

SUMMARY

AB 53 will provide a state tax exemption for retired members of the Armed Forces beginning in 2027. This bill will also exempt recipients of the Department of Defense's (DoD) Survivor Benefits Program. Since uniform services and California National Guard retirement pay stops upon death of the retiree, the DoD provides a continuous lifetime annuity for their dependents as an inflation-adjusted monthly income.

BACKGROUND

California currently is the only state that fully taxes the pay of its 146,000 military retirees. Many factors affect the decision of members of the Armed Forces regarding where they will live after retirement. Climate, housing costs, where they have been based, and employment opportunities are important. Whether or not a state taxes their military pension benefits is also a factor. Between 2000 and 2016, the nation's population of military retirees increased by 17%. California, which was one of only five states that saw a reduction in the number of its military retirees, saw a decline of 17%. By 2025, after ten years of implementation, the economic gains for California would be substantial:

- 12,600 more jobs
- \$830 million added to total personal income
- \$1.27 billion added to GSP
- \$2.0 billion added to total business sales

PROBLEM

Currently, a top issue for employers in California is attracting a qualified workforce. Approximately 60,000 high-tech jobs are unfilled. Armed Forces retirees are highly skilled, often in areas requiring technical and management expertise. These men and women often continue to be valuable assets to our schools, local charities, and non-profit organizations.

Substantial new federal funds are infused into the state and local economies not only from retirement pay, but also from the full taxation of their second careers. These retirees may also qualify for federal veterans' benefits, which further bring new monies into the state.

SOLUTION

AB 53 recognizes members of the Armed Forces and their contribution to our nation and seeks to exempt their retirement pay once they retire after twenty years of service. This bill sunsets in 2037.

The purpose of the bill is twofold; to honor those who dedicated their life to serving their country, and to retain and attract uniformed service retirees to California for the purposes of strengthening the state's skilled workforce, bringing stability to communities, and contributing to the state and local tax base.

SUPPORT

- American Legion, Department of California (Sponsor)
- California Association of County Veterans Service Officers (Sponsor)
- California Enlisted Association of the National Guard of the United States (Sponsor)
- Marine Corp League, Department of California (Sponsor)
- Military Officers Association of America-California Council of Chapters (Sponsor)

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