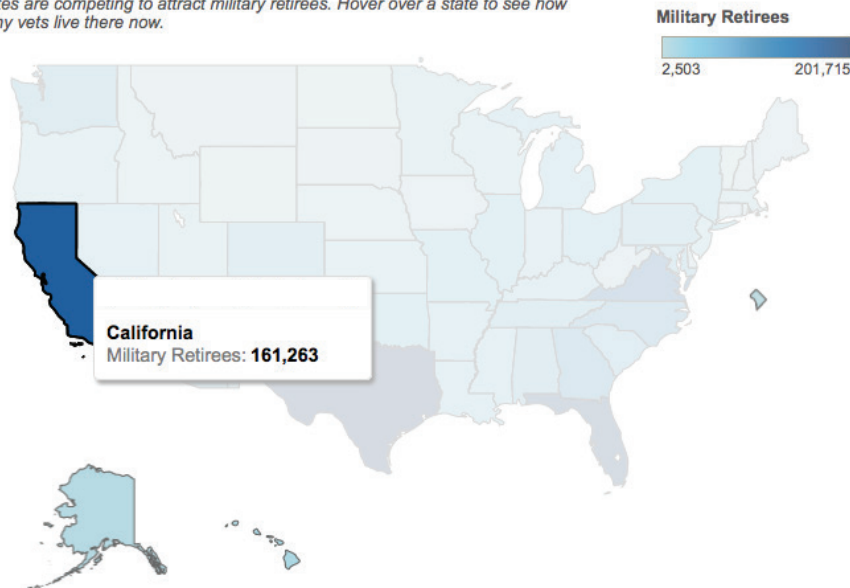


Why States Are Competing for Military Retirees

Military Retirees by State

States are competing to attract military retirees. Hover over a state to see how many vets live there now.



Stateline data visualization by Rebecca Beltsch and Elaine S. Povich | Source: Department of Defense

By Elaine S. Povich

Maryland Republican Gov. Larry Hogan roared into office this year ready to cut taxes, including exempting all military pensions from the state's income tax. Despite a budget deficit and having to compromise with a Democratic legislature, he succeeded in doubling the exemption to \$10,000 in annual income.

Connecticut, also facing a budget shortfall, increased taxes on its wealthiest corporations but found room in the budget to get rid of its income tax on military retirement pay, joining 14 other states that do not tax the pensions.

Maryland and Connecticut are part of a growing competition among states wanting to attract and keep military retirees, who are some of the best-educated, best-trained and youngest retirees around. Active military members are generally eligible for retirement after 20 years of service. The majority then get civilian jobs, turning their military training into skills for the private sector. As a result, they pay income taxes, sales taxes on everything they buy, and possibly business taxes, boosting the economies of the states they live in.

Most veterans have lived in many places. Plenty of websites—with titles like Best Places for Military Retirees—can help them weigh the fiscal pros and cons of where they choose to live. While decisions on where to live might not be based only on tax rates, they're a factor—and states know it.

Nine states have no income tax. Of the 41 that do, 14 of them—Alabama, Hawaii, Illinois, Iowa, Kansas, Louisiana, Massachusetts, Michigan, Mississippi, New Jersey, New York, Ohio, Pennsylvania and Wisconsin—exempt all military pensions from taxation, according to the National Conference of State Legislatures. Another 20 provide a partial exemption, as does the District of Columbia. Seven states—California, New Mexico, North Dakota, Rhode Island, Utah, Vermont and Virginia—provide no exemption.

"It's a no-brainer," said Rep. Bob Dettmer. The Republican chairman of the House Veterans Affairs Committee in Minnesota is fighting for tax-exempt military pensions. "Most of them [retired military vets] are in their 40s. They are going to buy homes, they are going to buy vehicles and buy groceries. They bring economic value to your state. The skills they have learned through 20-plus years in the military can be transferred into civilian jobs."

But David Brunori, deputy publisher of Tax Analysts—a specialty publication, says any tax exemption of retirement income is bad policy.

"Exempting military pensions from tax is good politics—everyone loves veterans," he said. "But it is not targeted [to low-income people]. Some veterans go on to make a lot of money in the private sector and end up pretty well off. There is no reason in the world to exempt their income from tax."

Nationally, about 2.1 million military retirees are receiving pensions, according to the U.S. Department of Defense.

Non-disabled military retirement pay is taxed by the federal government like any other income, unlike Social Security income, which is only taxed for higher-income earners, on a sliding scale. Only 13 states have a tax on Social Security income.

Continued on page 4

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San Diego Zoo Breaks Ground on \$68 million Africa Rocks Project

The San Diego Zoo recently broke ground on the largest project in its 99-year history. Designed by The Miller Hull Partnership, the new \$68 million Conrad Prebys Africa Rocks will transform eight acres of the Zoo and replace 1930s-era grottos and enclosures (formerly known as Cat and Dog Canyon) with new habitats for African plant and animal species that range from savanna to shore.

"The Africa Rocks exhibit design began with a series of workshops including the design team and stakeholders from the Zoo to identify goals, expectations, and opportunities for the project," says Caroline Kreiser, principal at San Diego-based Miller Hull. "The overarching theme of the biodiversity of Africa and development of the African Biomes became apparent very quickly, and has continued to drive the design."

