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Senate Bill 279 - Income Tax- Subtraction Modification - Military Retirement Income
Senate Budget and Taxation Committee
January 29, 2020

Secretary George W. Owings, III, Maryland Department of Veterans Affairs
Cara Sullivan, Deputy Legislative Officer, Governor's Office

Chair Guzzone, Vice-Chair Rosapepe, Members of the Senate Budget and Taxation Committee:

Senate Bill 279 expands Maryland's existing military retirement income subtraction modification by exempting 100% of military retirement income from State taxation for military retirees regardless of age. The exemption is phased in over two years, beginning with tax year 2020.

Current law provides a subtraction modification for the first \$5,000 of military retirement income of individuals under 55 years of age and a subtraction modification for the first \$15,000 of military retirement income for individuals who are 55 years of age or older.

Senate Bill 279 will make Maryland more competitive in attracting military retirees to live, work and raise families in our State. At least 17 states do not tax military retirement, including neighboring Pennsylvania and West Virginia. An additional seven states do not tax any personal income and two only tax only dividend and interest income.

According to a 2019 study conducted by the Regional Economic Studies Institute at Towson University, each year occupations in Maryland's defense industry face a shortage of 7,217 qualified workers, particularly for computer and mathematical, architecture and engineering, and science occupations. Our military retirees, who are generally eligible for retirement after 20 years of service, are the perfect candidates to fill these roles.

These veterans will pay Maryland income tax on the wages earned in these second careers. The average military retiree household sustains nearly \$115,000 in economic activity and \$7,550 in state and local tax revenue.

The Administration appreciates the leadership and commitment of this Committee and the General Assembly in providing these hard-earned benefits to our military retirees and looks forward to continuing to work together to expand the subtraction modification.

The Administration respectfully requests a favorable report on Senate Bill 279.

