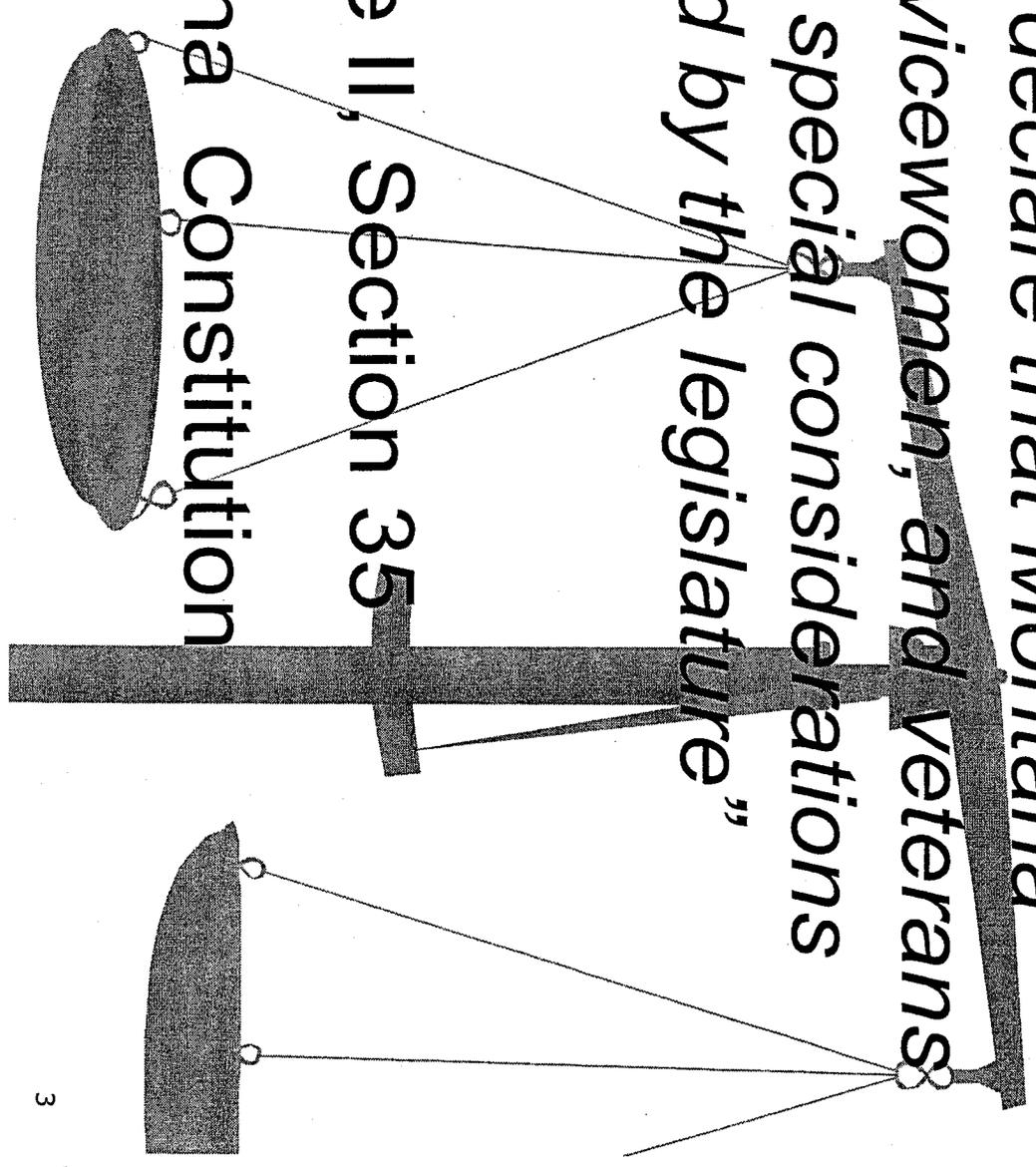


*“The People declare that Montana servicemen, servicewomen, and veterans may be given special considerations determined by the legislature”*

