



**153rd GENERAL ASSEMBLY  
FISCAL NOTE**

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**BILL:** SENATE BILL NO. 219  
**AS AMENDED BY:** SA 1  
**SPONSOR:** Senator Buckson  
**DESCRIPTION:** AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO EXCLUSION OF MILITARY PENSIONS FROM TAXABLE INCOME.

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**Assumptions:**

1. This Act becomes effective upon signature by the Governor. Provisions of the Act are effective for tax years after January 1, 2027.
2. This Act phases in, over 3 years, an increased exemption for military pensions from personal income taxes, regardless of age, as follows:

| <b>Tax Years</b>   | <b>Exemption</b> |
|--------------------|------------------|
| Current            | \$12,500         |
| On or after 1/1/27 | \$15,000         |
| On or after 1/1/28 | \$20,000         |
| On or after 1/1/29 | \$25,000         |

3. SA1 requires that to be eligible for this exemption, an individual who is age 60 or older and legally domiciled in this State before January 1, 2027, must be legally domiciled in this State for at least 3 years and an individual who is age 60 or older and legally domiciled in this State on or after January 1, 2027, must be legally domiciled in this State for at least 5 years.
4. According to the Department of Defense Military Retirees and Survivors by Congressional District, there were 8,921 retired military and 1,337 survivors receiving a military pension in Delaware as of January 31, 2023. The yearly amount of military pension payments was \$291 million.
5. Based on information in the Department of Defense, Office of the Actuary publication "Statistical Report on the Military Retirement System – September 30, 2022", it is estimated that approximately 60% of military retirees are aged 60 and older.
6. The United State Census, in its Domestic Migration of Older Americans 2015 – 2019 publication reports that the annual net domestic migration rate of those aged 65 and older for Delaware is 4.6%.
7. Based on 2018-2022 experience, this analysis assumes an annual increase of approximately 1% in the number of individuals receiving a military pension.
8. Based on cost-of-living adjustments of military pensions for the period 2020 – 2026, this analysis assumes an annual increase in the pension amount of 4%.

9. 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%.

**General Fund Revenue Loss:**

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|-------------------|---------------|
| Fiscal Year 2027: | \$0.4 million |
| Fiscal Year 2028: | \$1.5 million |
| Fiscal Year 2029: | \$2.8 million |

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