NORTH SAN DIEGO BUSINESS CHAMBER
CONNECTIONS START HERE.

August 1, 2023

RE: Strong Support to Assembly Bill No. 46

Dear Members of the Senate Appropriations Committee,

I am writing on behalf of the North San Diego Business Chamber, representing over 800 business members across San Diego County, to express our ardent support for Assembly Bill No. 46, the Military Services Retirement and Surviving Spouse Benefit Payment Act. This crucial legislation, introduced with numerous coauthors from both parties, seeks to exclude retirement pay received by a taxpayer from the federal government for service in the uniformed services and annuity payments received by qualified taxpayers from the United States Department of Defense Survivor Benefit Plan from gross income for taxable years beginning on or after January 1, 2024, and before January 1, 2034.

AB-46 is a vital piece of legislation addressing several critical issues affecting California's economy and workforce. Military retirees, primarily enlisted members, often join the civilian workforce after retirement in their early 40s, bringing valuable skills and experience. These skills are in high demand in various fields, including the medical field, biochemistry, AI, cybersecurity, engineering, management, and more. The anticipated need for these skilled workers is projected to grow by 2% each year.

Currently, military retirees are actively recruited out of California for work by other states, thus leading to California losing highly skilled military retirees at an accelerated rate. These states recognize the economic development value of retaining a skilled workforce and offer no tax on military retiree pay. By supporting AB-46, California can reverse this trend and retain these valuable members of our communities, and their families while ensuring that this highly skilled workforce provides their talents to California employers. Military retirees typically pay taxes on their second career earnings, which often exceed their military retirement pay. Retaining these individuals in California will not only increase state tax revenues but also contribute to sales and property taxes, bolstering the state's revenue base.

Furthermore, military retirement pay represents a significant stream of federal revenue into the state's economy where the retiree chooses to live. According to a study conducted by Governor Gavin Newsom's Military Council, the defense industry contributed $168 billion to California's economy in 2021, accounting for 5% of the state's budget. The Department of Defense estimates that military retirees and their surviving spouses bring $4.8 billion annually, as an inflation-protected stream of federal funds to the state.

AB-46 not only honors those who dedicated their lives to serve our country but also supports their surviving spouses and families. By offering a tax exclusion for retirement pay and annuity payments, the bill helps the state retain and attract uniformed-service retirees, thereby strengthening California's skilled workforce and contributing to the state and local tax base.

Considering the significant positive impact AB- 46 poses in addressing critical issues, such as workforce retention, economic development, and increasing state tax revenues, we respectfully urge you to support this bill. The North San Diego Business Chamber stands firmly in support of this bill and urges the Senate Appropriations Committee to champion its passage.

Thank you for considering our perspective on this matter. We appreciate your commitment to serving our community and would welcome the opportunity to further discuss our concerns. Please do not hesitate to contact me directly at chris@sdbusinesschamber.com or (858) 217-8970.

Respectfully,



Chris Thorne

CEO (Chief Executive Officer)

North San Diego Business Chamber

www.sdbusinesschamber.com