

HCS HB 636, 308 & 173 -- INCOME TAX CREDIT FOR MILITARY
RETIREMENT BENEFITS

SPONSOR: Stevenson (Kraus)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on
Tax Reform by a vote of 8 to 0.

Beginning January 1, 2007, this substitute authorizes an
individual income tax credit equal to the amount of tax that
would be due on the military retirement benefits received by a
taxpayer. The tax credit is not transferable or refundable.

FISCAL NOTE: Estimated Cost on General Revenue Fund of Less than
\$26,331,278 in FY 2008, Less than \$27,132,248 in FY 2009, and
Less than \$27,933,216 in FY 2010. No impact on Other State Funds
in FY 2008, FY 2009, and FY 2010.

PROPOSERS: Supporters of HB 636 say that the bill provides a
tax deduction, while the substitute is a tax credit for military
retirement benefits received. The bill will attract and keep
military retirees in Missouri.

Supporters of HB 308 say that 20 other states already have a
deduction for military retirement benefits including Kentucky,
Kansas, and Illinois. With Fort Leonard Wood and Whiteman in
Missouri, the bill could potentially keep some of those retirees
here. There is active recruitment by some states to lure
retirees to relocate to their state. The state's tax burden is
one of the top three reasons to move to a state.

Supporters of HB 173 say that a deduction for military retirement
benefits will help the economy. Currently, a retiree could cross
the state border in almost any direction and get tax relief. The
cost of this deduction could be offset by gains in population.

Testifying for HB 636 were Representative Day; and Missouri
National Guard Association. Testifying for HB 308 were
Representative Kraus; Association of Retired Missouri State
Employees; Thomas Gerald Thompson; Missouri Association of
Veterans Organizations; American Legion, Department of Missouri;
Missouri Kidney Program; and Veterans of Foreign Wars of the
United States, Missouri Department. Testifying for HB 173 were
Representative Cooper (158); and Association of Retired Missouri
State Employees.

OPPOSERS: Those who oppose HB 308 say that the funds are needed
more for the low-income elderly in Missouri. The state could
better use the funds by removing the 1% sales tax on food and
providing more funding for the Meals on Wheels Program. This

surplus could be one-time money; and therefore, permanent major tax cuts should not be considered now. The 3% raise scheduled for state employees is not enough. Elementary and higher education, health care coverage including mental health, and increased circuit breaker credits are of a higher priority than a pension deduction. Restoring amounts cut from the budget for agriculture and corrections is also important. The three most important qualities of a tax system are fairness, adequacy, and sustainability; and the bill does not meet these criteria.

Those who oppose HB 173 say that the welfare of the people shall be the supreme law. State taxes should be fairly levied on all, equitably based on ability to pay, and to finance a system of government and services that benefit all. The state needs research done on people moving to higher cost-of-living areas to save \$300 to \$400 in taxes. State retirement is taxed by the state no matter where a taxpayer moves. The bill works against the standards for taxation - fairness, adequacy, and sustainability. Tax reductions go mostly to the wealthy, and the loss of revenues will hurt the state's ability to fund public schools and other services.

Testifying against HB 308 were Fredricka Lainoff; Missouri Budget Project; Missourians for Tax Justice; Kelly Davis; Missouri Association for Social Welfare; Tax Justice for a Healthy Missouri; Missouri National Education Association; Dr. Rea Beck; AARP; and Jerry Howard. Testifying against HB 173 were Missouri Association for Social Welfare; and Missouri National Education Association.

OTHERS: Others testifying on HB 173 say that the state needs to be concerned with the Michigan vs. Davis court case.

Testifying on HB 173 was Richard Thissen.