

February 8, 2021

**Subject: Support Senate Bill 574 - Income Tax - Subtraction Modification - Military Retirement Income**

As a retired Naval Officer who has lived and worked in a civilian capacity in Maryland for over 22 years, I full heartedly support Senate Bill 574 that will phase in over two years a 100% exemption of military retirement income from State taxation.

Senate Bill 574 should not be enacted solely as a means of thanking retiring military veterans for their years of dedicated service. This legislation should be enacted, however, as an incentive to have retiring veterans and their accumulated knowledge and experience choose Maryland for their second careers. In 2015, military retirees in Virginia number 154,000 while Maryland reports only 55,000. With such a high concentration of military service members employed in Maryland and Northern Virginia, we should position our State to successfully compete for an increasing number of retiring veterans to choose Maryland as their permanent home, establish their second careers, put down roots, own property, and become valued members of our local community.

Rather than focusing solely on the possible decreases to general fund revenues that the Office of Legislative Services predicts will be seen if SB 574 becomes law, I strongly urge Committee Members to focus on the possible increases in revenue that could be realized when more and more military veterans choose to retire in Maryland for their follow on careers. The state income tax on an average military retirement income of \$29,000 wanes in comparison to the state income tax that would be received from the second career job salary of the military retiree that approaches an average of \$80,000 - \$100,000. Additionally, the military retiree would be purchasing a home with a mortgage, pay Maryland local real estate taxes, pay sales taxes on everything they buy, from vehicles, to clothing and groceries.

Currently, at least 22 states have already reached the conclusion that military retirees bring strong family and economic value to their states and offer a 100% exemption for military retirement income. Surprisingly, even "high tax states" such as Massachusetts, New York, and New Jersey provide the 100% exemption.

I respectfully request a favorable report by the Budget and Taxation Committee in support of Senate Bill 574.

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