

## **SB 1549 Military pension tax exemption**

Senate Committee on Finance and Revenue – John Calhoun –  
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My name is John Calhoun and I am representing Tax Fairness Oregon, a network of volunteers who advocate a rational and equitable tax code.

SB 1549 exempts from state income tax a portion of military retirement pay. Tax Fairness Oregon opposes policies that treat one kind of income differently than another.

Legislators and other proponents claim that the tax exemption would attract recent military retirees to Oregon employers and universities. We beg to differ. The incentive is insufficient to motivate retirees who would benefit. For those adverse to income taxes, states with no income tax and many military bases (for example Washington, Texas, Florida) would be more appealing. Even states with an income tax, but a total exemption on military pensions will rank higher than Oregon for those motivated by a special tax break. However, other factors drawing a person to Oregon are more determinative: family, job, climate, etc.

I am a Vietnam veteran that moved to Oregon almost 40 years ago. My wife had family in Gervais Oregon, I had a job at Intel, and I liked the easy access to the outdoors for camping and skiing. Family, job, climate. Now I didn't have a military pension, but the idea that lower income taxes on a portion of my income would have motivated me to move to states like Texas or Florida or even Washington state would have made me laugh.

SB 1549 is not designed to help veterans that need help. This benefit is not based upon war wounds, other disabilities, combat experience, homelessness, or poverty, nor will it benefit any WWII, Korean War or Vietnam war veterans, nor most today's veterans.

Only 2.6% of current Oregon veterans would get this exemption and this small sliver already have incomes well above the median Oregon household income of \$87,000. [LRO estimated](#) that a third of the eligible veterans would have adjusted gross income below \$80,000, another third between \$80,000 and \$150,000, and the remaining third above \$150,000. Are these the veterans that you want to target with a tax exemption?

Recruiting out-of-state employees for industry is not a proper role of government. It is done, and should be done, by employers. The state's role is to create the economic and social environment that makes our state attractive. If recruiting veterans is for the educational benefits they bring our universities, SB 1549 is poorly aimed. Only a small minority of veterans leaving the service today have pensions, but the rest have educational benefits. Military training says go after the bigger target.

One more point. During the 1990s the Legislature passed a series of laws classifying pension income as taxable, including taxes on PERS benefits. Granting a benefit to a small slice of Oregonians would be unfair, stimulating demands for equal treatment. How would we justify to police, fire, teachers, or others who retire younger than 62 with pensions that they must pay taxes on their retirement income while military retirees get an exemption? Do you really want to open this can of worms? It's an issue that the legislature had to struggle with in the 90's because of court cases involving this kind of inequity.

***We read the bills and follow the money***