

2013 HOUSE FINANCE AND TAXATION

HB 1254

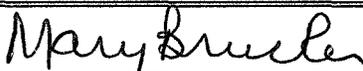
2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1254
January 23, 2013
Job# 17601

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax deduction for retired military personnel pay.

Minutes:

Attached testimony #1, 2, 3, 4

Chairman Belter: Opened hearing on HB 1254.

Representative Thoreson: Introduced bill. This bill will eliminate the income tax on the retirement portion for military retirees on the state tax. I think we are in a great position where we are looking at reducing taxes for the citizens of North Dakota rather than other states around us who are fighting to find ways to increase taxes. It's my belief that we should take this portion off for those who have served us so honorably, giving their time, talent and treasures for the people of our state and by being away from the families in times of crisis in times to protect us.

Chairman Belter: Further testimony in support of 1254?

Lonny Wangen, Commissioner of Veterans Affairs for North Dakota: See attached testimony #1.

Bob Krause, Chairman of the North Dakota Veterans Coordinating Council: All five of the veterans' organizations in North Dakota are in favor of this bill. We think it's very important that we show the people who served our county for 20-40 years of their lives receive some type of benefit to keep them in the state and repay them for their sacrifices they gave to their country.

Chairman Belter: This is for military retirees only but we have a great deal of citizens that have been drafted during the Vietnam War and served two years, Korean War, Gulf Wars, and all the wars we've been in who are not retirees and maybe have left the service but are not disabled this bill would have no benefit for those people, would it?

Bob Krause: That is correct. I am one of those veterans. I served two years in military and was drafted and served in Vietnam. If you wish to expand the bill to cover all veterans I would certainly be in favor of that. This specific bill is only for retirees of the military or the reserves or guard.

Representative Marie Strinden: When we're talking about retirees from the military, how long does a person have to serve before they get retirement benefits?

Bob Krause: Usually it's 20 years minimum unless they have some type of disability where they could retire earlier.

Vice Chairman Headland: Are there other benefits that are already occurring on the federal level for retired military?

Bob Krause: Lonnie may be able to answer that better. I'm not sure of all the benefits at the national level.

Vice Chairman Headland: Could you provide us with a list of benefits that are available for military retirees?

Lonnie Wangen: There's a large list of benefits that may be available to veterans, it depends on where they served, the amount of time they served, and if they have disabilities.

Vice Chairman Headland: I'm exclusively asking for retired military.

Lonnie Wangen: I can get you a list of the exact retired military benefits for the federal. They go through a tap program, they would get into the VA, they would retirement pay, and some medical insurance. Other than that there would be no direct benefits on the federal side.

Vice Chairman Headland: There are not any benefits that are provided to retired military that are not provided to the average citizens?

Lonnie Wangen: There are benefits that the retired personnel would get that would be the same as other benefits; educational benefits, vocational rehabilitation at the VA, and if retired they would also get their retirement pay. If you do your four years you wouldn't get the retirement pay. There is also the GI bill if you qualify. There's a wide range of benefits but it's on case by case.

Representative Froseth: On this list of the state's retirements, I see several states follow federal rules. Does this bill follow the federal rules or is it different?

Lonnie Wangen: I looked up what the federal rules are right now and the majority of the federal rules have to do with disabilities and the changes in retirement pay. The other states would mirror that with their state income tax so if part of their federal pay would become nontaxable then they would also give that percentage on the state.

Representative Drovdal: If the states are following federal rules that means whatever the federal allows them is deducted from their income and the federal tax return. Aren't we following federal rules as far as deduction from military pay?

Lonnie Wangen: If you're looking at just the taxable income on the federal side then normally that would follow through.

Representative Zaiser: Do you offer the cafeteria plan of benefits?

Lonnie Wangen: No. When you retire from the military you have some options as far as retirement pay and whether or not you want to take the full amount or you want to leave some behind for your surviving spouse should you die before them. You have a couple different options with your health now also.

Representative Marie Strinden: This would be a tax exemption for North Dakota and we would not be reimbursing for federal tax exemption?

Lonnie Wangen: That is correct.

Vice Chairman Headland: The way the bill is written, if you begin the military at age 18 and retire at 38 years at that time if this law is passed will North Dakota start exempting the military retirement portion of the income tax? You could possibly have other employment but the retirement portion of income would be exempted without age being associated with it?

Lonnie Wangen: That is the way it is written and is correct.

Representative Trottier: Do soldiers pay state and federal income tax while serving?

Lonnie Wangen: Normally they would if they are deployed into a combat zone.

Chairman Belter: Further testimony in support of 1254?

Jessica Lee, Fargo-Moorhead-West Fargo Chamber of Commerce: Refer to attached testimony #2 and booklet #3.

Representative Marie Strinden: If we were to pass this bill where this would put us in terms of all this data of rankings among states?