Article II, Section 35  
Montana Constitution

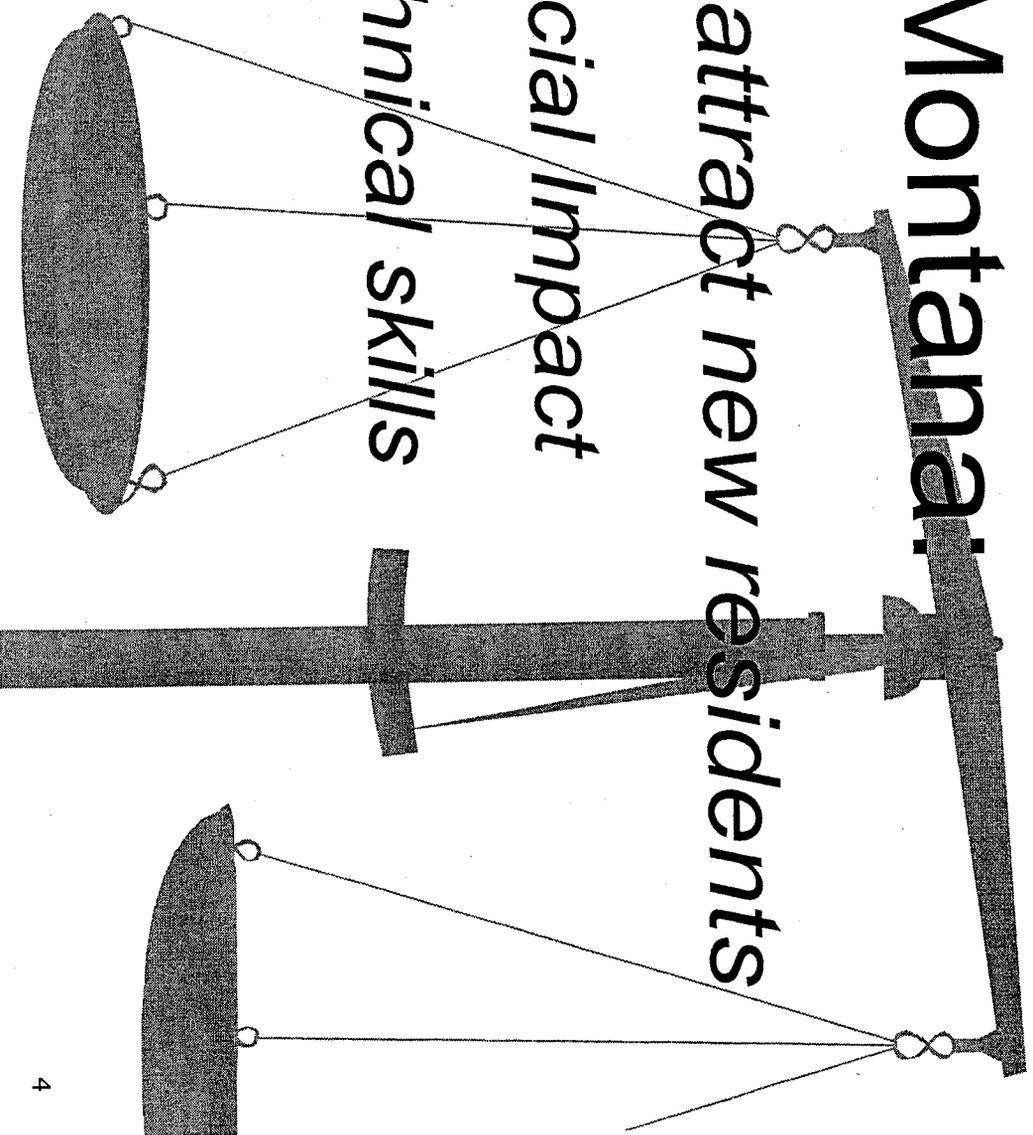


# Doing Things Right

## for Montana!

*Exemption will attract new residents*

- ✓ *Positive Financial Impact*
- ✓ *Enhanced Technical skills*



**“States that provide relatively high tax exclusions for all taxpayers in an age group presumably are acting to attract retired people to the state, or to keep retired residents from moving to another state with a tax regimen more favorable to them.”**

