

SUMMARY

AB 1623 will provide a state tax exemption for retired members of the uniformed services at age 60. This bill will also exempt recipients of the Department of Defense’s (DoD) Survivor Benefits Program. Since uniform services and California National Guard retirement pay stops upon death of the retiree, the DoD provides a continuous lifetime annuity for their dependents as an inflation-adjusted monthly income

BACKGROUND

California currently is one of only nine states that fully tax the pay of its 146,000 military retirees. Many factors affect the decision of members of the Armed Forces regarding where they will live after retirement. Climate, housing costs, where they have been based, and employment opportunities are important. Whether or not a state taxes their military pension benefits is also a factor. Between 2000 and 2016, the nation’s population of military retirees increased by 17%. California, which was one of only five states that saw a reduction in the number of its military retirees, saw a decline of 17%. By 2025, after ten years of implementation, the economic gains for California would be substantial:

- 12,600 more jobs
- \$830 million added to total personal income
- \$1.27 billion added to GSP
- \$2.0 billion added to total business sales

A total of 31 states do not tax military pensions. A total of 9 states, including California, fully tax military retiree compensation: California, Georgia, Montana, New Mexico, North Dakota, Oregon, Rhode Island, Vermont, and Virginia. The remaining 10 states have various special exemptions depending on the state. Factors Driving the Number of Military Retirees in Each State and Growth. The decision of military retirees on where to live depends on many economic and other factors.

The 40 plus year old retirees by homes, pay taxes, virtually no cost to the state social systems. They have few children enrolled in schools. Uniform Retirees and the California National Guard continue to contribute to their community and the state.

This bill will benefit those who have served our country in uniform as well as surviving spouses and dependent minors of military retirees and will also benefit the state and local economies by attracting and retaining skilled workforce participants.

PROBLEM

Currently, a top issue for employers in California is attracting a qualified workforce. Approximately 60,000 high-tech jobs are unfilled. Uniformed Service retirees are highly skilled, often in areas requiring technical and management expertise. These men and women often continue to be valuable assets to our schools, local charities, and non-profit organizations.

Substantial new federal funds are infused into the state and local economies not only from retirement pay, but also from the full taxation of their second careers. These retirees may also qualify for federal veterans’ benefits, which further bring new monies into the state.

SOLUTION

AB 1623 recognizes the vital services these uniformed service members contribute to our nation and seeks to extend a state benefit to those who served for twenty years, which is the retirement age for these organizations. This bill also recognizes our state National Guard and their services to our state especially during these trying times during the pandemic. This bill provides that the exemption benefit begins at 60 years of age and the exemption sunsets in 2033.

The purpose of the bill is twofold; to honor those who dedicated their life to serving their country, and to retain and attract uniformed service retirees to California for the purposes of strengthening the state’s skilled workforce, bringing stability to communities, and contributing to the state and local tax base. Uniformed service retirees invariably pursue a second career, and it behooves California to find ways to keep them in our state.

SPONSOR

Military Officers Association of America-
California Council of Chapters

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