

SB 574_Erin Chase_Governors Office_SUPPORT.pdf

Uploaded by: Chase, Erin

Position: FAV



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Senate Bill 574 - Income Tax - Subtraction Modification - Military Retirement Income
Position: Support
Senate Budget and Taxation Committee
February 10, 2021

Secretary George W. Owings, III
Erin Chase, Deputy Legislative Office, Governor's Office

Chair Guzzone, Vice Chair Rosapepe, Members of the Committee,

Senate Bill 574 expands Maryland's current subtraction modification for our veterans' military retirement income. The bill phases-in, over two years, a 100% exemption of state income taxes applied to a military veteran's retirement income regardless of age.

Current law allows a veteran under the age of 55 to have the first \$10,000 exempted from state income tax, and those over the age of 55 have the first \$15,000 exempted. Under Senate Bill 574, in tax year 2021 the greater of 50% or \$15,000 of an individual's military retirement income would be exempt from income tax, and beginning in tax year 2022, 100% of that income would be exempt from the state's income tax.

There are currently 21 other states that exempt military retirement income from the state's income tax, not including the nine states that do not have a state income tax. Passing this legislation will bring Maryland in line with the majority of other states, and will help the state become more competitive in attracting and retaining retirees.

Members of the military typically become eligible for the military pension benefits after 20 years of service, but many service members continue to work after their retirement from the military, often in private sector industries with jobs that are hard to fill due to the level of technical experience required. 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. Military retirees offer a unique skill set that can be utilized to fill these critical roles.

Undeniably, we owe our veterans a great deal of gratitude, and this is one way we can thank them for their service, while also encouraging military retirees to live, work, raise a family, and retire in Maryland.

For these reasons, the Administration respectfully requests a favorable report for Senate Bill 574.



SB574_B&T.pdf

Uploaded by: Guibao, Patrick

Position: FAV



THE AMERICAN LEGION
Department of Maryland
Legislative Committee

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**ENDORSEMENT IN SUPPORT OF SENATE BILL 574 INCOME TAX –
SUBTRACTION MODIFICATION – MILITARY RETIREMENT INCOME**

Chair Guzzone, Vice Chair Rosapepe and distinguished members of the Senate Budget and Taxation Committee thank you for the opportunity to address our support on behalf of Senate Bill 574.

The American Legion Department of Maryland as part of its foundation requiring our second century old veterans service organization to be fully supportive of our men and women in uniform as well as their families. This pledge is acutely true for those who have sacrificed a large portion of their life and career in service to our country.

Senate Bill 574, as its predecessors before it, eliminates taxing on the retirement income for those persons who have served a career in the U. S. military.

Support for this measure by this committee will have multiple positive effects. It will provide a stimulus to those exiting the retired service personnel to reside in Maryland creating a stable addition to the tax base not only of the retired service member but the adult members in his or her family as well.

Successful passage will enable employers to have a greater selection of persons needed to fill job vacancies, particularly in the defense contract community where security clearances are necessary to employment. Departing personnel who have such documentation can easily step into a new career without the expense and time constraints for an employer or a job candidate must endure.

Finally, Senate Bill 579 will show the service man and woman that Maryland Cares! This bill can put substantive meaning behind the often used phrase, “thank you for your service.”

Statement of Support
Senate Bill 0579
February 8, 2021

We further believe the element toward phasing out the present taxation on retired military income will greatly ease the impact on the State's budget and in closing, The American Legion's over 46,000 Maryland members ask the Senate Budget and Taxation Committee to offer a favorable report on Senate Bill 579 and commend the Governor for their compassion towards our service career veterans.

Respectfully, yours

[Patrick Guibao](#)

Patrick J. Guibao

Chair

THE AMERICAN LEGION

Department of Maryland

Legislative Commission

SB574 2021.pdf

Uploaded by: Leib, Robert

Position: FAV

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.