**- National Conference of Legislators  
18 September, 2003**

*In Montana,*

*“... older workers will play a large role in the state’s labor force in the future. Increasing employment among this group will be a key component of any efforts to combat declining labor force participation”*

*-Montana Department of Labor & Industry, 2008*

# WHY EXEMPT MILITARY PENSIONS?

- *Statistics indicate the State income tax structure is a driving factor in a military retiree's selection of primary residence after leaving active duty.*
  - States where tax exemption or substantial tax relief exists attract large retiree populations out of proportion to total State population.

# WHY EXEMPT MILITARY PENSIONS?

- ✓ Revenue gains provided to MT businesses.
- ✓ Skilled, mature workforce
- ✓ Little or no impact on social welfare systems
- ✓ Additional tax revenues for the state treasury.

*SO WHO IS A MILITARY RETIREE?*

# **NOT YOUR AVERAGE RETIREE!**

**First and foremost, he/she is NOT retired.**

**An average profile of a military retiree would be:**

- ✓ **Younger - 39 to 44 years old**
- ✓ **Average annual pension is \$42,314\***
- ✓ **Possesses significant service-acquired skills**
  - **Management, engineering, technology, education, and medical fields**

*\* New retiree average pension based on 28% Officer, 72% Enlisted – 2013 military pay chart data*

# **NOT YOUR AVERAGE RETIREE!**

**(cont.)**

- ✓ ***Not only needs to work – wants to work.***
- ✓ ***Retiree spouses will bring employable skills.***
- ✓ ***Entrepreneurially inclined – will create small businesses and more employment.***
- ✓ ***Well positioned to meet new industry employment needs***
- ✓ ***Volunteerism - part of military culture***

**- DoD actuarial statistics**

# BUT MOST IMPORTANTLY.....

- Elimination of State taxes on military retirees represents a transfer of Federal funds without any negative effect on:
  - Community Schools
  - Services
  - Medicaid or welfare
- Additional benefits- an influx of skilled engineers, technicians, physicians, health service workers and educational instructors.
- Stability for economy in times of economic downturn

# DEMOGRAPHICS

- There are 1,859,677 paid military retirees across the nation.
  - Officers = 519,396 (28%)
  - Enlisted = 1,340,281 (72%)
- \$ 50,647,676,459 was the total of DOD transfer payments to the 50 states and overseas (average 2,513/retiree)

\*2011 Actuarial statistics from DOD on the Military Retirement System

# MONTANA DATA

- Montana now has 8,908 Retiree Residents
- No exemption for personal income tax (PIT)
- 582 new retirees in last 4 years (Avg. gain = 146/year, down from 235/year in 4 years)
- 62,960 military retired in US during this 4 year period.
  - MT share is .9%

\*2011 Actuarial statistics from DOD on the Military Retirement System

# ECONOMIC STABILITY FOR MONTANA

- Military retirement income is not impacted by job layoffs, recessions or depressions (recession proof)
- Military Retirees receive Cost of Living Adjustments (COLA) on their military retirement income, social security and concurrent receipt disability payments
- Many retirees also have VA pensions
- Under age 65 military retirees are covered by the military TRICARE health system
- Over age 65 military retirees are covered by Medicare and the military TRICARE for Life health system

# IMPACT ON MONTANA

## ECONOMY

### Healthcare Dollars

#### (TRICARE and Direct Care systems)

- \$89,670,000 dollars were spent on retiree healthcare in Montana in 2007. Figures for 2011 are not available
- That amounts to \$10,769 per retiree
- Federal dollars bring in medical services that may not be supported by smaller populations

