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Virginia Federation of
NARFE (VFN)

Serving 342,832

Active and Retired VA Voters

182,678 Annuitants & Survivor Annuitants
143,715 Active Federal
&
16,439 Postal Employees

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National Active &
Retired Federal
Employees
Association
(NARFE)

Virginia Federation of
NARFE (VFN)

**Virginia 2025
State Legislative
Plan**

Protecting Earned Benefits of Active &
Retired Federal Employees and the
Interests of Annuitant Spouses



VFN Virginia 2025 State Legislative Plan

Repeal of Sunset Provision for Virginia's Current Standard Deduction Amounts

For many years (2005-2018) the allowable standard deduction for Virginia's individual income tax was a modest \$3,000 for singles and \$6,000 for married persons filing jointly. Then, between 2019 and 2024, the General Assembly approved several increases, such that the current amounts (i.e., for 2024-2025) are \$8,500/\$17,000. However, these most recent amounts are subject to a sunset provision, whereby they will revert to the pre-2019 levels (i.e., \$3,000/\$6,000) after January 1, 2026, unless reauthorized by the General Assembly.

While they plummet to pre-2019 levels in terms of nominal dollars, would in and of itself, inflict a significant blow to a wide swath of Virginia taxpayers. The decrease in inflation-adjusted dollars would exacerbate the financial impact to those taxpayers. For example, due to the effects of inflation, the \$6,000 deduction that was allowed for married couples starting in 2005 would be worth only approximately \$3,714 in today's dollars. (Source: bls.gov/data/inflation_calculator.htm). Moreover, due to another provision in Virginia tax law (VA 58.1-322.03(1)(b)), any taxpayer who claims the standard deduction for Federal income tax purposes must do so as well at the State level. Thus, absent repeal of the current sunset provision, a majority of Virginia taxpayers will be forced in 2026 to accept standard deduction amounts established as far back as 2005. Fortunately for VFN members, and indeed most Virginia taxpayers, a remedy is at hand. Two companion bills HB 88 and SB 108 in the 2024 Session of the Virginia General Assembly would have repealed the sunset provision. Although not approved in 2024, both were recommended to be carried over to the 2025 Session by the respective finance committees. In summary, the General Assembly must repeal the sunset provision in current law in order to avoid inflicting significant financial pain on a wide swath of Virginia taxpayers.

Age 65+ Deduction

We urge the General Assembly to amend current tax law for the Age 65+ Deduction by either: 1) eliminating all income limits in determining qualification for the Age 65+ Deduction or 2) changing the current formula for "Adjusted Federal Adjusted Gross Income" (AFAGI) and increasing the "Income Limits" to more fairly focus on the amount of income received without regard to source of such income. Currently, while all CSRS/FERS annuity and Wage/employment income are included in AFAGI, no Social Security benefits received are included. Our proposal will change (and simplify) the current AFAGI formula to more fairly calculate "qualifying income": Adjusted Federal Adjusted Gross Income (AFAGI) = Federal Adjusted Gross Income (FAGI) + VA Conformity Additions – VA Conformity Subtractions. Our proposed new Income Limits are comprised of the maximum Social Security Benefit(s) payable in the tax year at issue, e.g. 2024 plus, the current Income Limit(s) of \$50,000 or \$75,000: Single Filers: \$108,476 (\$58,476 + \$50,000) and Married/Joint Filers: \$191,952 (\$116,952 + \$75,000). While the resulting AFAGI as proposed above would now include Taxable Social Security benefits received, those benefits would be offset by the increase to the existing Income Limit(s). With this proposal, "Income" qualifying for the Age 65+ Deduction would be more fairly based on **income received** rather than dependent on the **income source** as it is today, and no Single or Married/Joint tax filer currently eligible for the deduction would be excluded.

Exempting a Segment of CSRS Pensions Equivalent to Social Security Retirement

Under Virginia law, federal Civil Service Retirement System (CSRS) retirees are treated unfairly because of the retirement system to which they belong. Specifically, CSRS retirees pay more in Virginia income taxes than their counterparts in the Federal Employees' Retirement System (FERS) pay because CSRS pensions/annuities are fully taxed at the state level, while Social Security benefits—the major portion of FERS benefits—are not taxed at all by Virginia. Thus, as a result, CSRS retirees pay more in Virginia income taxes than their similarly situated FERS counterparts. This situation is unfair against CSRS retirees.

To eliminate the unfairness, we recommend that for CSRS retirees (and survivor annuitants) aged 62 and older, the General Assembly enact a subtraction of 60% of CSRS benefits. (The General Assembly could set a maximum for such subtraction, if it should choose to do so.) Alternatively, tax relief for CSRS retirees could be structured like the military benefit subtraction that Virginia enacted in 2022, which is currently being phased in.

We note that several income-tax relief bills were carried over to the 2025 General Assembly. We ask that tax relief for CSRS retirees be considered as well.

Nursing Home Priorities

Virginia needs to be proactive in addressing the growing needs of our elderly population. Each of these proposals are life-saving and/or life-enhancing legislation: (i) Enact minimum hourly nursing home staffing levels per resident, per day for nurses and nurses aides. (ii) Fund the Virginia Center on Aging Geriatric Education Center Initiative, to develop the skills and capacities of the gerontological and geriatric work force. (iii) Provide living wages, overtime pay and training for direct care workers to build a quality cost-effective work force.

