



## MARYLAND MILITARY COALITION

*Serving Veterans through Legislative Advocacy*

January 13, 2025

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

Subject: **Request for FAVORABLE Report** – SB0099 – Income Tax – Subtraction  
Modification for Military Retirement Income (Keep Our Heroes Home Act)

Dear Chair Guzzone and distinguished members of the Budget and Taxation Committee

On behalf of the members of the Maryland Military Coalition (MMC) and as its Legislative Director, I write to recommend a **FAVORABLE report** by the Committee on ***SB 99, Income Tax – Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act)***, sponsored by Senator Johnnie Ray Salling. This bill will, over the next two years, raise the amount of military retirement income received by individuals that can be exempted from the Maryland State Income Tax regardless of age.

SB 99 will **help make Maryland more competitive** with three of the four contiguous states that have no age restriction on exempting this income from their state income tax and either exempt 100 percent (Pennsylvania and West Virginia) or exempt more than Maryland currently does (Virginia exempts \$40,000 of military retirement income this year and beyond). Eliminating the age restriction and raising the amount of military retirement income changes the current lack of incentives in the Maryland tax structure that causes individuals under the age of 55 who are retiring from active duty to move to other states where this income is tax-exempt.

The MMC strongly supports this bill for the following reasons:

- Passing this bill will **help address three interrelated economic issues impacting Maryland's economy**: 1) slow employment and wage growth, 2) a decline in the labor participation rate, and 3) domestic migration away from Maryland to states that have a lower cost of living. All of these factors were pointed out in the Comptroller of Maryland's State of the Economy Report issued last year and still persist. **Retaining valuable human capital, represented by military retirees, is an important and positive step in helping to increase the growth rate of Maryland's economy**, a goal of the Moore Administration and the Legislature.
- Most military retirees range in age from their early 40s to early 50s, depending upon the number of years of service. Many will work in civilian jobs for up to 25 years — second careers with income that would be **fully taxable**. By passing this bill and retaining

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military retirees in the state and increasing the exemption of their military retirement income, **the state can gain tax revenue from their civilian jobs, offsetting the cost of full exemption of military retired pay.** When a military retiree and his or her family leaves Maryland for a state where that income is tax-exempt (see Attachment 1), however, not only does our state lose the opportunity for tax revenue from the retiree's second career civilian job but also that of a working spouse plus what that household will pay in sales and use, excise, and property taxes for up to 25 years.

- There are currently 8,327 openings for jobs in Maryland that require any type of security clearance.<sup>1</sup> **Many military retirees hold clearances that can be transferred to federal contractors** that have these openings if that individual has an incentive to stay after retiring from active duty. Passing this bill will help address this issue.
- **The number of military retirees in Maryland has declined by 601 since the end of 2016, and by 795 since the end of 2019,** per data from the Department of Defense Actuary (see Attachment 2). This reinforces the MMC's contention that many, if not most, of those retiring from the military under the age of 55 are not staying in Maryland when they leave active duty.

**The fundamental issue is whether the State of Maryland wants to retain this valuable human capital or continue to let this valuable resource continue to leave the State.** SB 99, if passed and signed into law, will serve to mitigate the trend of the continuing loss in the under 55 age cohort and serve to retain human capital to help the State's economy going forward.

The Maryland Military Coalition **strongly supports** SB 99 and asks for a **FAVORABLE** report from the Budget and Taxation Committee. Raising the exemption of military retirement income from the state income tax to \$40,000 over the next two years, regardless of age, recognizes the value of the contributions military retirees can and will make to this state's future growth.

The Maryland Military Coalition is a registered non-profit, non-partisan advocacy organization comprised of prominent Maryland-based veteran and military groups, representing over 150,000 service-connected individuals, including those currently serving, veterans, retirees and their families, caregivers, and survivors.

We want to thank Senator Salling for his commitment to military retirees, for sponsoring this legislation, and for his strong support of the uniformed services community in Maryland.