Jessica Lee, Fargo-Moorhead-West Fargo Chamber of Commerce: If you take a look at the article it gives us a red light, green light, and a yellow light. Red means you don't do anything at all. There are only about nine states that aren't doing anything at all. Green means they are doing something and yellow means they are doing a little bit. As you can see we are a red state and this would move us to the green category. We had a colonel go to Kansas City to go through his retirement paperwork and he brought me back a flyer that said "States that do not tax your retirement pay" and he told me it would be great if we were on this list. This is something that should be considered and would make us more competitive.

Vice Chairman Headland: The chamber has been in asking us to support a bigger and broader package of tax relief for all citizens and businesses of North Dakota versus this smaller special interest carve out type groups. I'm wondering if you have a disagreement

with your state chamber on this particular issue and I don't see them in here testifying their support. Could you respond to that?

Jessica Lee, Fargo-Moorhead-West Fargo Chamber of Commerce: They are not here in support and they are not here opposing it either. I am also protective of calling our service members who have given twenty plus years of their lives and service to our country a special interest group. I hope that we can consider the broad tax proposals that are on the table but I also don't want to miss this opportunity to really put North Dakota back on top or on top specifically related to what I suggested about what is happening at the national level. When we're ranked at the national level it gives us the opportunity to really capitalize on. We don't want to miss this opportunity to do the right thing for our service members and our retirees in North Dakota.

John Jacobsen, Member of Legislative Committee of North Dakota Veterans Coordinating Council: Refer to attached testimony #3.

Chairman Belter: From the perspective of the coordinating council and we as legislators have to prioritize things does your organization have a priority of where they would like to see state funds? We have programs for disabled veterans for taxes on their homes and keeping up with the cemetery, and numerous veteran benefits that we as a state have to fund.

John Jacobsen: I have not seen one but I will ask Bob.

Bob Krause: There is a priority list. We rated each piece of legislation with a rating of one, two, or three and this one ended up being a number two on our listing with the veterans' home and the office as the number one priorities because they work directly with veterans.

Chairman Belter: Could you give an example on a three?

Bob Krause: There is a piece of legislation out there for reduced fishing licenses which is a level three.

Representative Trottier: We talk about individual specified tax rates and I think we have at least two members on this committee may benefit from this program. I am a veteran and I won't receive anything from this but I think the thing we forget is that for years or more these people have raised their hands and dedicated their lives to protecting this country and allowing us to do what we are doing here today. I think we overlook this many times how much they do for our country.

Bob Krause: I totally agree with you and we should give these people all the thanks we can.

Chairman Belter: Any other testimony in support to 1254? Any testimony in opposition? Any neutral testimony? If not we will close the hearing on HB 1254.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1254
February 6, 2013
Job 18434

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill relating to an income tax deduction for retired military personnel pay.

Minutes:

Vice Chairman Headland made a **motion for a Do Not Pass**. Representative Drovdal seconded the motion.

Representative Klein: I think we have a number of other things in the works right now, including the one we passed out this morning about additional tax relief if they are disabled. So I think we should do away with this one.

Representative Owens: I am one of these retired people and I appreciate the thought. But I have been collecting this since I was 38, so you're going to give me a tax break on some of the money since I was 38? What they kept talking about during the hearing was retirement. But this bill is not just about retirees. So unless they come back and change it, I am not in favor of it. I am more in favor of the bill supporting the disabled men and women coming back who are in need of our help.

Representative Trotter: After the hearing, I called people in our legion, two of whom are retired. Both of them told me that they retired when they were about age 40 and then worked for another 20 or so years in private life. The encouraged me not to pass this bill.

Chairman Belter: I'm also going to support the Do Not Pass. I would be a recipient of this and I have always felt that we need to put our dollars toward those who have served and have been wounded. There are all kinds of tragedies that happen to people in the military, and that is the main priority where we ought to put our tax dollars.

Roll call vote on motion for a do not pass. Motion carries.

Yes = 12

No = 2

Absent = 0

Carrier: Representative Belter

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1254

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(4,050,000)			
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1254 will add a new deduction that exempts 100% of military retirement benefits from individual income tax.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

If enacted, HB 1254 is expected to reduce state general fund revenues by an estimated \$4.05 million for the 2013-15 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/21/2013

Date: 2-6-13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1254**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Headland Seconded By Rep. Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser		✓
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 12 No 2

Absent —

Floor Assignment Rep. Belter

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1254: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1254 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1254