Kreiser says an overarching design goal was to immerse visitors in the landscape, "which required close collaboration with the exhibit and landscape designers to integrate the built features into the experience."

Scheduled to complete in 2017, the project will transform an area that was previously a steep canyon into different types of African habitats, including a West African forest, acacia woodlands, Ethiopian highlands, kopje gardens and a Madagascar habitat. Africa Rocks will be home to mammals; reptiles, such as dwarf crocodiles, Agama lizards and spurred tortoises; birds; and plant life native to Africa, such as acacia, aloe, Madagascar ocotillo and palms.

The exhibit will also feature a range of primates, including hamadryas and gelada baboons, vervet monkeys, and lemurs. Other mammals in the exhibit will include southern ratel, fossa and an African leopard. Kreiser says a "bird-friendly glazing" feature will stand out for its uniqueness on the project. "We have been prototyping a UV patterned glass lamination that is invisible to humans, yet visible to birds," she says. "The striped UV pattern appears to be a solid barrier to birds, and has been tested by the American Bird



Conservancy to be 80% effective (anything above 70% is considered "bird-friendly"). This is to be integrated throughout Africa Rocks at glass handrails and large expanses of on-grade glass viewing."

Another highlight will be the indoor Lemur facility which will feature an LED daylight mimicry lighting system capable of matching the lighting cycles of the animals' native habitat in Madagascar, adds Kreiser. This system is designed to reduce stress, and allow the Lemurs to maintain their natural circadian rhythms, ideally resulting in successful reproductive cycles and natural behaviors.

As far as any design hurdles to overcome, Kreiser told me it has been "fun to develop a language for the structures by studying African vernacular architecture." She says just as the site design team believes in presenting the animals in their natural habitat, The Miller Hull Partnership "looked for inspiration in modern industri-

al architecture that can be seen in villages across Africa; striving to provide a visitor experience reminiscent of a rural African village by using materials and forms of this vernacular."

More than 4,500 individual donors, including a gift of \$11 million from Conrad Prebys, have contributed to the Africa Rocks Campaign. Principal donor Ernest Rady provided a \$10 million matching gift challenge in 2013 that resulted in 3,800 individual donors giving more than \$20 million toward the exhibit. Other principal donors, Dan and Vi McKinney, gave \$5 million for the creation of an African penguin habitat.

Other members of the project team include Hope-Amundson, serving as structural engineer; and TBD, serving as contractor.

Source: <http://california.construction.com>

Why States Are Competing for Military Retirees

Continued from page 1

Competition Between the States

While veterans are represented in every state, some states attract more than others. Maryland, home to the U.S. Naval Academy and many defense contractors, is one of them.

Maryland had 54,641 military retirees in 2014, 51,195 of them got pensions, totaling \$1.5 billion annually or about \$29,140 a person, according to the Defense Department. Before the governor and the legislature acted this year, only the first \$5,000 of military retirement pay was exempt from the state's income tax.

Under the compromise reached with the legislature, the amount excluded from income tax doubled to \$10,000—not nearly the exemption Hogan wanted, but one his spokeswoman Shareese DeLeaver-Churchill called a "first step in a longer process of eliminating taxes on all retirement income in Maryland."

The state estimated the expanded exemption would cost \$2.7 million in fiscal 2016 and about \$3 million annually in subsequent years. Local taxes,

which are tied to the state tax, would decrease by \$2 million annually.

In Connecticut, Democratic Gov. Dannel Malloy and the legislature agreed to increase the exemption for military retirement pensions from 50 to 100 percent. That is estimated to cost the state's treasury \$10 million over the next two fiscal years. The loss will be more than covered by an increase in business taxes expected to bring in \$1 billion.

Rep. Matthew Lesser, chairman of the General Assembly Banking Committee, called the tax cut for military veterans popular. The only opposition came from those who questioned whether the state could afford it. It also put the state in a better position to compete for veterans with its neighbors—Massachusetts fully exempts military pensions and New Hampshire has no income tax.

Rhode Island considered exempting military retirement pay, but instead chose to exempt Social Security payments for single recipients with up to \$80,000 in adjusted gross income and \$100,000 for joint filers, starting Jan. 1, 2016. The tax break will cost the state an estimated \$9.3 million in revenue in fiscal 2017.

A Matter of Fairness?

Democratic House Speaker Nicholas Mattiello called the tax break for Rhode Island retirees an effort to create a "friendly environment for our residents" and a "matter of fairness," because Maine and Massachusetts don't tax Social Security benefits. (All but 13 states provide some tax relief for Social Security income.) A proposal to also exempt military retirement pay from taxation proved to be too much, he said.

In Minnesota, Dettmer's effort to exempt military pensions from the income tax passed the Republican House this year but wasn't approved in the Democratic Senate. He said Minnesota needs to provide the break to compete with its neighbors.

"The states that border us don't have that tax," he said, "and I know a lot of retired military live just across the river in Wisconsin—and they work in Minnesota."

Source: <http://www.governing.com>