjusted gross income determined without regard to 26 U.S.C. § 168(k) and:

17 * * *

18 (B) decreased by the following items of income (to the extent such
19 income is included in federal adjusted gross income):

20 * * *

1 (v) the amount of any federal deduction or credit that the taxpayer
2 would have been allowed for the cultivation, testing, processing, or sale of
3 cannabis or cannabis products as authorized under 7 V.S.A. chapter 33 or 37,
4 but for 26 U.S.C. § 280E; ~~and~~

5 * * *

6 (vii) U.S. military retirement income and U.S. military survivor
7 benefit income received by the surviving spouse or dependent of a deceased
8 service member; and

9 * * *

10 Sec. 2. 32 V.S.A. § 5830e is amended to read:

11 § 5830e. RETIREMENT INCOME; SOCIAL SECURITY INCOME

12 * * *

13 (c) Other contributory retirement systems; earnings not covered by Social
14 Security. Other retirement income, ~~except U.S. military retirement income~~
15 ~~pursuant to subsection (d) of this section~~, received by a taxpayer of this State
16 shall be excluded pursuant to subsection (b) of this section as though the
17 income were received from the Civil Service Retirement System and shall be
18 subject to the limitations under subsection ~~(e)~~(d) of this section, provided that:

19 * * *

20 ~~(d) U.S. military retirement income. U.S. military retirement income~~
21 ~~received by a taxpayer of this State shall be excluded pursuant to subsection~~

1 ~~(b) of this section as though the income were received from the Civil Service~~
2 ~~Retirement System and shall be subject to the limitations under subsection (e)~~
3 ~~of this section.~~

4 (e) Requirement to elect one exclusion. A taxpayer of this State who is
5 eligible during the taxable year for the Social Security income exclusion under
6 subsection (a) of this section and ~~any~~ one or both of the exclusions under
7 subsections (b)–~~(d)~~ and (c) of this section shall elect either one of the
8 exclusions for which the taxpayer is eligible under subsections (b)–~~(d)~~ and (c)
9 of this section or the Social Security income exclusion under subsection (a) of
10 this section, but not both, for the taxable year. A taxpayer of this State who is
11 eligible during the taxable year for ~~more than one of the~~ both exclusions under
12 subsections (b)–~~(d)~~ and (c) of this section shall elect only one of the exclusions
13 ~~for which the taxpayer is eligible for the taxable year.~~

14 Sec. 3. 32 V.S.A. § 5813(aa) is added to read:

15 (aa) The statutory purpose of the exemption for military retirement income
16 and military survivor benefit income in subdivision 5811(21)(B)(vii) of this
17 title is to honor and thank military retirees and their families for their military
18 service.

1 Sec. 4. EFFECTIVE DATE

2 Notwithstanding 1 V.S.A. § 214, this act shall take effect retroactively on

3 January 1, 2023 and shall apply to taxable years beginning on and after

4 January 1, 2023.