

ASSEMBLY BILL

No. 53

Introduced by Assembly Members Ramos and Pacheco

December 2, 2024

An act to add and repeal Sections 17132.9 and 17132.10 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 53, as introduced, Ramos. Personal income taxes: exclusion: Military Services Retirement and Surviving Spouse Benefit Payment Act.

The Personal Income Tax Law imposes a tax on individual taxpayers measured by the taxpayer's taxable income for the taxable year, but excludes certain items of income from the computation of tax, including an exclusion for combat-related special compensation.

This bill, for taxable years beginning on or after January 1, 2027, and before January 1, 2037, would exclude from taxable income retirement pay received by a taxpayer from the federal government for service performed in the uniformed services, as defined, during the taxable year. The bill, for taxable years beginning on or after January 1, 2027, and before January 1, 2037, would also exclude from taxable income annuity payments received by a qualified taxpayer, as defined, pursuant to a United States Department of Defense Survivor Benefit Plan during the taxable year. The bill would make related findings and declarations.

Existing law requires any bill authorizing a new tax expenditure to contain specific goals, purposes, and objectives that the tax expenditure will achieve, detailed performance indicators, and data collection requirements, as provided.

This bill also would include the information required for any bill authorizing a new tax expenditure. The bill would require the Franchise Tax Board and the Department of Veterans Affairs to provide any data requested by the Legislative Analyst to write a report, as provided, and would make taxpayer information received by the Legislative Analyst subject to a limitation, a violation of which is a crime, on that information's collection and use. By expanding the scope of a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. This measure shall be known, and may be cited,
2 as the Military Services Retirement and Surviving Spouse Benefit
3 Payment Act.

4 SEC. 2. The Legislature finds and declares all of the following:
5 (a) Servicemembers are eligible to retire from the military after
6 20 years of service. These retirees devoted the prime years of their
7 life to defending the freedom of all Americans.

8 (b) To preserve the current policy of an all-volunteer force while
9 still maintaining critical skills and readiness requires the retention
10 of qualified military personnel, both enlisted and officers. This
11 retention of military professionals also saves the costs to the
12 taxpayer associated with training replacement personnel in essential
13 skills.

14 (c) Retired members of the nation's two nonarmed uniformed
15 services, which consist of the commissioned corps of the United
16 States Public Health Service and the National Oceanic and
17 Atmospheric Administration Commissioned Officer Corps, also
18 provide valuable service to the nation's health and environmental
19 safety.

20 (d) Providing a state income tax exclusion to retirees of the
21 uniformed services not only signifies the gratitude of Californians

1 for these men and women who chose to serve our country, it also
2 benefits the state and local economies by helping to retain skilled
3 and motivated individuals in California.

4 (e) The number one issue for employers in California is
5 attracting a qualified workforce. Approximately 60,000 high-tech
6 jobs are unfilled. Uniformed service retirees are highly skilled,
7 often in areas requiring technical and management expertise. These
8 men and women often continue to be valuable assets to our schools,
9 local charities, and nonprofit organizations.

10 (f) Substantial new federal funds are infused into the state and
11 local economies not only from retirement pay, but also from the
12 full taxation of their second careers. These retirees may also qualify
13 for federal veterans' benefits, which further bring new moneys
14 into the state.

15 (g) The United States Department of Defense's Survivor Benefit
16 Plan allows a retiree to ensure, after death, a continuous lifetime
17 annuity for their dependents. The maximum annuity for a spouse
18 is based on 55 percent of the member's retirement pay. Eligible
19 children may also be beneficiaries. State income taxation of these
20 funds, which are critical to the economic well-being of those who
21 have suffered the loss of a husband, wife, father, or mother, can
22 place the surviving family members in risk of falling into the state
23 and local safety nets.

24 SEC. 3. Section 17132.9 is added to the Revenue and Taxation
25 Code, to read:

26 17132.9. (a) For taxable years beginning on or after January
27 1, 2027, and before January 1, 2037, gross income shall not include
28 retirement pay received by a taxpayer from the federal government
29 for service in the uniformed services during the taxable year.

30 (b) For purposes of this section, the following definitions apply:

31 (1) "Armed Forces of the United States" includes all regular
32 and reserve components of the uniformed services which are
33 subject to the jurisdiction of the Secretary of Defense, the Secretary
34 of the Army, the Secretary of the Navy, or the Secretary of the Air
35 Force, and each term also includes the Coast Guard and United
36 States Space Force. The members of such forces include
37 commissioned officers and personnel below the grade of
38 commissioned officers in such forces.

