

HB 2050A Military pension tax exemption

House Committee on Revenue – John Calhoun – 6.5.2025



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

HB 2050A exempts from state income tax 100% of military retirement pay for those with 100% disability. Tax Fairness Oregon opposes policies that treat one kind of income differently than another.

HB 2050A is one of many bills this session to provide tax exemptions to military pensioners or veterans. It is not designed to help veterans based solely upon war wounds, 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 because of their disabilities and therefore don't get a pension. This is not a veteran's bill. It is a pension bill. Most veterans with 100% disabilities will not get this benefit. There is also no income cap on this benefit.

Most Vietnam veterans like myself were either draftees or volunteered because they expected to be drafted. Few of us stayed for the 20 years required for a pension. So once again Vietnam veterans are getting the short end of the stick.

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. Someone with a military pension can avoid all income taxes by living in states like Washington that have no income tax. However, if they have a low or middle level income, they are likely to pay more in sales taxes than they save in income taxes. Washington state currently has a combined state and local sales tax of 9.38%. I am not aware of any state that has a sales tax that offers veterans exemptions from their sales taxes.

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 if totally disabled on the job, 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.

If you end up passing this legislation or any of the other tax exemptions or credits to groups you are sympathetic to, you will be taking funds away from the issues each of you have said are your highest priorities; schools, housing, homelessness, addiction treatment, fire or whatever. Every day there is a story about how one of these priorities is not getting the funds they need. A few days ago, it was a shortage of funds for the Governor's homeless shelter program.

Veteran care for all veterans is now under attack by budget cutters in Washington. If you really care about veterans there will be a protest tomorrow at 3:00 pm against these cuts at the Portland VA. I hope I will see you there.

We read the bills and follow the money