



SPONSOR: Sen. Buckson & Sen. Mantzavinos &
Rep. Dorsey Walker & Rep. Hilovsky & Rep. Bush
Sens. Hocker, Lawson, Pettyjohn, Wilson; Reps. Gray,
Morris, Shupe, Michael Smith

DELAWARE STATE SENATE
152nd GENERAL ASSEMBLY

SENATE BILL NO. 201

AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO EXCLUSION OF MILITARY
PENSIONS FROM TAXABLE INCOME.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

1 Section 1. Amend § 1106, Title 30 of the Delaware Code by making deletions as shown by strike through and
2 insertions as shown by underline as follows:

3 § 1106. Modifications [For application of this section, see 83 Del. Laws, c. 338, § 2].

4 (b) *Subtractions*. — There shall be subtracted from federal adjusted gross income:

5 (3) a. For taxable years beginning before January 1, 2022:

6 1. Amounts received, not to exceed \$2,000, by persons under age 60 as pensions from employers, the
7 United States, this State, or any subdivision of this State; or

8 2. Amounts received, not to exceed \$12,500, by persons age 60 or older as pensions from employers,
9 the United States, this State, or any subdivision of this State, or as eligible retirement income.

10 b. ~~For taxable years beginning on or after January 1, 2022;~~ taxable years beginning on January 1, 2022,
11 and ending before January 1, 2024:

12 1. For persons under age 60, the greater of:

13 A. Amounts received, not to exceed \$2,000, as pensions from employers, the United States, this
14 State, or any subdivision of this State; or

15 B. Amounts received, not to exceed \$12,500, as a United States military pension.

16 2. For persons age 60 or older, amounts received, not to exceed \$12,500, as pensions from
17 employers, the United States, this State, or any subdivision of this State, or as eligible retirement income.

18 c. For the taxable year beginning on January 1, 2024:

19 1. For persons under age 60, the greater of:

20 A. Amounts received, not to exceed \$2,000, as pensions from employers, the United States, this
21 State, or any subdivision of this State; or

22 B. Amounts received, not to exceed \$15,000, as a United States military pension.

23 2. For persons age 60 or older, the greater of:

24 A. Amounts received, not to exceed \$12,500, as pensions from employers, the United States, this

25 State, or any subdivision of this State, or as eligible retirement income; or

26 B. Amounts received, not to exceed \$15,000, as a United States military pension.

27 d. For the taxable year beginning on January 1, 2025:

28 1. For persons under age 60, the greater of:

29 A. Amounts received, not to exceed \$2,000, as pensions from employers, the United States, this

30 State, or any subdivision of this State; or

31 B. Amounts received, not to exceed \$20,000, as a United States military pension.

32 2. For persons age 60 or older, the greater of:

33 A. Amounts received, not to exceed \$12,500, as pensions from employers, the United States, this

34 State, or any subdivision of this State, or as eligible retirement income; or

35 B. Amounts received, not to exceed \$20,000, as a United States military pension.

36 e. For taxable years beginning on or after January 1, 2026:

37 1. For persons under age 60, the greater of:

38 A. Amounts received, not to exceed \$2,000, as pensions from employers, the United States, this

39 State, or any subdivision of this State; or

40 B. Amounts received, not to exceed \$25,000, as a United States military pension.

41 2. For persons age 60 or older, the greater of:

42 A. Amounts received, not to exceed \$12,500, as pensions from employers, the United States, this

43 State, or any subdivision of this State, or as eligible retirement income; or

44 B. Amounts received, not to exceed \$25,000, as a United States military pension.

45 e. f. For the purposes of this paragraph ~~(b)(3)~~, (b)(3):

46 1.A. “eligible “Eligible retirement income” includes distributions received from qualified retirement

47 plans defined in § 4974 of the federal Internal Revenue Code (“IRC”) (26 U.S.C. § 4974) or a successor

48 provision, cash or deferred arrangements described in IRC § 401(k) (26 U.S.C. § 401(k)) or a successor

49 provision, government deferred compensation plans described in IRC § 457 (26 U.S.C. § 457) or a successor

50 provision, dividends, capital gains, interest, and rental income from real property less deductible rental

51 expenses.

52 B. For purposes of this paragraph ~~(b)(3)e.~~, (b)(3)f., eligible retirement income received by
53 spouses as joint tenants with right of survivorship or as tenants by the entirety is deemed to have been
54 received ½ by ~~each~~; each.

55 2. “United States military pension” means a pension received as a result of an individual’s service in
56 the armed forces of the United States, including the National Guard.

SYNOPSIS

Of the 41 states with a state income tax, 27 states fully exempt military retirement pay from state income taxes and 12 states partially exempt military retirement pay.

In 2022, Delaware increased the pension exclusion for military pensioners under 60 to \$12,500. This Act phases in, over 3 years, an increased exemption for military pensions from state income taxation, regardless of age, so that in taxable years beginning on or after January 1, 2026, the exemption will be \$25,000 for all military pensioners.

Author: Senator Buckson