

**House Finance**

**01/27/2025 01:30 PM**

**HB25-1052 Income Tax Credit for PERA Retirees**

**Typed Text of Testimony Submitted**

<b>Name, Position, Representing</b>	<b>Typed Text of Testimony</b>
Rob Gray Amend themselves	<p>Hello Honorable Members of the House Finance Committee:</p> <p>I appreciate the opportunity to testify on HB 25-1052. I understand the goal of the legislation is to offer a temporary tax credit to PERA retirees who are age 65 or over whose income is less than the median.</p> <p>While this is a worthy goal in view of the PERA annual increases being less than inflation in recent years, I would suggest that one additional qualification would be good to better target this proposed tax credit. I think it is important to require that recipients of this tax credit have at least 5 years of PERA service credit.</p> <p>PERA members who have less than 5 years of service credit may, at age 65, begin to receive a lifetime monthly benefit from PERA using the money purchase calculation. The money purchase calculation is determined by the member's life expectancy at retirement age, and the value of their DB Plan account at the time they apply for retirement, plus a matching amount equal to 100% of the retiring member's contributions and interest. This existing provision in statute is a good and fair one, and has been in place for over 20 years.</p> <p>However, I do not think it is fair to allow a \$700 per year tax credit to retirees who have had such a small proportion of their working years in PERA employment. In effect, providing this tax credit to retirees based on less than 5 years of service credit would be giving them a tax credit based on their having less than median income, rather than a significant period in PERA-covered employment.</p> <p>For PERA members retiring during the last 10 years through 2023, about 5 percent of them have retired with less than 5 years of service. The total cost of HB 1025 is about \$36 million for the 2 years of the credit. A reasonable estimate of the cost savings by limiting the credit to those PERA retirees with 5 or more years service, is \$1.8 million. That amount could be applied to other, maybe more worthy, tax credits.</p> <p>Maybe more important than the cost savings, is the fairness of excluding those with less than 5 years service. (None of them are disability retirees; they need at least 5 years of service.) Under the PERA money purchase benefit calculation, some with</p>

	<p>only 1-2 years of service might receive more from the \$700 tax credit than the amount of their PERA benefit. The reason their total federal AGI is less than median is not that the PERA annual increases haven't met inflation. It is that their other career employment outside PERA and their savings aren't generating median income. The Legislature considers a number of other tax credits. Some of them can help lower income individuals and families more broadly, if that's your goal.</p> <p>I understand that the PERA trust funds cannot support larger annual increases for retirees, as part of the plan enacted in 2018 to head toward a 100 percent funding ratio. I support that plan as a PERA retiree. Also, I should note that I will not personally be helped by HB 1025 because I am fortunate to have total income greater than the median in the bill. I am fine with not benefiting from the bill.</p> <p>Many PERA retirees, along with retired public safety officers and some federal govt retirees, will benefit significantly from the Social Security Fairness Act that was signed by President Biden on January 5, 2025. That Act repealed the WEP and GPO provisions, and will result in larger Social Security monthly benefits to many retirees who worked in public sector jobs not covered by Social Security payroll taxes.</p> <p>Again, thanks for the opportunity to comment and suggest this change to HB 1025.</p> <p>Rob Gray Aurora, CO</p>
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