39 (2) "Uniformed services" means the Armed Forces of the United
40 States, the Army National Guard and the Air National Guard when

1 engaged in active duty for training, inactive duty training, or
2 full-time National Guard duty, the commissioned corps of the
3 United States Public Health Service, and the National Oceanic and
4 Atmospheric Administration Commissioned Officer Corps.

5 (c) This section shall remain in effect only until December 1,
6 2037, and as of that date is repealed.

7 SEC. 4. Section 17132.10 is added to the Revenue and Taxation
8 Code, to read:

9 17132.10. (a) For taxable years beginning on or after January
10 1, 2027, and before January 1, 2037, gross income shall not include
11 annuity payments received by a qualified taxpayer pursuant to a
12 United States Department of Defense Survivor Benefit Plan during
13 the taxable year.

14 (b) For purposes of this section, the following definitions apply:

15 (1) “Qualified taxpayer” means the surviving spouse or other
16 named beneficiary of a plan.

17 (2) “United States Department of Defense Survivor Benefit
18 Plan” or “plan” means a survivor benefit plan established pursuant
19 to Sections 1447 to 1455, inclusive, of Title 10 of the United States
20 Code.

21 (c) This section shall remain in effect only until December 1,
22 2037, and as of that date is repealed.

23 SEC. 5. For purposes of complying with the requirements of
24 Section 41 of the Revenue and Taxation Code, with respect to the
25 exclusions allowed by Sections 17132.9 and 17132.10 of the
26 Revenue and Taxation Code, as added by this act, hereafter known
27 as “the exclusions,” the Legislature finds and declares the
28 following:

29 (a) The specific goals, purposes, and objectives of the exclusions
30 are as follows:

31 (1) To honor the service of California veterans and provide
32 fiscal relief so that they and their families will remain or retire in
33 California.

34 (2) To increase the number of highly skilled retired veterans in
35 California’s workforce.

36 (b) Detailed performance indicators for the Legislature to use
37 in determining whether the exclusions meet the goals, purposes,
38 and objectives described in subdivision (a) are as follows:

39 (1) The number of retired veterans and survivor benefit plan
40 beneficiaries taking advantage of the tax exclusions.

1 (2) The economic security of retired veterans and survivor
2 benefit plan beneficiaries in California.

3 (3) The number of retired veterans and survivor benefit plan
4 beneficiaries leaving California.

5 (4) The earned income generated by retired veterans and
6 survivor benefit plan beneficiaries subject to state income tax under
7 the Revenue and Taxation Code.

8 (c) The data collection requirements for the exclusions are as
9 follows:

10 (1) On or before December 1, 2037, the Legislative Analyst, in
11 collaboration with the Department of Veterans Affairs and the
12 Franchise Tax Board, shall write and submit a report to the
13 Legislature on the effectiveness of the exclusions. To the extent
14 data is available, the report shall include, but not be limited to, an
15 analysis of the number of retired veterans and survivor benefit
16 plan beneficiaries taking advantage of the exclusions, the impact
17 of the exclusions on the economic security of retired veterans and
18 survivor benefit plan beneficiaries in California, the number of
19 retired veterans and survivor benefit plan beneficiaries leaving
20 California, and the earned income generated by retired veterans
21 and survivor benefit plan beneficiaries subject to state income tax
22 under the Revenue and Taxation Code. The report shall be
23 submitted in compliance with Section 9795 of the Government
24 Code and shall not include any personally identifiable information.

25 (2) To write the report required by this subdivision, the
26 Legislative Analyst may request information from the Franchise
27 Tax Board and the Department of Veterans Affairs.

28 (3) Notwithstanding Section 19542 of the Revenue and Taxation
29 Code, the Franchise Tax Board and the Department of Veterans
30 Affairs shall provide any data requested by the Legislative Analyst
31 pursuant to this subdivision to the extent that data is available.
32 Taxpayer information received pursuant to this section by the
33 Legislative Analyst is subject to Section 19542 of the Revenue
34 and Taxation Code.

35 SEC. 6. No reimbursement is required by this act pursuant to
36 Section 6 of Article XIII B of the California Constitution because
37 the only costs that may be incurred by a local agency or school
38 district will be incurred because this act creates a new crime or
39 infraction, eliminates a crime or infraction, or changes the penalty
40 for a crime or infraction, within the meaning of Section 17556 of

1 the Government Code, or changes the definition of a crime within
2 the meaning of Section 6 of Article XIII B of the California
3 Constitution.

4 SEC. 7. This act provides for a tax levy within the meaning of
5 Article IV of the California Constitution and shall go into
6 immediate effect.