

## **SB 225 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 225 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 average benefit of \$1,500 is insufficient to motivate many retirees. For those adverse to income taxes, states with no income tax, many military bases, and ample military contractors (for example Washington, Texas, and Florida) will remain more appealing. In addition, more than 80% of the military today do not stay and get a pension and SB 225 will not motivate any of the non-pensioners, the vast majority of new veterans, to move to Oregon.

However, the prime factors drawing a person to live somewhere have always been family, jobs, and climate. These factors determined why I moved to Oregon 40 years ago. My wife had family in Gervais, 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 \$1,500 a year would not have motivated me to move to states like Texas or Florida or even Washington state.

SB 225 is not designed to help veterans that need help. This benefit is not based upon war wounds, other disabilities, combat experience, homelessness, or poverty. In fact, badly wounded soldiers, like my friend Terry who was blown up in the battle for Hue Vietnam in 1968, typically cannot stay on active duty. Less than 4% of current Oregon veterans would get this exemption and half of this small sliver already have incomes above the median Oregon household income of \$80,000.

Do you really think this makes the other 96% think you are doing something for veterans, especially when our VA institutions are under attack in Washington? Remember, most veterans did not decide to stay for 20 years. This was more than doubly true for my veteran cohort when the draft is why they entered the military.

Every state has a different tax structure. Oregon has no sales tax so it depends upon income and property taxes. Trying to compete with other states by handing out income tax exemptions to honored groups is a fool's errand. During the 1990s the Legislature passed a series of laws classifying pension income as taxable, including taxes on PERS benefits. Granting a pension 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 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 just this kind of inequity.

Lastly, this bill must be added to the dozens of others seeking cuts in taxes for special groups when we are headed into a financially difficult time. The \$15 to \$17 million per biennium this bill will cost could keep hundreds of families on the Oregon Health Plan when Medicaid is cut. Is that a trade-off you are willing to make?

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

Chair Meek, would you allow me an extra minute for a personal comment.

I know that this committee is likely to pass this bill because among other reasons you want to honor Senator Manning and Senator McLane for their 20+ years of service and show them respect for that service. I too respect Senator Manning and Senator McLane's sacrifice and I know something about respect. It is what I did not get when I came back from Vietnam. For much of my life I was not shown any respect for serving my country in a war. But getting an annual payment for my service is not what would have made me feel better. It is a government and a society that says thank you and does not denigrate my service as some have done.

So, thank you for listening to me and giving me your time. That shows respect. Thank you, Senator Meek and Senator McLane.