#

RETIREMENT TAX

	Military Retirement Exemption	Amount	Notes
AL	YES	total	Income tax exemption on all Armed - Forces RETIREMENT benefits: Effective January 1, 1989, and for all successive tax years, all retirement or compensation received as retirement benefits by any person retired from the military of the United States of America and survivor benefits derived therefrom is hereby exempt from any state, county or municipal income tax or like tax whatever name called.
AK	YES	total	Personal Income Taxes: No state <u>INCOME TAX, RETIREMENT</u> Income: Not taxed.
AZ	YES	max. \$2,500	Federal (Civil Service or Military <u>RETIREMENT</u>) payments up to \$2,500 per year are exempt. To the extent not already excluded from Arizona gross income under § 112 of the Internal Revenue Code, COMPENSATION received for active service as a member of the Armed Forces of the United States for any month during any part of which members served in a combat zone is exempt.
AR	YES	max. \$6,000	Provides an exemption of the first \$6,000 of <u>SERVICE PAY</u> or allowance to members of the Armed Forces of the United States, and of RETIREMENT pay and disability benefits of retired service members.
CA	YES	total	Any retired/retainer pay of a member of the uniformed services received by a non-resident on or after Jan. 1, 1995 is not subject to California income tax.
CO	YES	per federal rules and max. \$20,000	There is excluded from gross income, <u>RETIREMENT</u> pay received by members of the Armed Forces, to the extent it is excluded from Federal income tax and not to exceed \$20,000 in any one taxable year.
CT	YES	per federal rules	<u>Retired Military Pay</u> : Follows federal rules.
DE	YES	\$2000 if under 60 yrs. \$12,500 if over 60 yrs.	\$2,000 Income Tax exemption on Federal and State <u>RETIREMENTS</u> (under age 60); \$3,000 for age 60 and older. (Deduct from gross income on state income tax return). <u>Retired Military Pay</u> : Up to \$2,000 of military retirement pay excluded for individuals under age 60; \$12,500 if 60 or older.
DC	YES	max. \$3,000	Disability <u>RETIRED PAY</u> exempt, if exempt at the federal level. First \$3,000 all other retired pay exempt if 62 or older on or before Dec. 31, 1999. Retirement Income Taxes: Social Security is exempt. Taxpayers 62 and older can exclude \$3,000 of military, federal, and state/local pensions. All state government pensions are fully taxed. <u>Retired Military Pay</u> : Up to \$3,000 of military retirement pay excluded for individuals 62 or older, Survivor benefits are taxable.
FL	YES	total	Personal Income Taxes: No state income tax. Retirement Income: Not taxed. There is an intangibles tax of \$1 per \$1,000 of the value of investments such as stocks, bonds, notes and mutual funds. The first \$20,000 (individual filers) or \$40,000 (married filing jointly) of taxable assets are exempt. In the 2004 tax year, the exemption will increase to \$250,000 for individuals and \$500,000 for couples filing jointly.
GA	YES	max. \$14,000	State Income Tax: The period of time military personnel served on active duty as members of the armed forces of the United States in combat activities during a period designated by the President plus the next 180 days thereafter are disregarded in determining whether any filing requirement has been performed within the time limit prescribed for filing. For individuals who are hospitalized as a result of an injury or confined as a prisoner-of-war, the period of service in the combat zone, plus the period of confinement and the next 180 days there after shall be disregarded in determining whether any filing requirement has been performed within the time limit prescribed for filing. Disability <u>RETIRED PAY</u> exempt, if exempt at the federal level. There is a \$13,000 exemption on retirement income for people 62 or older or people permanently and totally disabled. <u>Retired Military Pay</u> : Up to \$14,000 of military retirement pay excluded for individuals 62 or older, or those permanently and totally disabled; Survivor benefits are taxable. VA Disability Dependency and Indemnity Compensation: Not subject to federal or state taxes