# 2007 PIT PAID BY MILITARY RETIREEES

- Data obtained from the 2007 DOD Statistical Report on the Military Retirement System.
  - 8908 military retirees subject to Montana PIT
  - Associated Federal Transfer funds of \$ 26,8629,648/yr
  - Estimated Montana PIT revenues of \$6,347,520\* (assumed tax rate of .040) on existing retiree base at pension average of \$ **42,314\***/year)

# PROJECTED PIT REVENUES

*(based on 1000 new retirees)*

- **Calculation Basis:**
  - 1,000 military retirees (post 2012)
  - 28% Officer at median rank O-4/24 years service
  - 72% Enlisted at median grade E-7/22 years service
  - Estimated transfer funds (retirement)  
**\$30,156,000/1000 retirees/year**

\* 2011 Actuarial statistics from DOD on the Military Retirement System

# PROJECTED PITT REVENUES

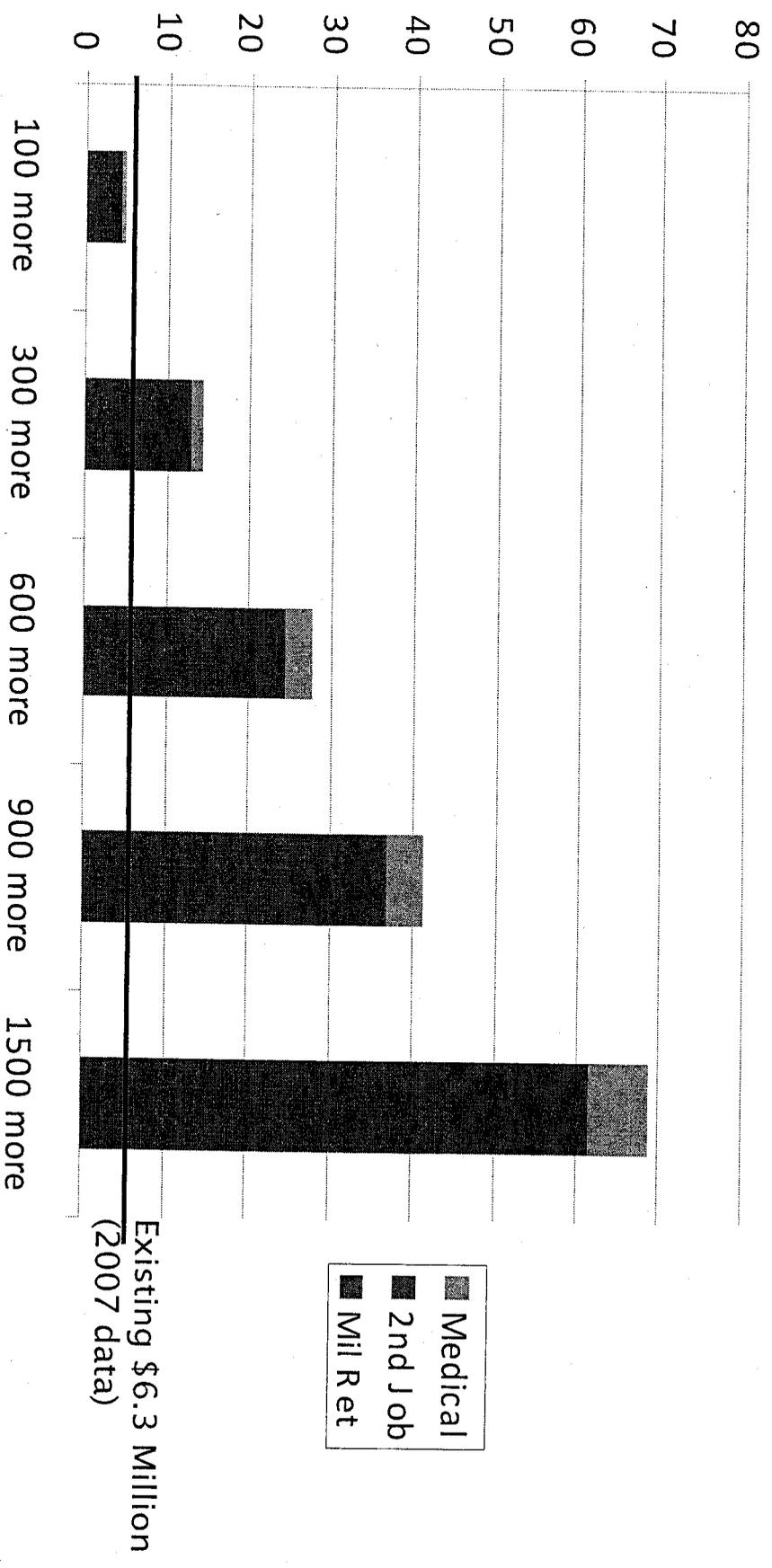
- The average pension for a military retiree couple is \$30,156.\*
- Expected civilian employment is estimated at \$46,748 /year/retired family
- Income tax gains of an estimated \$1,869,920 in State income taxes for each 1,000 military retirees through their civilian employment.
- These state income tax monies will be in addition to the major tax gains realized for the significant new business generated in the economic community through the multiplier impact of retirees pensions.

