

# AB 2394 – Military Retirement Pay

## Assemblyman William Brough



### Issue

According to a report and recommendations from the Governor's Military Council, over the next few years California is expected to have more military service members retire here than any other state. However, many veterans and discharging service members will choose to move to other states. While some portion of these individuals are simply returning to their home state, others leave California based on concerns about our state's cost of living or because they are attracted to incentives provided by other states for veterans. State leaders should explore appropriate ways to incentivize veterans to stay in California.

### Solution

California is home to 1.8 million military veterans, representing 8% of the total population of American veterans. To incentivize more veterans to keep their excellent skills here in California, such as, leadership, teamwork, and a high aptitude for technology, this bill would exempt military retirement pay from state income tax for veterans who are residents in California.

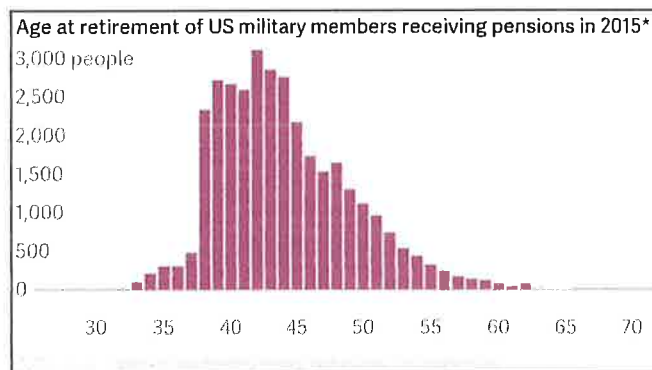
By exempting military retirement pay from state income tax, California will join 16 other states like Hawaii, New York, and Massachusetts that have state income tax but provide these benefits. Veterans are a vital part of our workforce. California should do its part to not only give back to our veterans, but to attract future veterans to keep their skills here in the Golden State.

### Background

In order for a military service member to receive full military retirement benefits they must serve a minimum 20 years. Once an individual retires from active duty at 20 years, they receive 40% of the average of their highest 36 months of

basic pay, a 2% increase for any additional years, and the benefits has an annual cost-of-living adjustment (COLA).

Nationwide less than 20% of veterans serve 20 years to receive military retirement benefits. But if a service member joins in their 20s, this retirement system allows them to retire around the age of 40. The graph below from the U.S. Department of Defense shows the age at retirement for military members who received a retirement in 2015, with most members being in their mid-40s.



### State Law

California's Constitution contains provisions offering a partial exemption from property tax for disabled veterans worth \$150,000 of their home's assessed value for lower income disabled vets and \$100,000 for all other incomes. These amounts have been adjusted for inflation so that disabled veterans with household income below \$57,258 are eligible for an exemption amount of \$191,266. All other disabled veterans qualify for an exemption amount of \$127,510 for fiscal year 2016-17. Eligibility is based on a disability rating from the United States Department of Veterans Affairs (USDVA). To qualify for the exemption, the USDVA must rate the veteran's disability at 100 percent or rate their disability compensation at 100 percent because they are unable to find and keep gainful employment. Property owners must apply each year for the exemption.

## **Staff Contact**

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