P. 1. #

RETIREMENT TAX

HI	YES	total	<p>Personal Income Taxes: There is an additional exemption for those over age 65. If you are blind, deaf or totally disabled and your impairment has been certified, you can claim a disability exemption of \$7,000 in lieu of the \$1,040 personal exemption amount. Retirement Income Taxes: Social Security, military, federal, state/local, and some private pensions are exempt. All out-of-state government pensions are exempt. Retired Military Pay: Not taxed.</p>
ID	YES	per federal rules	<p>Retirement Income Tax: Social Security is exempt. Taxpayers 65 and older or 62 and disabled may exclude \$18,432 (individual filers) or \$27,648 (married filing jointly) from federal and military pensions, minus amount of Social Security. Out-of-state government pensions are fully taxed. Retired Military Pay: Follows federal tax rules.</p>
IL	YES	total	<p>Retirement Income Taxes: Social Security, military, civil service, state/local and private pensions/IRAs, Keoghs, etc., are exempt. Out-of-state government pensions are fully taxed. Retired Military Pay: Not taxed.</p>
IN	YES	over 60 years and max. \$2,000	<p>Retirement Income Taxes: Social Security is exempt. Taxpayers 62 and older may exclude \$2,000 from military and federal pensions minus the amount of Social Security received. Out-of-state pensions are fully taxed. Retired Military Pay: Military retirees who are age 60 are entitled to deduct up to \$2,000 of military or survivor benefits.</p>
IA	YES	max. \$12,000 joint, max. \$6,000 for all other filing statuses for 55 years or older, disabled or surviving spouse	<p>There is a partial pension/<u>RETIREMENT</u> income exclusion of up to \$5,000 for certain qualified persons who file a separate state income tax return and a pension/retirement income exclusion of up to \$10,000 for certain qualified married taxpayers. The \$10,000 retirement income exclusion is allocated to the husband and wife in the proportion that each spouse's respective pension and retirement pay received bears to the total combined pension and retirement pay received by both spouses. To take this exclusion you must meet one of the following conditions: 55 years of age or older on December 31, 1999; or disabled; or surviving spouse; or survivor having an insurable interest in an individual whom would have qualified for the exclusion in 1999 on the basis of age or disability. Retired Military Pay: Up to \$12,000 can be excluded for joint filers and up to \$6,000 for all other filing statuses for those 55 and older, disabled or surviving spouse of qualifying person. VA Disability Dependency and Indemnity Compensation: Not subject to federal or state taxes.</p>
KS	YES	total	<p>Standard Deduction: An additional \$700 can be claimed if you are 65 years or older. An additional \$700 can also be claimed if you are blind. If your spouse is 65 years or older, you can claim an additional \$700. An additional \$700 can also be claimed if your spouse is blind. If both you and your spouse are 65 years or older and blind, your standard deduction would be \$8,800. Retirement Income Taxes: Military, civil service, state/local government pensions are exempt. Out-of-state government pensions are fully taxed. Retired Military Pay: Not taxed.</p>
KY	YES	max. \$ 38, 775	<p>All federal and state military or government service <u>RETIREMENT</u> annuities are excluded from gross income. Retirement Income Taxes: Social Security is exempt. Exclusion of up to \$38,775 for military, civil service, state/local government, qualified private pensions, and annuities. Retired Military Pay: Not taxed. If retired after 1997, pay is subjected to tax if amount exceeds \$38,775 - See Kentucky Schedule P.</p>
LA	YES	total	<p>Federal <u>RETIREMENT</u> benefits received by federal retirees, both military, nonmilitary, may be excluded from Louisiana taxable income. Retirement Income Taxes: Social Security, military, civil service, state/local government pensions are exempt. \$6,000 (individual filers) or \$12,000 (married filing jointly) for qualified private pensions for those 65 and older. Out-of-state government pensions qualify for the private pension/retirement exemption. Retired Military Pay: Not taxed.</p>
ME	YES	per fed'l rules	<p>Out-of-state government pensions qualify for the \$6,000 exemption. Retired Military Pay: Follows federal tax rules.</p>
MD	YES	max. \$2,500 if over 55 years and meets gross income limit	<p>Military pensioners are eligible for an additional pension exemption of up to \$2,500. To qualify they must have a federal adjusted gross income of \$22,500 or less. Retired Military Pay: Up to \$2,500 may be exempt if retiree is over 55 and meets gross income limit. Some retirement pay may be excluded for those 65 and older or totally disabled. Survivor benefits are taxable.</p>