Robert C. Leib
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sb 574_ARMY ALLIANCE_FAV.pdf

Uploaded by: Popham, Bryson

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February 8, 2021

The Honorable Guy Guzzone, Chairman
Senate Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 574- Income Tax - Subtraction Modification - Military Retirement Income - FAVORABLE

Dear Chairman Guzzone and Members of the Committee,

On behalf of the Army Alliance, I am pleased to support the referenced legislation and I thank you for its introduction.

The Army Alliance is a nonprofit advocacy organization whose sole mission is to provide support for one of our major military installations in the State – the Aberdeen Proving Ground (APG). From its founding in 1917, APG has grown into the central research facility for the United States Army. One of 12 such military installations in our state, APG is also the largest employer in northeastern, Maryland.

As a major employer, APG has a unique challenge. It faces the issues all employers face in our information-based economy, which is securing a steady flow of qualified workers to carry out its mission. In addition to its need for a highly qualified workforce, for national security reasons, APG also requires workers who possess an active security clearance. These workers are often military retirees. APG and our other military installations face a future shortage of these individuals, and one way to address that shortage is to encourage military retirees with security clearances to locate in Maryland.

Respectfully, therefore, the Army Alliance requests a favorable report on Senate Bill 574

Very truly yours,



Bryson F. Popham

cc: Anthony Lisuzzo President, Army Alliance
Jill McClune, Legislative Chair, Army Alliance
Sue Nappi, Executive Director, Army Alliance

SB 0574.pdf

Uploaded by: Spiegel, Jayson

Position: FAV

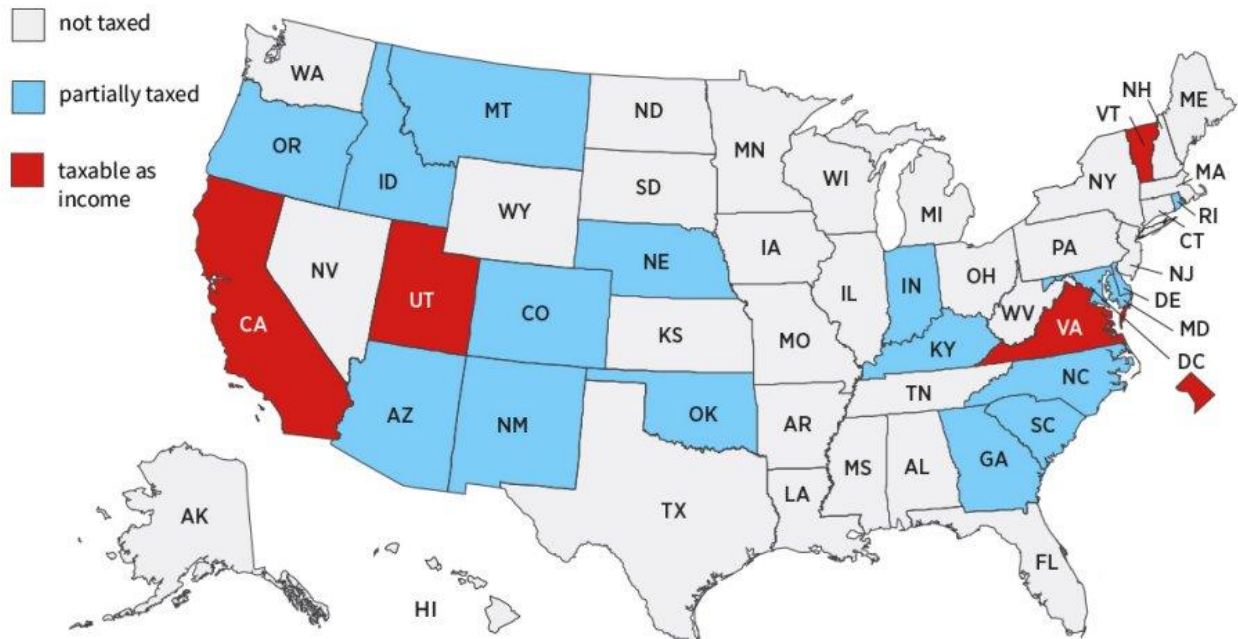
Statement of Jayson L. Spiegel
In Support of SB 0574
Income Tax - Subtraction Modification – Military Retirement Income
February 10, 2021

