



COMMONWEALTH OF VIRGINIA JOINT LEADERSHIP COUNCIL OF VETERANS SERVICE ORGANIZATIONS

101 N. 14TH ST., 17TH FLOOR
RICHMOND, VA 23219

Air Force Association
American Legion
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Fifth Baptist Veterans Ministry
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Iraq & Afghanistan Veterans of America
Korean War Veterans Association
Legion of Valor of the U.S., Inc.
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Military Officers Association of America
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Navy Seabee Veterans of America
Non-Commissioned Officers Association
Paralyzed Veterans of America
Reserve Officers Association
Roanoke Valley Veterans Council
Veterans of Foreign Wars
Vietnam Veterans of America
Virginia Army/Air National Guard Enlisted Association
Virginia National Guard Association
Women Marines Association

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JLC Contact
Fleet Reserve Association
William Ashton

Position Paper 2021-07

Partial State Tax Exemption for Military Retirement Income

OBJECTIVE: To reform the Virginia state tax law, creating a partial exemption on military retirement income beginning in 2021.

BACKGROUND:

- Currently Virginia does not exempt military retirement income, while three of Virginia's neighbors (NC, WV, and MD) have some level of state tax exemption on military retirement income.
- The personal income tax laws of over half the states provides various exclusions from gross income in determining tax liability, including an exclusion for combat-related special compensation and death benefit payments received by a surviving spouse or other beneficiary designated by a military veteran.

DISCUSSION:

- Approximately only 1% of the American population served in our Armed Forces and approximately 2% of the total population of the Commonwealth of Virginia are collecting a military retirement. This would be an appreciation of the Commonwealth of Virginia to our Veterans who served their country.
- Non-military income, including all income derived from federal or military contracts, consulting or full-time employment will be taxed at the full gross income percentages.
- The qualifying retirement income must be received as a result of an honorable discharge and retirement from full-time, active-duty service in the armed forces of the United States, or reserve components thereof, including the National Guard.
- For each taxable year beginning on or after January 1, 2021.
- Beginning in 2021: A military retiree under the age of 65 may claim an additional \$2,500 deduction and those over age 65 may claim an additional \$5,000 deduction on their state taxes, if the Adjusted Gross Income from their federal return is \$82,000 or less.

RECOMMENDATION: That the Governor and General Assembly support changes to the current Virginia tax laws for a partial exemption of military retirement pay to reduce state tax on military retirement income.