Respectfully,



David L. Dragics  
COL USA (Ret)  
Legislative Director

Attachments (2)

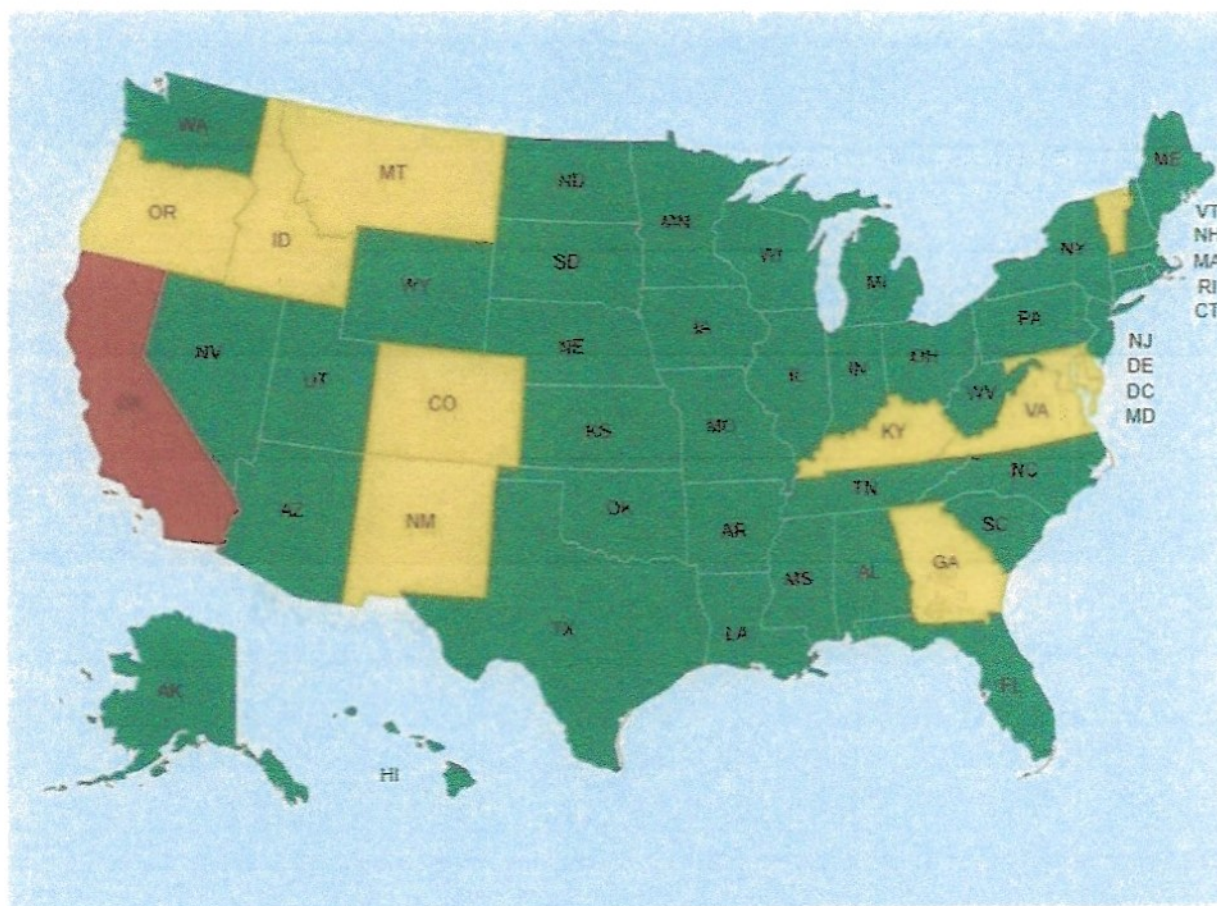
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<sup>1</sup> <https://www.clearancejobs.com/jobs/maryland>



## States that ***DO NOT*** Tax Military Retired Pay

As of August 7, 2024



### Map Legend

- **Green:** Both military retired pay (MRP and Survivor Benefit Plan payments (SBP) are fully exempt from state taxation
- **Yellow:** MRP and/or SBP receive partial exemption from state taxation
- **Red:** Neither MRP nor SBP is exempt from state taxation

Map Source: MOAA Communications; updated May 17, 2024

Updated August 7, 2024



## MARYLAND MILITARY COALITION

### Updated – State Treatment of Military Retired Pay – As of August 7, 2024

#### The 38 States that Exempt Uniformed Services Retired Pay with No Age Restriction

As of August 7, 2024, 38 of the 50 states do not tax ALL uniformed retirement pay, and that figure includes the 9 states, marked with asterisks below (\*), without any personal income tax:

1. Alabama ‡ <sup>SS</sup>	20. Nevada *
2. Alaska *	21. New Hampshire *
3. Arizona ☐ ‡ <sup>SS</sup>	22. New Jersey ‡ <sup>SS</sup>
4. Arkansas ☐ ‡ <sup>SS</sup>	23. New York ‡ <sup>SS</sup>
5. Connecticut ‡ Military retired pay only	24. North Carolina ‡ <sup>SS</sup>
6. Florida *	25. North Dakota ‡ <sup>SS</sup> Military retired pay only
7. Hawaii ‡ <sup>SS</sup>	26. Ohio ‡ <sup>SS</sup>
8. Illinois ☐ ‡ <sup>SS</sup> »	27. Oklahoma ☐ <sup>SS</sup> Military retired pay only
9. Indiana ‡ <sup>SS</sup> Military retired pay only	28. Pennsylvania ‡ <sup>SS</sup> »
10. Iowa ☐ ‡ <sup>SS</sup>	29. Rhode Island Military retired pay only
11. Kansas ‡ <sup>SS</sup>	30. South Carolina ‡ <sup>SS</sup> Military retired pay only
12. Louisiana ‡ <sup>SS</sup>	31. South Dakota*
13. Maine ‡ <sup>SS</sup> Military retired pay only	32. Tennessee*
14. Massachusetts ‡ <sup>SS</sup>	33. Texas*
15. Michigan ☐ ‡ <sup>SS</sup> Military retired pay only	34. Utah ‡ Military retired pay only
16. Minnesota ☐ ‡	35. Washington*
17. Mississippi ‡ <sup>SS</sup> »	36. West Virginia ‡ Military retired pay only
18. Missouri ☐	37. Wisconsin ‡ <sup>SS</sup> Military retired pay only
19. Nebraska	38. Wyoming*

\* 9 (Nine) States have no personal income tax

☐ Active Duty pay included

‡ No tax on SBP= Military Survivor Benefit Plan. Insurance on up to ½ of the military retiree's "pension" received monthly upon the death of the sponsor.

» No tax on 401(k), IRA or pension distributions

<sup>SS</sup> Social Security exempt (includes AL, AZ, AK, CA, DE, GA, HI, IA, ID, IL, IN, KY, LA, ME, MD, MA, MI, MS, NC, NJ, NY, OH, OK, OR, PA, SC, VA, WI, N=28)

Eleven (11) states and the District of Columbia currently tax a portion of a retiree's annual Retired Pay.



## Military Retirees and Survivors Maryland -- 2017 to 2023

As of 12/31	Total DoD Retired Receiving Pay from DoD	Total DoD Retired with VA Offset	Total Monthly Pay (\$1000)	Total Annual Pay (\$1000)	Total Survivors	Monthly Pay	Total Annual Pay (\$1000)	Total Retired & Survivors	Annual Change	Retiree Average Annual Pay (\$1000)	Survivor Average Annual Pay (\$1000)
2016	52,626	15,187	\$131,018	\$1,572,216	6,751	\$7,919	\$95,028	59,377	(150)	\$29,875	\$14,076
2017	52,673	15,127	\$134,209	\$1,610,508	6,662	\$7,973	\$95,676	59,335	(42)	\$30,576	\$14,361
2018	52,728	14,989	\$138,655	\$1,663,860	6,515	\$7,982	\$95,784	59,243	(92)	\$31,556	\$14,702
2019	52,820	14,773	\$141,768	\$1,701,216	6,477	\$8,006	\$96,072	59,297	54	\$32,208	\$14,833
2020	52,666	14,530	\$143,611	\$1,723,332	6,551	\$8,156	\$97,872	59,217	(80)	\$32,722	\$14,940
2021	52,256	13,991	\$151,696	\$1,820,352	6,479	\$8,813	\$105,756	58,735	(482)	\$34,835	\$16,323
1/31/2023	51,835	12,788	\$163,980	\$1,967,760	6,348	\$10,168	\$122,016	58,183	(552)	\$37,962	\$19,221
2023	52,025	13,654	\$170,088	\$2,041,056	6,321	\$10,422	\$125,064	58,346	163	\$39,232	\$19,785
2016 -2023 change in retired:			(601)	-1.14%	Change from 2016 to 2023:			(1,031)	-1.7%		

The monthly amount of retired pay (in \$1,000) is the amount prior to deductions for tax withholdings and other allotments, but after deductions for Survivor Benefit Plan premiums, waivers/offsets from compensation/award received from the U.S. Department of Veterans Affairs (VA), etc.

Retirees with a VA waiver/offset are those with reduced DoD retired pay due to a VA compensation/award, i.e., after "Concurrent Receipt: benefits are paid.

Retiree and Survivor pay only includes payments from DoD. Payments from the VA for disability compensation/award or Dependency and Indemnity Compensation (DIC) are not included here.

Source: <https://actuary.defense.gov/>

Military Retirement subheading; dropdown menu: Congressional Districts Reports, 2017-2023