My name is Jayson Spiegel. I am a Gaithersburg resident and retired after 28 years commissioned service in the Army and Army Reserve. I am a former Executive Director of the Reserve Officers Association of America and Deputy Assistant Secretary of the Army for Manpower and Reserve Affairs. In addition, I am the Principal Advisor for Legislative Affairs, and Principal Advisor for Communications for the Maryland Democratic Party Veterans Council. I also chair the Legislative and Policy Committee of the Veterans Democratic Club of Charles County and Vicinity

I am speaking in my personal capacity. Full disclosure - as a retired Army officer currently receiving retirement pay, I would be among those to benefit from this bill.

I urge the Senate to pass SB 574, which eliminates state income taxation for military retirement pay. Expanding the subtraction modification will incentivize military retirees to remain in Maryland upon retirement or move to Maryland from other states.

A majority of states do not tax military retirement. According to the American Association of Retired Persons, 21 states exempt military retirement pay from state income taxes; nine have no state income tax. Pennsylvania and West Virginia do not tax retirement pay. Sixteen states have a partial exemption for military retirement, including Maryland. Four states plus the District of Columbia tax all military retirement pay as income. This is depicted in the map that follows.



Source: Wolters Kluwer Tax & Accounting, and state departments of revenue

<https://www.aarp.org/money/taxes/info-2020/states-that-tax-military-retirement-pay.html>

As the map shows, a majority of states have exempted military retirement income from taxation, positioning them as potentially more desirable retirement locations than Maryland.

Over the years, there have been many bills that seek to expand the percentage of military retirement income exempt from state taxation. A variety of bills to that effect are currently pending. Rather than expand the exemption by a few percentage points, I urge the General Assembly to stand with our veterans and military retirees and phase in a complete exemption, as articulated in SB 0574.

Eliminating military retirement from state taxation not only benefits Maryland retired veterans, doing so also benefits the state. The bill incentivizes newly retired veterans to move to or remain living in Maryland. Their spending power benefits local businesses, and their knowledge and experience benefits prospective employers and communities. The bill enables Maryland to compete successfully with other states as a home for military retirees and demonstrates support and appreciation for those who served our country in the Active, National Guard and Reserve Components.

I want to thank the Senate President for his leadership on this issue and urge the passage of SB0574.

Thank you.

SB0574-BT_MACo_OPP.pdf

Uploaded by: Kinnally, Kevin

Position: UNF



Senate Bill 574

Income Tax - Subtraction Modification - Military Retirement Income

MACo Position: **OPPOSE**

To: Budget & Taxation Committee

Date: February 10, 2021

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

The swift and unprecedented shock of the COVID-19 public health crisis has wreaked havoc on the economy. As the focus shifts to restoring our state and local economies in a manner that is safe, equitable, and prosperous for all, counties are eager and committed partners in promoting economic growth and creating opportunity – we prefer local autonomy in determining the best way locally.

The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but welcomes tools to grant counties options and flexibility to pursue their own parallel tax incentives, or to develop others to suit their local needs.

The General Assembly routinely considers proposals to change tax structures, often seeking to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals often are focused exclusively on the state's tax structure, but sometimes extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by their elected leaders who are directly accountable within the community, are in the best position to make decisions on local affairs – ranging from land use to budget priorities. MACo steadfastly guards this local autonomy, and frequently advocates against statewide solutions that mandate county compliance or otherwise override local decision-making.

Property taxes show the best collaborative way to enact targeted tax relief. The State and its local governments already work together here – where the State routinely grants a state-level tax credit, but then enables county governments to enact their own as a local option.

State proposals that involve local revenue sources can be enacted as “local option” offerings, to allow counties maximum flexibility to achieve local goals.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments hope the Committee finds these comments helpful. Counties stand ready to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives, but resist state-mandated changes that preclude local input.