

Veteran Retirement Income Tax Exclusion

Amendment Act of 2019 (B23-0129)

This legislation, when passed into law, would recognize all Retired Military Veterans living in the District, many of whom have served in our nation's wars; specifically, the 2,405 Military Retirees who reside in D.C. would be direct beneficiaries.¹ In addition, and more importantly, this bill is a stimulus. Passing of the legislation would certainly encourage considerable numbers of retired veterans to choose DC as a place of residence, bringing significant economic and social capital, described below.

Are Retiring Veterans choosing DC? Absolutely not, the District is losing Retired Veterans at a **staggering rate, especially** compared to collective significant increases in the MOVA region. Since 1990, DC has seen decreases in the number of retired veterans every year, for a total decrease of 49% from 1990-2018 (4,668 to 2,405). Whereas, MD has had steady increases since 1990, a 47% increase over the same time period (37,830 to 55,680). Virginia's numbers have gone up even more than Maryland – a 67% increase in Retired Veterans since 1990 (from 94,000 to 157,000)².

Although difficult to quantify the totality of the economic and non-economic impacts of attracting additional Retired Veterans to the district, if this bill were passed into law, we believe the benefits would be significant.

Specific economic advantages of attracting Retired Veterans to DC include the following:

1. Many DC Retired Veterans pay property taxes as homeowners, with an annual tax on median-value real estate property of \$2,930³.
2. Retired Veterans and spouses pay income taxes on other W-2 earnings, with an estimated amount of \$4,295 per household, based on median household income of \$80,000.
 - This point is particularly significant with Amazon expanding operations in our region and Amazon's history of preferential hiring of Veterans.
3. Sales tax revenue and business sales would increase. If DC were to return to 1990's number of military retirees, aggregate Retired Veterans' income would increase by over \$55,000,000 per year⁴.

¹ U.S. Dept. of Veteran Affairs Statistics, District of Columbia, 2017.

² U.S. Dept. of Defense, Statistical Report of the Military Retirement System, 1990 through 2018.

³ Business Insider, Average Amount People Pay in Property Taxes in Every U.S. State, Sept. 13, 2019

4. For the most part, Retired Veterans are either aspiring middle class or middle class.
 - Median household income for Veterans in DC of \$79,629⁵.
5. The majority of Retired Veterans do not have school-aged children. Most Retired Veteran families do not draw upon DC Public Schools' resources because they have adult children, already having completed high school.
6. According to a May 2018 study, analyzing this same question in California (which also taxes military pensions and has been losing significant numbers of retirees), "after 10 years of implementation, the economic gains for California would be substantial...The net fiscal impacts on state and local finances would also be substantially positive after factoring the ripple effects through the different revenue channels."⁶

Let's not forget the qualitative effects that additional military retirees would bring to the district:

1. **Retired Veterans return from their military service and add value to the community!**
2. Veterans and spouses increase the pool of volunteers for civic and philanthropic organizations.
3. Retired Veterans typically play integral roles in schools, churches and neighborhood groups by volunteering and engaging to improve their communities.
4. Retired Veteran neighbors serve as excellent role models for younger citizens.
5. The United States has had an All-Volunteer Force since 1973. Sadly, very few of our eligible young people choose to serve and take advantage of the extensive training, career opportunities and the GI Bill to pay for College⁷ (this includes room and board). Washington, DC has the lowest per/capita military enlistment rate in the country⁸.
 - There is no finer way to help induce young people to serve than for our District to offer tangible incentives to those who have served, such as this bill.

⁴ U.S. Dept. of Defense, Statistical Report of the Military Retirement System, 2018

⁵ U.S. Census Bureau, Veteran Statistics, District of Columbia

⁶ Fermanian Business and Economic Institute, Ending Taxation of Military Retiree Pay in California, May 2018

⁷ https://www.benefits.va.gov/gibill/post911_gibill.asp

⁸ CFR Study, Demographics of the U.S. Military, Apr 24, 2018

Virginia - has no Military Retirement Income Tax Exclusion

Maryland – If you or the spouse of a military retiree receives military retirement income, you will be able to subtract up to \$5,000 of your military retirement income from your federal adjusted gross income before determining your Maryland tax. If you are age 55 or older, you are able to subtract up to \$15,000 of the military retirement income.

21 States Don't Tax Military Retirement Pay (but do have state income tax)

- Alabama
- Arkansas
- Connecticut
- Hawaii
- Illinois
- Indiana
- Iowa
- Kansas
- Louisiana
- Maine
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- New Jersey
- New York
- Ohio
- Pennsylvania
- West Virginia
- Wisconsin

9 States Do Tax Military Retirement Pay w/out Provisions:

- California
- District of Columbia
- Montana
- New Mexico
- North Dakota
- Rhode Island
- Utah
- Vermont
- Virginia

9 States That Don't Tax Personal Income Tax. The following states don't require military members to pay state income tax on military retirement pay because there is simply no state income tax collected:

- Alaska
- Florida
- Nevada
- New Hampshire
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming

12 States with "Special Provisions" Or Other Consideration for Military Retirement Pay

- Arizona
- Colorado
- Delaware
- Georgia
- Idaho
- Kentucky
- Maryland
- Nebraska
- North Carolina
- Oklahoma
- Oregon
- South Carolina