

Dear Representative

I'm asking for your favorable consideration of exempting military retired pay from Arizona income tax. It is a "Work Force Development Bill" because it's all about attracting and keeping military retirees in Arizona.

Here are some key points for consideration:

1. A retiree joining the military at 18 can qualify for retirement after 20 years. At 38 years old, the majority of retirees will move into a second career and that income will be fully taxed.
2. A majority of retirees bring with them a spouse who will most likely find employment and their income will also be fully taxed.
3. Retirees of the Uniformed Services bring with them their own health benefits.
4. Retirees will purchase homes, cars, and other assets that will be fully taxed.
5. Many uniformed services retirees bring with them specialized skills that translate to the private sector and many will start new small businesses.
6. Uniformed Services retirees are disciplined, dependable, skilled, highly trained, and do not need long periods of initial training as employees.
7. Considering the technical professions, our military is at the forefront in new technologies and their training regimen is unbeatable. From aircraft maintenance to cybersecurity, our military leads the world and these men and women receive years of specialized intense training that our state could benefit from.

A Fiscal Note prepared for SB1359 (Identical to SB1331) is favorable for passage. Here is a quote " **Estimated Impact** - We estimate that SB 1359 will decrease annual General Fund individual income tax revenues by \$(48.3) million beginning in FY 2022. However, if more military retirees are attracted to the state as a result of the exemption, the revenue reduction could be partially offset from additional tax collections to the General Fund." Unquote.

Another quote from the **State of Arizona Executive Budget Summary, for FY 2021**, Revenue Outlook, Page 17, last two paragraphs: "Thankfully, since then the state's economy and General Fund revenues have experienced extraordinary growth under the conservative fiscal management of the Executive and our Legislative partners. Today, the State of Arizona is in its strongest-ever fiscal position. It is time for the State to recognize the sacrifice of its more than 53,000 retired veterans, who receive a lifetime benefit from our nation in the form of a pension, by allowing them to keep as much of that benefit as possible. Therefore, the FY 2021 Executive Budget fully eliminates this tax by exempting all pension pay of the Uniformed Services of the United States. This new exemption – retroactive to tax year 2020 – is expected to

save the average pensioner more than \$840 per year in State income tax, reducing General Fund revenues by approximately \$45.5 million beginning in FY 2021.”
unquote

Respectfully,