



## NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEE ASSOCIATION

To: Finance, Revenue, and Bonding Committee  
Co-Chair, Jeffrey J Berger  
Co-Chair, John W Fonfara  
Ranking Member, Christopher Davis  
Ranking Member, L. Scott Frantz

1 As members of the Joint Finance Committee you recently voted favorably on HRB-5596, which reads as follows:

**The Commissioner of Revenue Services shall conduct a study concerning the state laws governing the sales and use tax, the personal income tax and the corporation business tax. Not later than January 1, 2017, said commissioner shall report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding concerning the results of such study.**

[https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill\\_num=HB5596&which\\_year=2016](https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB5596&which_year=2016)

2 This letter requests you support an amendment to Bill HRB-5596 directing the Commissioner of Revenue Services to include a study focusing on the personal income tax laws pertaining to retirement pensions. Specifically, the requested amendment to HRB 5596 is:

**The Commissioner of Revenue Services, in regard to Connecticut's state laws pertaining to income tax of personal pensions, shall investigate whether Connecticut is in violation of Federal Code 4 U.S.C. 111 and Supreme Court decisions that bar a state from providing more favorable tax treatment for state and local pensions than for federal civil service pensions (Davis v. Michigan)**

3 HRB 5596 appears to be largely redundant compared to the 2015 study by the Blue Ribbon State Tax Panel which reported its findings to the General Assembly on December 31, 2015. To its credit, that study recommended equal tax treatment of all pension income in the same way that CT treats Social Security. That recommendation appears to be largely ignored as CT now exempts a portion of state teachers' retirement system (TRS) income from the income tax as per Public Act 14-47 (§ 50) which discriminates against Federal Civil Service pensions by offering a class of state employees receiving a state pension an exemption not available to federal employees.

By enacting that legislation, CT becomes the only state to violate the 1989 Davis vs Michigan Supreme Court ruling 4 U.S.C. 111 which bars states from taxing federal pensions while exempting state and local pensions from state income taxes. Ironically, if the pension recommendation of the Blue Ribbon State Tax Panel had been in place, CT would NOT be in violation of the 1989 Supreme Court ruling.

4 If anyone challenges the validity of these Supreme Court rulings, it is suggested they confer with the Legislative's minority and majority legal counsels, who we have provided detailed background information, specifically contained in the WebLinks that follow:

DAVIS VS MICHIGAN US SUPREME COURT 1989

<https://www.oyez.org/cases/1988/87-1020>

BARKER VS KANSAS US SUPREME COURT 1992

<https://www.law.cornell.edu/supct/html/91-611.ZO.html>

HARPER V. VIRGINIA U.S. SUPREME COURT 1993

<https://casetext.com/case/harper-v-virginia-dept-of-taxation-2>

LELAND COOPER VS MASSACHUSETTS US SUPREME COURT 1995

<http://www.mass.gov/dor/businesses/help-and-resources/legal-library/tirs/tirs-by-years/1990-1999-releases/tir-92-3-military-retirement-benefits-remain.html>

5 Attached is an Excel spreadsheet which is derived from Connecticut's own 2014 Office of Legislative Research Report (2014-R-0261) comparing taxation of various types of pension income by all fifty states and the District of Columbia. That document clearly show CT stands alone in its non-adherence with the Federal law and Supreme Court decisions.

6 It is respectfully requested that HRB-5596 be amended as specified above in Paragraph 2 so as to verify the need to correct illegal state pension tax laws, and eventually bring CT in compliance with Federal law so as not to discriminate against Federal pensioners, .....as all other states have done.

Bill Helton  
Member NARFE  
Waterford  
860-772-2706  
Subswazus@aol.com

Mike Gouzie  
Member NARFE  
Gales Ferry  
860-464-6372  
MikeGouz@snet.net

Art Miller  
Vice Pres Chpt 158 NARFE  
Mystic  
860-536-9292  
Millersmystic@yahoo.com