RETIREMENT TAX

313

MA	YES	total	In addition to this exclusion, a person who has military RETIREMENT income can subtract up to \$2,500 on the Maryland return if the person is at least 55 years old on the last day of the taxable year and was an enlisted member of the military at the time of retirement. This subtraction, however, is reduced by half the amount of the person's federal adjusted gross income exceeding \$17,500 and is reduced to zero if federal adjusted gross income exceeds \$22,500. Retired Military Pay: Not taxed.
MI	YES	total	Retired Military Pay: Not taxed. Survivor benefits are exempt if the amounts are exempt from federal income tax or classified as military compensation or military retirement pay. Military retirement benefits that pass to the spouse of a deceased member of the military are exempt. Retirement benefits passing to other beneficiaries are taxed.
MN	YES	per fed'l rules	Retired Military Pay: Follows federal tax rules.
MS	YES	total	RETIREMENTS. Retired Military Pay: Retired pay is exempt after January 1, 1994. The
MO	YES	max. \$6,000 if married income < \$32,000 or single income < \$25,000	Retired Military Pay: For individuals with a modified state adjusted gross income of less than \$25,000 or a married couple with a combined income of \$32,000, a government pension exemption of up to \$6,000 is allowed. If a husband and wife each receive a government pension, each can qualify for an exemption of up to \$6,000. SBP benefits are taxed following federal rules.
MT	YES	max. \$ 3,600	Retirement Income Taxes: There is a \$3,600 exemption for public pensions, qualified private pensions, and Social Security. It is reduced by \$2 for every \$1 that federal adjusted gross income exceeds \$30,000. Phases out at \$31,800 (individual filers) or \$33,600 (married filing jointly) when both spouses have pension income. Retired Military Pay: See above. Survivor benefits are taxed following federal tax rules.
NE	YES	per fed'l rules	Retired Military Pay: Follows federal tax rules.
NV	YES	total	Personal Income Taxes: No state income tax. Retirement Income: Not taxed.
NH	YES	total	A \$1,200 exemption is available for residents who are 65 years of age or older. Retirement Income: Not taxed.
NJ	YES	total	Excludes from New Jersey gross income tax, U.S. military PENSIONS of persons 62 years of age and applies to tax years beginning on or after Jan. 1, 1998. Payments from a public or private pension plan as a result of a total and permanent disability are also exempt. However, if an individual retired before age 65 on a total and permanent disability pension, and continues to receive pension payments after age 65, the disability pension is treated as ordinary incomes. Military retirement pay is not subject to the state's gross income tax. Retired Military Pay: Exempt from taxes. Military SBP/SSBP/RCSBP/RSFPP: Not subject to New Jersey gross income tax.
NM	YES	max. \$ 8,000 only if over 65 years	Retirement Income Taxes: Taxpayers 65 and older may exempt up to \$8,000 (from any income source) if their income is under \$28,500 (individual filers) or \$51,000 (married filing jointly). Retired Military Pay: See above.
NY	YES	total	Retirement Income Taxes: Social Security, military, civil service, state/local government pensions are exempt. Also, up to \$20,000 of qualified private pensions for those 59½ and older. Out-of-state government pensions can be deducted as part of the \$20,000 exemption. Retired Military Pay: Exempt from taxes.
NC	YES	total if at least 5 years of service, otherwise \$4000	Disability RETIRED pay exempt, if exempt at the federal level. Retirement Income Taxes: Social Security is exempt. At least \$4,000 in exclusions for federal, state and local pensions (depending on dates and length of service); up to \$2,000 exemption for qualified private pensions, including IRAs. Out-of-state government pensions also qualify for the \$4,000 exemption. Retired Military Pay: If an individual had five years of creditable service as of August 12, 1989, all military retired pay is exempt from taxes. Otherwise, a deduction of up to \$4,000 is allowed for military pay or survivor's benefits.
ND	No		
OH	YES	total	effective for taxable years beginning after 31 DEC 2007, military retired pay and SBP benefits are exempt from state income tax & school district income tax
	active duty tax exemption		beginning on & after 1 JAN 2007 the deduction of your military pay you receive for active duty service while you are stationed outside of the state is allowed
OK	YES	max. \$ 5,500	Retired Military Pay: Up to \$5,500 of retirement pay exempt. First \$5,500 of survivor benefits exempt.

RETIREMENT TAX

#125

OR	YES	some or all depending on length of service	Retired Military Pay: Federal retirees, including military personnel, may be able to subtract some or all of their federal pension income. This includes benefits paid to the retiree or to the surviving spouse. The subtraction amount is based on the number of months of federal service before and after October 1, 1991. Retirees can subtract their entire federal pension if all the months of federal service occurred before October 1, 1991. If there are no months of service before October 1, 1991, retirees cannot subtract any federal pension. If service included months before and after October 1, 1991, retirees can subtract a percentage of their pension income. VA Disability Dependency and Indemnity Compensation: Not subject to federal or state taxes.
PA	YES	total	Retired Military Pay: Not taxed.
RI	YES	per federal rules	Retired Military Pay: Follows federal tax rules.
SC	YES	max. \$3,000 if more than 20 years active duty. max. \$10,000 after age 65	Under age 65, \$3,000 in pension income is exempt. At 65, the deduction is \$10,000. After 65, the deduction is \$15,000. Retired Military Pay: Retirees with 20 or more years of active duty can deduct up to \$3,000 annually until age 65 and up to \$10,000 per year after age 65. This deduction extends to the surviving spouse. Pension or retirement income received for time served in the National Guard or Reserve components is not taxable. Survivor benefits are taxed following federal tax rules.
SD	YES	total	Personal Income Taxes: No state personal income tax. Retirement Income Taxes: Not taxed
TN	YES	over 65 years w/ income < \$16,200 (single) or \$27,000 (married)	Retirement Income Taxes: Persons over 65 with a total income of less than \$16,200 (single filer) or \$27,000 (joint filer) are exempt from the above tax. Retired Military Pay: See above.
TX	YES	total	Personal Income Taxes: No state personal income tax. Retirement Income: Not taxed.
UT	YES	max. \$4,800 if under 65 years max. \$7,500 if over 65 years	Disability <u>RETIRED</u> pay exempt if exempt on federal return. \$7,500 exempt for those 65 and older; \$4,800 nondisability deductible for those younger than 65. However, exemptions are limited by the amount of adjusted gross income. Retired Military Pay: Up to age 65, individual can deduct up to \$4,800 of qualified retirement; \$7,500 at age 65 or older. Deductions apply to survivor benefits.
VT	YES	per federal rules	Retired Military pay: Follows federal tax rules.
VA	YES	per federal rules	Retired Military Pay: Follows federal tax rules. Military retirement income received by those awarded the Medal of Honor can be subtracted from federal gross income for tax purposes.
WA	YES	total	Personal Income Taxes: No state personal income tax. Retirement Income: Not taxed.
WV	YES	First \$2,000 exempt, additional exclusion= years of military service multiplied by 2 percent, multiplied by military pension; or \$30,000, whichever is less	Allows a decreasing modification to federal adjusted gross income for the first \$2,000 of income received from the federal civil service, military retirement and certain other types of RETIREMENT. Law allows for a decreasing modification of up to \$8,000 for persons who are age 65 or older and for those persons who are permanently and totally disabled. The maximum combined modifications for persons over the age of 65 who have the types of pension income discussed above cannot exceed \$8,000. When these modifications are used in conjunction with the \$2,000 personal exemption allowance, a person over the age of 65 would be allowed reductions (consisting of decreasing modifications and the personal exemption) of up to \$10,000 in determining West Virginia taxable income. As for military retirement pay, the amount of pay that is exempt from state income taxes is equal to the number of years of active duty, multiplied by 2%, with the product then multiplies by the first \$30,000 of military retirement income. Retired military Pay: First \$2,000 is exempt, plus an additional exclusion total whose formula is years of military service multiplied by 2 percent, multiplied by military pension; or \$30,000, whichever is less.
WI	YES	total	All retirement payments from the U.S. military employee retirement system, the Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration and the Public Health Service are exempt. Retired Military Pay: All military retirement pay is exempt.

