



**Testimony Regarding HB7123, Article 6 on Taxation
Senate Finance Committee
February 15, 2022**

Although we share with others the deepest respect and gratitude for those who have served our nation in the military and put their own lives at risk, we believe that the proposal, in HB7123, Budget Article 6, to make income from military pensions non-taxable is bad tax policy.

Tax rates ought to be based upon ability to pay not on personal status. For example, a veteran with earnings of a million dollars does not need her or his military pension to be made exempt from taxation. And individuals with little income, whatever the income source, ought to be liable for paying a correspondingly small amount in taxes. We need a fair tax code, rooted in the ability to pay – and there exist better ways to make our tax code less upside-down, with those who can least afford it paying a greater proportion of their income in overall taxes than do those with the highest incomes. While current law does already allow exempting from taxation up to \$15,000 in certain retirement income, including military pensions, at least there is an income provision limiting the exemption to individual filers with adjusted gross income of \$87,000 and joint filers with income of \$109,050. Before the committee are a number of similar bills calling for tax exemptions for military pensions, and our concerns with Article 6 apply to these as well.

Although one might think veterans especially deserving of the proposed benefit, this measure could prove the first of many efforts to exclude other sorts of retirement or regular income from taxation. The proposal in Article 6 is expected to cost the state \$6.9 million in lost revenue once fully implemented, but if similar proposals are enacted going forward, the result could be that the state will lose tens of millions of dollars in valuable revenue, a significant portion of it staying with those who least need it.