



Veterans & Military Families Caucus

Democratic Party of New Mexico

SB54/HB433

Armed Forces Retirement  
Tax Credit / Sunset Date

Senator Burt and  
Representatives H. Garcia, J. Martínez,  
Alcon, Sariñana, Lujan



## Why VMFC supports SB 54 and HB 433

In 2022, **six more states including New Mexico** joined the ranks of the vast majority of states **exempting, or partially exempting, military retirement pay** from state income tax liability. They passed laws giving retirees tax breaks based on their military service. This left only California and the District of Columbia fully taxing military retirement income.

As of 2022, **nine states have no state income tax.**

Another **24 states** have a state income tax, but **fully exempt military retirement pay and/or pension income** from state income taxes.

Another **16 states have partial income tax exemptions** for military retirement pay.

If New Mexico does not lift the sunset clause, it will again be in the **bottom three nationwide** on this issue. **We can't let that happen.**

In New Mexico, beginning in 2022, up to **\$10,000 of military retirement pay is not taxed** by the state. That amount increases to **\$20,000 in 2023**, and to **\$30,000 until at least 2026** when the law sunsets and is no longer in effect.

This year the legislature has an **opportunity** to lift the sunset and make permanent the military retirement pay tax exemption. This will make **New Mexico an even more desirable place for military retirees** who bring an unparalleled level of work ethic and specialized training and experience in a variety of career fields.

Most of these retirees are in their 40's and start second careers or open new businesses that contribute to the tax revenues of the state. Along with their spouses who are also often licensed experienced professionals in their careers, **military retirees contribute** to the **economy**, the **workforce**, and the **social diversity** of our state.

Allowing the sunset clause to become effective in 2026 will result in **significant instability** in the financial security of veterans and military families across the state. Lifting the sunset clause will **lower the financial stress on these families** and let them know that New Mexico honors their service.

For those who have earned a military retirement pension, they have **served 20 or more years** in assignments around the world, some in **combat zones** under dangerous conditions, some who experienced **injuries or trauma** both physical or psychological. Yet they served a full career and retired. They and their families have never had an opportunity to **put down roots**, and upon retirement they can **choose a place that welcomes them** and their families and offers **stability and security**.

Sources:

<https://www.military.com/daily-news/2022/09/07/6-more-states-stop-taxing-military-retirement.html#:~:text=This%20year%2C%20legislators%20in%20New,based%20on%20their%20military%20service.>

<https://themilitarywallet.com/military-retirement-pay-tax-exempt/>

**Dorothy Seaton**

Chair, Committee for Veterans Advocacy

Phone: 512-618-3600

email: [ds8447@gmail.com](mailto:ds8447@gmail.com)

**Claudia Risner**

Chair, VMFC

Phone: 505-357-5334

email: [nmvetscaucus@gmail.com](mailto:nmvetscaucus@gmail.com)



**Veterans & Military Families Caucus**

*Democratic Party of New Mexico*

**SB54/HB433**

**Armed Forces Retirement  
Tax Credit / Sunset Date**

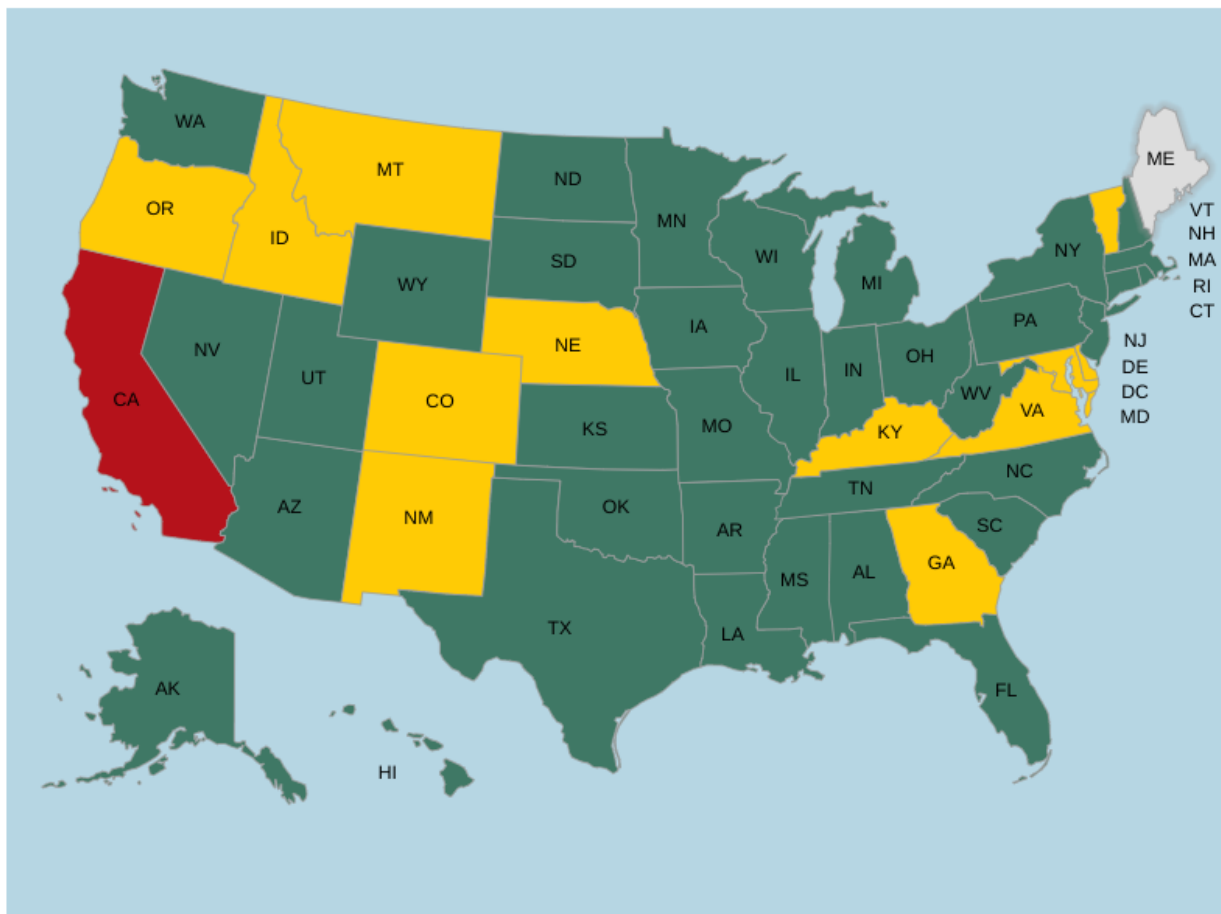
**Senator Burt and  
Representatives H. Garcia, J. Martínez,  
Alcon, Sariñana, Lujan**



### State Tax Comparison Map for Military Retirement Pay and SBP

- Map Legend:**
- Green:** Both military retired pay (MRP) and Survivor Benefit Plan payments (SBP) are fully exempt from state taxation.
  - Yellow:** MRP and/or SBP receive partial exemption from state taxation.
  - Red:** Neither MRP nor SBP is exempt from state taxation

Source: MOAA Communications; updated Feb. 9, 2023



<https://www.moaa.org/content/state-report-card/statereportcard/>