RETIREMENT TAX

#15
P.D.

WY	YES	total	Personal Income Taxes: No state personal income tax. Retirement Income Taxes: Not taxed, including that received from other states.
----	-----	-------	---



2#

Testimony of Jessica Lee

Fargo Moorhead West Fargo Chamber of Commerce

HB 1254

January 23, 2013

Mr. Chairman and members of the committee, my name is Jessica Lee and I am here today on behalf of the Fargo Moorhead West Fargo Chamber of Commerce, which represents over 2200 member firms, to stand in support of HB 1254.

Although there are a multitude of reasons we support this bill, I will ask you to consider two important factors:

1. An increasing number of skilled military retirees are navigating into the civilian workforce.
2. National rankings DO matter, now more than ever.

To provide a quick background, when I arrived in my position at the Chamber just two years ago this May, a Military Affairs subcommittee had just been re-launched underneath the umbrella of our Public Affairs committee, which is my assigned area. In no time at all, word of our new subcommittee spread through our membership and generated a level of support that the sub-committee's presence quickly escalated into what is today our largest and most active free standing committee.

Our roster boasts over ninety business leaders including three former Adjutant Generals and dozens of civilians, such as myself. It is inspiring to see so many in our community who seemingly look each day for a way to thank and support our service members.

In November, the Military Officers Association published a state-by-state analysis of benefits offered to service members and retirees. Unaware of how we fared comparatively, we perceived our state would be at the top of the list; however, from a national perspective, North Dakota has room and now opportunity to improve.

Using specific criteria, the report examines benchmark benefits in each state. I am providing a copy of that report and encourage you see our benefits through the lens of a national microscope.

With that national lens in mind, Mr. Chairman and members of the committee, I would ask you to consider our national fiscal environment. As you know, the President's Budget calls for steep cuts to the Department of Defense. In turn, we understand the Air Force has requested a new round of base realignment and closures in an attempt to identify cost savings.

We are pleased to see that the Governor's budget recognizes the potential ramifications and recommends funding to protect our bases, as well as, current and future missions. In Fargo, the Air National Guard Support Committee has spent months engaged in the process of base protection, working with a consultant in Washington and our Congressional Delegation.

Part of that fight should include positioning North Dakota at the top of the list relative to the value we place on the contributions of our military. More than ever, it is important for North Dakota to show our commitment in this arena.

The passage of HB 1254 would provide an exemption for military retirement pay. North Dakota would join the 40 other states that do not tax retirement income of retiree's.

Military retiree's fit the skilled workforce pool North Dakota is looking for. Last June, a representative from the Fargo Moorhead Economic Development Cooperation and I were invited to meet with a Marine recruiter, charged with connecting retiring Marines with opportunities in states with stable economies through a program called, Marines for Life. His question to us was "What does North Dakota provide to retired service members?" He was asking for our help in selling ND to retiring Marines. In preparation, I began my research of unique benefits offered to Military retirees and what I found was to qualify for most benefits, a veteran must be to some degree *disabled*.

Providing the income tax exemption to all retiree's will open our doors to an extensive, talented, capable workforce with the support of initiatives, such as Marines for Life.

Further, an increasing number of opportunities and resources are available for new veteran owned start-ups. Let's allow retiree's to save what they've earned during their service while they build their subsequent careers in North Dakota.

Thank you for the opportunity to appear before you today in support of HB 1254. I would be happy to answer any questions.

P
P
P

MILITARY OFFICER

NOVEMBER 2012 \$4.75

THE OFFICIAL MAGAZINE OF MOAA | ONE POWERFUL VOICE®

WWW.MOAA.ORG

“ You want to
get back to the world
as quickly as you can. ...

