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RICHMOND VA 23219

COMMONWEALTH OF VIRGINIA JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

*Air Force Association
Air Force Sergeants
Association
American Legion
AMVETS
Association of the United
States Army
Association of the United States
Navy
Disabled American
Veterans
Fifth Baptist Church Veterans
Ministry
HOPE for the Warriors
Iraq and Afghanistan
Veterans of America
Legion of Valor of the
U.S., Inc.
Marine Corps League
Military Officers Association
of America
Military Order of the
Purple Heart
Military Order of the
World Wars
Navy Mutual Aid Association
Navy SEAL Foundation
Northern Virginia Veterans
Association
Paralyzed Veterans of
America
Reserve Organization of
America
Student Veterans of America
Veterans of Foreign Wars
Vets on Track
Vietnam Veterans of America
Virginia Army/Air National
Guard Enlisted
Association
Virginia National Guard
Association
Wounded Warrior Project*

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JLC Initiative 2026-06

Inclusion of USPHS and NOAA in Income Tax Subtraction

OBJECTIVE: To ensure the continued commitment of the Commonwealth of Virginia to amend and reenact § 58.1-322.02 of the Code of Virginia to expand eligibility to all Uniformed Services, including the Commissioned Corps of the U.S. Public Health Service (USPHS) and the National Oceanic and Atmospheric Administration (NOAA) Commissioned Officer Corps.

BACKGROUND: Starting in 2023, Virginia veterans over the age of 55 receive a partial subtraction of their military retirement from state income taxes, an historic step by the General Assembly and Governor. The objective of this initiative is to make the law more appropriately inclusive by substituting the term “Uniformed Services” for “Armed Forces.” However, in defining the term “military” in the law as “service in the Armed Forces of the United States,” it eliminates eligibility for Virginia retirees of two of the eight uniformed services (USPHS and NOAA).

DISCUSSION: In 2022, § 58.1-322.02 of the Code of Virginia was amended by the General Assembly and reenacted to allow an individual age 55 or older to subtract military benefits, defined as “military retirement income received for service in the Armed Forces of the United States” from their Virginia taxable income. Because that definition uses the words “armed forces” instead of “uniformed services,” the enacted law excluded USPHS and NOAA retirees, both entities that consist of uniformed service members deployable worldwide. Federal law (e.g., 10 USC 101 and 37 USC 101), defines the term “Uniformed Services” to include the six Armed Forces (Army, Navy, Air Force, Marine Corps, Coast Guard, and Space Force), the USPHS, and NOAA. The total number of PHS and NOAA retirees living in Virginia as of 11/9/2024 was 287; the total number of PHS and NOAA annuitants living in Virginia as of 11/9/2024 was 52; total = 339. States bordering Virginia, including West Virginia, Maryland, and North Carolina use the words “Uniformed Services”, including USPHS and NOAA, in their relevant tax laws. Kentucky also included the USPHS and NOAA in its definition of “Armed Forces” for the purposes of its active duty pay tax exclusion.

RECOMMENDATION: That the Governor and General Assembly amend the Virginia code to substitute the term “Uniformed Services” to “Armed Forces” in defining the eligibility for subtraction of military retirement income from Virginia taxable income.