

119TH CONGRESS
1ST SESSION

S. 1108

To amend the Internal Revenue Code of 1986 to exclude all military retirement and related benefits from Federal income tax.

IN THE SENATE OF THE UNITED STATES

MARCH 25, 2025

Mr. RICKETTS (for himself and Ms. ROSEN) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to exclude all military retirement and related benefits from Federal income tax.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tax Cuts for Veterans
5 Act of 2025”.

6 **SEC. 2. EXCLUSION OF ALL MILITARY RETIREMENT AND**
7 **RELATED BENEFITS.**

8 (a) IN GENERAL.—Section 122 of the Internal Rev-
9 enue Code of 1986 is amended to read as follows:

1 **“SEC. 122. CERTAIN UNIFORMED SERVICES RETIREMENT**
2 **PAY AND RELATED BENEFITS.**

3 “(a) GENERAL RULE.—In the case of a member or
4 former member of the armed forces of the United States,
5 gross income does not include—

6 “(1) any retired or retainer pay paid under title
7 10 or 14, United States Code, or

8 “(2) any amounts not described in section
9 104(a)(4) received as monthly compensation, pen-
10 sion, pay, annuity, or allowance paid under title 10,
11 14, 37, or 38, United States Code, in connection
12 with a disability or combat-related injury or dis-
13 ability or death of a member of the armed forces.

14 “(b) CERTAIN REDUCED UNIFORMED SERVICES RE-
15 TIREMENT PAY.—

16 “(1) IN GENERAL.—In the case of a member or
17 former member of the uniformed services of the
18 United States other than a member or former mem-
19 ber of the armed forces, gross income does not in-
20 clude the amount of any reduction in retired or re-
21 tainer pay pursuant to the provisions of chapter 73
22 of title 10, United States Code.

23 “(2) SPECIAL RULE.—

24 “(A) AMOUNT EXCLUDED FROM GROSS IN-
25 COME.—In the case of any individual referred
26 to in paragraph (1), all amounts received as re-

1 tired or retainer pay shall be excluded from
 2 gross income until there has been so excluded
 3 an amount equal to the consideration for the
 4 contract. The preceding sentence shall apply
 5 only to the extent that the amounts received
 6 would, but for such sentence, be includible in
 7 gross income.

8 “(B) CONSIDERATION FOR THE CON-
 9 TRACT.—For purposes of subparagraph (A) and
 10 section 72(n), the term ‘consideration for the
 11 contract’ means, in respect of any individual,
 12 the sum of—

13 “(i) the total amount of the reduc-
 14 tions before January 1, 1966, in the indi-
 15 vidual’s retired or retainer pay by reason
 16 of an election under chapter 73 of title 10
 17 of the United States Code, and

18 “(ii) any amounts deposited at any
 19 time by the individual pursuant to section
 20 1438 or 1452(d) of such title 10.

21 “(c) DEFINITIONS.—For purposes of this section, the
 22 terms ‘armed forces’ and ‘uniformed services’ have the re-
 23 spective meanings given such terms by section 101 of title
 24 10, United States Code.”.

25 (b) CONFORMING AMENDMENTS.—

1 (1) CONFORMING REPEAL.—

2 (A) IN GENERAL.—Section 1403 of title
3 10, United States Code, is repealed.

4 (B) CLERICAL AMENDMENT.—The table of
5 sections at the beginning of chapter 71 of such
6 title is amended by striking the item relating to
7 section 1403.

8 (2) ANNUITIES.—Subsection (n) of section 72
9 of the Internal Revenue Code of 1986 is amended by
10 striking “Subsection (b)” and inserting “In the case
11 of any member or former member of the uniformed
12 services of the United States other than a member
13 or former member of the armed forces, subsection
14 (b)”.

15 (c) CLERICAL AMENDMENT.—The item relating to
16 section 122 in the table of sections for part III of sub-
17 chapter B of chapter 1 of the Internal Revenue Code of
18 1986 is amended to read as follows:

“Sec. 122. Certain uniformed services retirement pay and related benefits.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 the date of the enactment of this Act.

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