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

RE: Senate Bill 130- Income Tax Subtraction Modification - Military and Public Safety 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 thank Senator Jackson 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 and the defense community in the surrounding area are the largest employer in Northeastern Maryland.

While the Army Alliance supports the entire bill, we wish to draw the Committee's attention to the language on page 3, line 2 of the bill. This language reflects a longstanding effort by legislative leaders to recognize the importance of the defense community as a whole to our State economy. As we explain below, the rate of State personal income taxation for employees in the defense industry has a direct and substantial effect on workforce availability for the industry. This represents an ongoing and significant challenge to the ability of defense contractors to secure qualified employees to work in Maryland.

The challenge may be understood this way: while the defense industry has the same need for highly qualified, knowledge-based employees that many businesses in Maryland have, there is a unique requirement in the defense industry. That requirement is for many employees to possess an active security clearance. Other industries have no such requirement. As a result, military retirees are uniquely qualified to fulfill this workforce need.

Complicating this situation is the fact that other states close to Maryland impose a lower rate of personal income tax on military retirees or even no state income tax at all. In an effort to attract and retain employees at Maryland military installations, the Maryland personal income tax can be a major factor in the prospective employee's decision. Because Maryland is behind other states in reducing the income tax rate on military retirees, it is more difficult to attract them to defense industry jobs in our State.

Senate Bill 130 will not eliminate this problem, but it does offer the prospect of incremental – even substantial – progress toward our goal.

For these reasons, the Army Alliance respectfully requests a favorable report on Senate Bill 130.

Very truly yours,



Bryson F. Popham