

**Military Officers Association of America 1 (MOAA-1)**  
**Income tax subtraction for certain low-income disabled veterans**

**OBJECTIVE:**

a. To allow individual income tax subtraction for the amount of annual retirement compensation received for service as a member of the U.S. Armed Forces, or the Virginia National Guard, for 100% service-connected disabled veterans with a federal adjusted gross income not exceeding 150% of the federal poverty level for a four-person household.

**BACKGROUND:**

- a. The number of individuals that would qualify for this benefit is estimated at 1,371. The maximum income tax that these individuals are paying is \$400 per year, making the cost of this initiative approximately \$40,000
- b. Virginia currently allows qualifying taxpayers to claim a subtraction for up to \$20,000 of disability income. Disabled veterans who already claim this subtraction would not qualify for the new program or would have to drop this subtraction and claim the new one.
- c. Currently Virginia does not exempt military retirement income, while three of Virginia's neighbors (NC, WV, MD) have some level of state tax exemption on military retirement income.
- d. These individuals are the military retiree population in the greatest need.

**DISCUSSION:**

- a. While Combat-Related Special Compensation (CRSC) is not subject to federal or Virginia taxation, Concurrent Retirement and Disability Payments (CRDP) are generally subject to both federal and Virginia taxation.
- b. Available reports do not provide specific data on the exact number of 100% service-connected disabled veterans in Virginia, however, the VA has given a reasonable estimate of **1,371** disabled Virginia veterans who would qualify for this benefit.
- c. Department of Taxation considers implementation of this bill as routine, and does not require additional funding.
- d. No subtraction would be permitted if another Virginia subtraction or deduction for such service has been claimed.

**RECOMMENDATION:** That the Governor and General Assembly approve an individual income tax subtraction for 100% service-connected disabled veterans with a federal adjusted gross income, not exceeding 150% of the federal poverty level for a four-person household, who have not already claimed another exemption.