Normality
is what
you want
after anything traumatic
in your life. ”

— Master Sgt. William “Spanky” Gibson, USMC-Ret.

MOAA is focused on helping the
wounded and their families 60

#3



Veteran and Retiree Benefits

These policies and programs generally benefit servicemembers who have separated or retired from the military.

Symbols mean ...

- Yes
- Limited/Conditional
- No

	Exempt From State Taxation	Military Retired Pay	Survivor Benefit Plan Disability Pay †	Monetary Incentives	Homestead Tax Relief	Property Tax Relief	Veteran Status on License/ID
Alabama	●	●	●	●	●	●	●
Alaska	●	●	●	●	●	●	●
Arizona	●*	●*	●	●	●	●	●
Arkansas	●*	●*	●	●	●**	●	●
California	●	●	●	●	●	●	●*
Colorado	●	●	●	●	●	●	●
Connecticut	●*	●*	●	●	●	●	●
D.C.	●	●	●	●	●	●	●
Delaware	●	●	●	●*	●	●	●
Florida	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●
Hawaii	●	●	●	●	●	●	●
Idaho	●	●	●	●	●	●	●
Illinois	●	●	●	●	●	●	●*
Indiana	●	●	●	●	●	●	●
Iowa	●	●	●	●	●	●	●*
Kansas	●	●	●	●	●	●	●
Kentucky	●	●	●	●	●	●	●
Louisiana	●	●	●	●	●	●	●
Maine	●	●	●	●	●	●	●
Maryland	●*	●*	●	●	●	●	●
Massachusetts	●	●	●	●	●	●	●
Michigan	●	●	●	●	●	●	●
Minnesota	●	●	●	●	●	●	●
Mississippi	●	●	●	●	●	●	●
Missouri	●	●	●	●	●	●	●*

	Exempt From State Taxation	Military Retired Pay	Survivor Benefit Plan Disability Pay †	Monetary Incentives	Homestead Tax Relief	Property Tax Relief	Veteran Status on License/ID
Montana	●*	●*	●	●	●	●	●
Nebraska	●	●	●	●	●	●	●
Nevada	●	●	●	●	●	●	●
New Hampshire	●	●	●	●	●	●	●
New Jersey	●	●	●	●	●	●	●*
New Mexico	●	●	●	●	●	●	●
New York	●	●	●	●	●	●*	●**
North Carolina	●	●	●	●	●	●	●
North Dakota	●	●	●	●	●	●	●
Ohio	●*	●*	●	●	●	●	●
Oklahoma	●*	●*	●	●	●**	●**	●***
Oregon	●	●	●	●	●	●	●
Pennsylvania	●	●	●	●	●	●	●*
Rhode Island	●	●	●	●	●	●	●
South Carolina	●*	●*	●	●	●**	●	●
South Dakota	●	●	●	●	●*	●	●
Tennessee	●	●	●	●	●	●	●*
Texas	●	●	●	●	●	●	●
Utah	●*	●*	●	●	●	●	●
Vermont	●	●	●	●	●	●	●
Virginia	●	●	●	●	●	●	●*
Washington	●	●	●	●	●*	●	●**
West Virginia	●*	●*	●	●	●**	●	●
Wisconsin	●	●	●	●	●	●	●
Wyoming	●	●	●	●	●	●	●

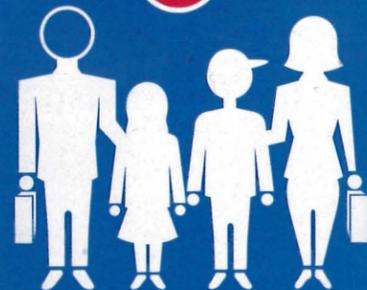
State laws are subject to change; contact your state's department of veterans affairs for up-to-date information.

* What do the asterisks mean?

- Arizona**
*Up to \$2,500
- Arkansas**
*Up to \$6,000
**\$350 homestead tax credit for all homeowners; 100-percent homestead exemption for disabled veterans
- California**
*AB 1725 and SB 1355 being considered
- Connecticut**
*50 percent of pay
- Delaware**
*Paralegic veterans receive \$3,000 annually
- Illinois**
*Effective July 2015
- Iowa**
*Effective July 2013
- Maryland**
*Up to first \$5,000
- Missouri**
*HB 1574 being considered
- Montana**
*Certain exclusions may apply
- New Jersey**
*Veteran ID cards available through county clerk.
- New York**
*Through STAR program
**S 6453 being considered
- Ohio**
*Exemption for 2008 and later
- Oklahoma**
*Effective tax year 2005; limited to 75 percent or \$10,000;
**If homeowner is 100-percent disabled
- Pennsylvania**
*HB 2153 being considered
- South Carolina**
*Up to \$3,000 of total retired pay; age 65-plus receive up to \$10,000
**Up to \$50,000 for homeowners age 65-plus
- South Dakota**
*With exceptions
- Tennessee**
*When licenses are redesigned
- Utah**
*Up to \$4,800; age 65-plus receive \$7,500
- Virginia**
*State-specific ID cards
- Washington**
*With exceptions
- West Virginia**
*Up to \$2,000
**With exceptions

† Most states determine your income subject to taxation based on your federal tax return. Retirees who entered the military before Sept. 24, 1975, and members receiving disability retirement based on combat injuries or who could receive disability payments from the VA are covered by laws giving disability broad exemption from federal income tax. Most military retired pay based on service-related disabilities also is free from federal income tax, but there is no guarantee of total protection.

