152nd GENERAL ASSEMBLY
FISCAL NOTE
REVISED

BILL:	**SENATE BILL NO. 201**
SPONSOR:	**Senator Buckson**
DESCRIPTION:	**AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO EXCLUSION OF MILITARY PENSIONS FROM TAXABLE INCOME.**

Assumptions:

1. This Act becomes effective upon signature by the Governor. Provisions of the Act are effective for tax years after January 1, 2024.
2. This Act phases in, over 3 years, an increased exemption for military pensions from personal income taxes, regardless of age, as follows:

Tax Years	Exemption
Current	$12,500
On or after 1/1/24	$15,000
On or after 1/1/25	$20,000
On or after 1/1/26	$25,000

3. According to the October 2023 "Statistical Report on the Military Retirement System", there were 8,890 retired military and 1,352 survivors receiving a military pension in Delaware as of September 30, 2022. The total amount of military pension payments during the period October 1, 2021 – September 30, 2022, was $267 million.
4. Based on 2018-2022 experience, this analysis assumes an annual increase of approximately 1% in the number of individuals receiving a military pension.
5. Based on cost-of-living adjustments of military pensions for the period 2020 – 2024, this analysis assumes an annual increase in the pension amount of 4%.
6. The Department of Finance estimates the average effective tax rate on military retirees is 4.1%, the marginal tax is assumed to be 4.5%.

Cost:

	General Fund Revenue Loss
Fiscal Year 2025:	$2.0 million
Fiscal Year 2026:	$2.8 million
Fiscal Year 2027:	$3.4 million

Prepared by Robert Scoglietti
Office of the Controller General