**Attracting and retaining 1,000 new military retirees in five years is a realistic goal under this program!**

\* 2011 Actuarial statistics from DOD on the Military Retirement System

# REVENUE GAINS FOR MONTANA

(in \$ millions)



Existing \$6.3 Million  
(2007 data)

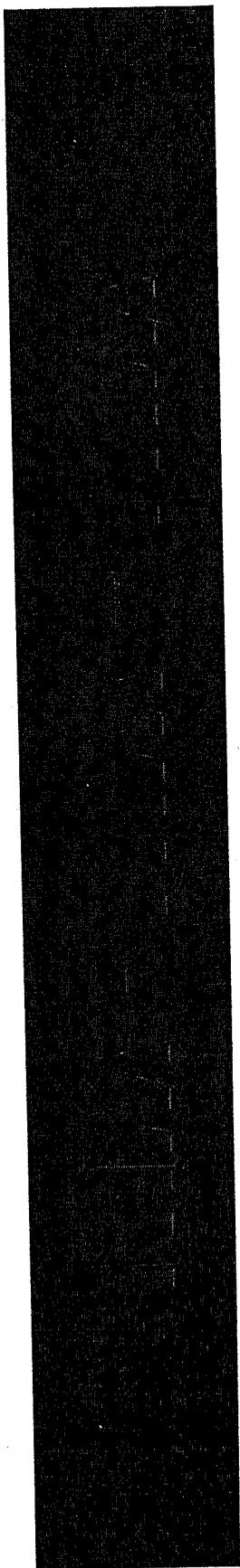
# SUMMARY

In addition to tax revenues gains, a myriad of other benefits will be gained.

1. Federal Transfer Funds in hundreds of millions of dollars.
2. A multiplier effect on these transfer funds resulting in hundreds of millions of dollars being revenues applied to new home construction, property, furnishings and appliances.
3. An infusion of significant technical, management and educational skills.
4. A second career for many who create new business entrepreneurial startups creating new job growth and employment.
5. Essentially no impact on the school system as most children of retirees have reached or are near maturity.
6. Minimal impact or drain on law enforcement resources.

# SUMMARY (continued)

7. Tax revenues derived from property values.
8. No welfare impact due to income level
9. No impact on Medicaid as health insurance is well established (TRICARE for those under 65 and Medicare plus TRICARE for Life for those over 65).
10. Potential leverage against future base closures.
11. Increase in Montana income tax revenues due to retiree civilian employment activities and increased profit/salaries for new industry and small businesses.
12. Resiliency factor for economy in terms of economic down turns as retirees receive Cost of Living Adjustment on military retirement, disability and Social Security incomes.

- 
- Military Retirees
  - Businesses within the State
  - New jobs created by entrepreneurial retirees
  - Increase in Gross Receipts Taxes
  - Availability of skills to meet industry growth
  - Tax increases to the State
  - Workforce enhancement

**EVERYONE WINS!**