

Your Logo

The Senate Military and Veterans Committee
Attn: Chairman Senator Archuleta
1021 C Street, Suite 6620
California State Capitol
Sacramento, CA 95814

Date XXX

Emailed to: diego.nelson@sen.ca.gov; jesus.nolasco@sen.ca.gov; vcastellana@aaronread.com

RE: Support for SB 1407 – Full Tax Exemption on Military Retirement Pay

Dear xxx:

On behalf of (Your Organization), I write in strong support of SB 1407 (Archuleta) to support the full tax exemption on military retirement pay.

Over the last twenty years, California has been losing veterans to other states at an alarming rate. California is losing military retirees and other veterans to other states such as Texas, Georgia and Florida. Since 2000, California's population of military retirees has fallen by 27.4% while the U.S. military retiree population has increased by 17.0%. For those in the workforce, U.S. Department of Labor statistics show a 53% decrease in veterans in the California workforce over the last 20 years—larger than the 36% decrease in the U.S. overall, and far larger than 12-27% decreases in states like Texas and Florida.

California tax policy toward veterans' benefits, exacerbated by high housing costs and a high cost of living, drives veterans to move to other states—states that have deliberately incentivized veterans to move there. These veterans, not only bring federal funds to our state but also provide a valuable skilled labor force that are sorely needed in California. Up until last year, California was the only state in the union to fully tax military retirement pay. In 2025, the Governor inserted in the budget a \$20,000 tax exemption on military retirement pay but with restrictive caps (\$125,000 for single filers and \$250,000 for joint filers). This was a step in the right direction but not enough to change the dynamic of veterans fleeing to other states. Currently, thirty eight (38) other states in the union fully exempt military retirement pay.

The average military retirement pay in California is \$34,000 annually. Most veterans retire from the military and move on to second careers and most have working spouses and together, they earn significantly more than their retirement pay that could be taxed if they stayed in California along with businesses that many of them lead. Furthermore, veterans bring with them federal dollars to provide medical care that the state benefits from.

Finally, the impact of military retirees in California extends far beyond their economic and fiscal effects. Retired members of the military represent some of the state's most enterprising residents, bringing a strong work ethic, integrity, innovative spirit and respect for others that will drive the state's prosperity. Retaining veterans is more than a financial proposition. Instilled in our veterans and their families is a culture of service. They are community leaders who often coach sports teams, volunteer for nonprofits, help our schools – they are who you want as your neighbor. Lets incentivize our veterans to "stay California".

XXX is strongly in support of SB 1407. Please contact me if I may be of further assistance.

Sincerely,

(Signature Block)