2



Currently Serving Family Benefits

These policies and programs generally benefit spouses and children of currently serving military members.

Symbols mean ...

- Yes
- Legislation being considered
- No

	Service member State License Credit/Military Training	Spouse Portable State License	Spouse Unemployment	Child Interstate Compact
Alabama	●	●	●	●
Alaska	●	●	●	●
Arizona	●	●	●	●
Arkansas	●	●	●	●
California	●	●	●	●
Colorado	●	●	●	●
Connecticut	●	●	●	●
D.C.	●	●	●	●
Delaware	●	●	●	●
Florida	●	●	●	●
Georgia	●	●	●	●
Hawaii	●	●	●	●
Idaho	●	●	●	●
Illinois	●	●	●	●
Indiana	●	●	●	●
Iowa	●	●	●	●
Kansas	●	●	●	●
Kentucky	●	●	●	●
Louisiana	●	●	●	●
Maine	●	●	●	●
Maryland	●	●	●	●
Massachusetts	●	●	●	●
Michigan	●	●	●	●
Minnesota	●	●	●	●
Mississippi	●	●	●	●
Missouri	●	●	●	●

state-by-state assessment

	Service member State License Credit/Military Training	Spouse Portable State License	Spouse Unemployment	Child Interstate Compact
Montana	●	●	●	●
Nebraska	●	●	●	●
Nevada	●	●	●	●
New Hampshire	●	●	●	●
New Jersey	●	●	●	●
New Mexico	●	●	●	●
New York	●	●	●	●
North Carolina	●	●	●	●
North Dakota	●	●	●	●
Ohio	●	●	●	●
Oklahoma	●	●	●	●
Oregon	●	●	●	●
Pennsylvania	●	●	●	●
Rhode Island	●	●	●	●
South Carolina	●	●	●	●
South Dakota	●	●	●	●
Tennessee	●	●	●	●
Texas	●	●	●	●
Utah	●	●	●	●
Vermont	●	●	●	●
Virginia	●	●	●	●
Washington	●	●	●	●
West Virginia	●	●	●	●
Wisconsin	●	●	●	●
Wyoming	●	●	●	●

State laws are subject to change; contact your state's department of veterans affairs for up-to-date information.

SIMPLY IRRESISTIBLE!



The Villages of Citrus Hills offers one of the Sunbelt's most exciting lifestyles. There's world-class amenities and a spectacular collection of housing choices set amidst the scenic rolling hills of Florida's Nature Coast!

- 4 Golf Courses • 2 Tennis Centers • 3 Restaurants
- 45,000 sq. ft. BellaVita Spa & Fitness Center
- Set in the Pristine Rolling Hills of the Nature Coast
- Easy Access to Nearby Tampa Bay, Orlando & Ocala
- Private Gated Entry
- Full Schedule of Club Organized Activities
- Fully Customizable Single-Family Homes & Villas

2-Night Discovery Visit \$149!

800-511-0814 • www.CitrusHills.com



Funding Dreams

Your gifts help children from military families build successful futures.

To learn more, visit www.moaa.org/scholarshipfund or call (800) 234-MOAA (6622), ext. 169.
To donate online, visit www.moaa.org/donatenow.

Mail check or credit card donations to:
MOAA Scholarship Fund,
PO Box 320910,
Alexandria, VA 22320-4910.

The Scholarship Fund



NORTH DAKOTA VETERANS COORDINATING COUNCIL

My name is John Jacobsen. I am a member of the Legislative Committee of the North Dakota Veterans Coordinating Council. I am also a member of the American Legion and the Veterans of Foreign Wars.

I served in the North Dakota National Guard and the US Army Reserve for a total of 30 years. I retired in 1995 as a Colonel. I served on active duty in 1991 during Operation Desert Shield/Desert storm in the Persian Gulf, stationed in the United Arab Emirates.

The Coordinating Council is made up of 15 members, 3 from each of the five veterans' organizations in North Dakota.

American Legion

AMVETS

Disabled American Veterans

Veterans of Foreign Wars

Vietnam Veterans of America

It is the policy of the Coordinating Council to support legislation that will benefit the welfare of the members of the Armed Forces. The committee **MUST** concur totally, that is all 15 members must agree on the legislation to be supported or else it does not get the support.

In this case, I have been instructed to recommend to this legislative committee that a "DO PASS" on SB 1254 is supported by the Veterans Coordinating Council.