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income tax — at least for the next ten years.

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From *Kiplinger Consumer News Service*, via TNS.

Military retirees residing in California potentially pay more taxes on their military retirement pay than they would in other states. That's because California is the only U.S. state that fully taxes military pensions. (*The District of Columbia does as well.*) But proposed legislation would exempt military retirement income from California state income tax — at least for the next ten years.

“We need to make the state more Veteran friendly and honor the many sacrifices of

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## AB 46: California Tax Exemption for Military Pensions

- If passed, California AB 46 would exclude military retirement pay from gross income for state income tax purposes.
- The exemption would be in place for ten years (i.e., tax years beginning on or after January 1, 2024, and before January 1, 2034).
- Annuity payments received from a U.S. Department of Defense (DoD) Survivor Benefit Plan would also be excluded from California gross income for the same ten-year period for eligible taxpayers.
- Currently, If you're a California resident, your military retirement pay is taxable, including all military pension income, according to the California Franchise Tax Board (FTB). Retirement pay is reported on IRS Form 1099-R.

### California Tax Deadline Extension: What You Need to Know

In a statement addressing the potential impact of AB 46 and the need for tax-friendliness, Ramos noted, “Military retirees bring benefits to our state such as stability, job skills used in second careers, and federal funding.”

California is reportedly home to the most active-duty military personnel in the U.S. Federal government data show that as of January 31, 2023, more than 140,000 military retirees resided in the Golden State.

## Retirees Fleeing California?

However, California has been losing residents in recent years — including military retirees — according to numerous studies based on IRS and U.S. Census Bureau data. Since 2020, the state has lost nearly half a million residents overall. DoD actuarial

data show that over the last ten years or so, the number of military retirees residing

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In a release, Jeffrey Breiten, USN (Ret.) and vice president of legislative affairs of the California Council of Chapters Affiliated Military Officers Association of America (CALMOAA) emphasized how the loss of military retirees is problematic for California.

“Military retirees contribute to the state’s workforce development where they chose to retire,” Breiten stated, adding, “Our state loses out on millions of dollars in federal funds that follow military retirees after retirement.”

CALMOAA reports on its website that according to DoD estimates, “military retirees bring a \$4.1 billion annual inflation-protected stream of federal funds, to California’s economy each year.”

AB 46 is sponsored by several groups representing Veterans including the Military Officers Association of America. To become law, the bill must clear several stages of the California legislative process before it could ultimately be signed by Gov. Gavin Newsom.

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