

HB 412 -- INCOME TAX DEDUCTION FOR MILITARY RETIREMENT

SPONSOR: Wasson

COMMITTEE ACTION: Voted "do pass" by the Committee on Veterans by a vote of 11 to 0.

This bill authorizes an individual income tax deduction for any military retirement benefits received by a taxpayer that has not already been deducted or excluded from his or her federal adjusted gross income. The deduction is phased in at the rate of 20% per year for a period of five years, beginning January 2006. The current limited deduction for military retirement benefits is removed in lieu of the full deduction.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$821,539 in FY 2006, \$3,332,170 in FY 2007, and \$6,704,000 in FY 2008. No impact on Other State Funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the bill will help retain military retirees in Missouri. Military personnel typically retire in their 40s and take post-retirement jobs on which they pay income taxes. They buy homes and cars on which they pay property taxes. Military retirees are the kind of people you want in your community because they are law-abiding people who join civic organizations, coach little league, and go to church. The military pay that would be relieved of taxes as a result of the bill is only about \$16,000. The potential exists for the bill to be revenue neutral because the amount of property and income taxes being paid by military retirees will exceed the amount of revenue lost through untaxed military retirement benefits. This is an opportunity to provide military retirees a small amount of compensation and to honor those who have served.

Testifying for the bill were Representative Wasson; Sergeant Major George Cutbirth (ret.); Missouri Association of Veterans Organizations; General Fred Marty (ret.); and American Legion.

OPPOSERS: There was no opposition voiced to the committee.

Alice Hurley, Legislative Analyst