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Military Pensions Now Fully Exempt From State Income Tax

By **ANDREW M. DUEHREN**

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HARTFORD — The recently passed budget gives another reason for 9,000 Connecticut veterans to

continue living in the state: Military pensions are now fully exempt from the state income tax. Fifty percent of the income from military pensions had already been exempt from the income tax. Legislators have now extended the benefit to the remainder of the pension income, which is paid to veterans who served for at least 20 years.

The change will cost \$10 million over fiscal years 2016 and 2017. The exemption applies to pension payments retroactive to Jan. 1, 2015. The revenue reduction is in contrast to the principal focus of the past legislative session — finding ways to increase revenue.

Legislators serving on the veterans' affairs and finance committees praised the change as a way to both honor military service and keep Connecticut economically competitive. More than a dozen states, including neighboring New York and Massachusetts, already exempt military pensions from state income taxes. Veterans must still pay federal income tax on their pensions.

Legislators said they were aiming to prevent an exodus of veterans to neighboring states.

"It's keeping us competitive with our neighboring states that are already offering this benefit," said Rep. David Alexander, D-Enfield, who served in the armed forces, although he said he's not eligible for a pension.

Alexander said that although he supports the new exemption, he didn't vote for the overall budget.

Edward Deni, who serves as a councilman in Enfield and receives a military pension, said that the tax exemption gives him and his fellow veterans another reason to stay in Connecticut. Although the amount of money saved will not be large — the income of military pensions depends on rank — every bit helps, he said.

"I just think it's a great thing. We can hope more people stay here in Connecticut because of it," Deni said.

"We really wanted to have a product within the budget that would be acceptable for veterans," said Jeff Berger, D-Waterbury, and co-chairman of the finance committee.

Rep. Frank Nicasastro, D-Bristol, another member of the veterans' affairs committee and a former service member, said that extending the exemption has long been in the works.

"It was something that I think was long overdue," Nicasastro said.

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