

Maryland Military Coalition SB0099 Written Testimo

Uploaded by: DAVID Dragics

Position: FAV



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

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

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.¹ **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,



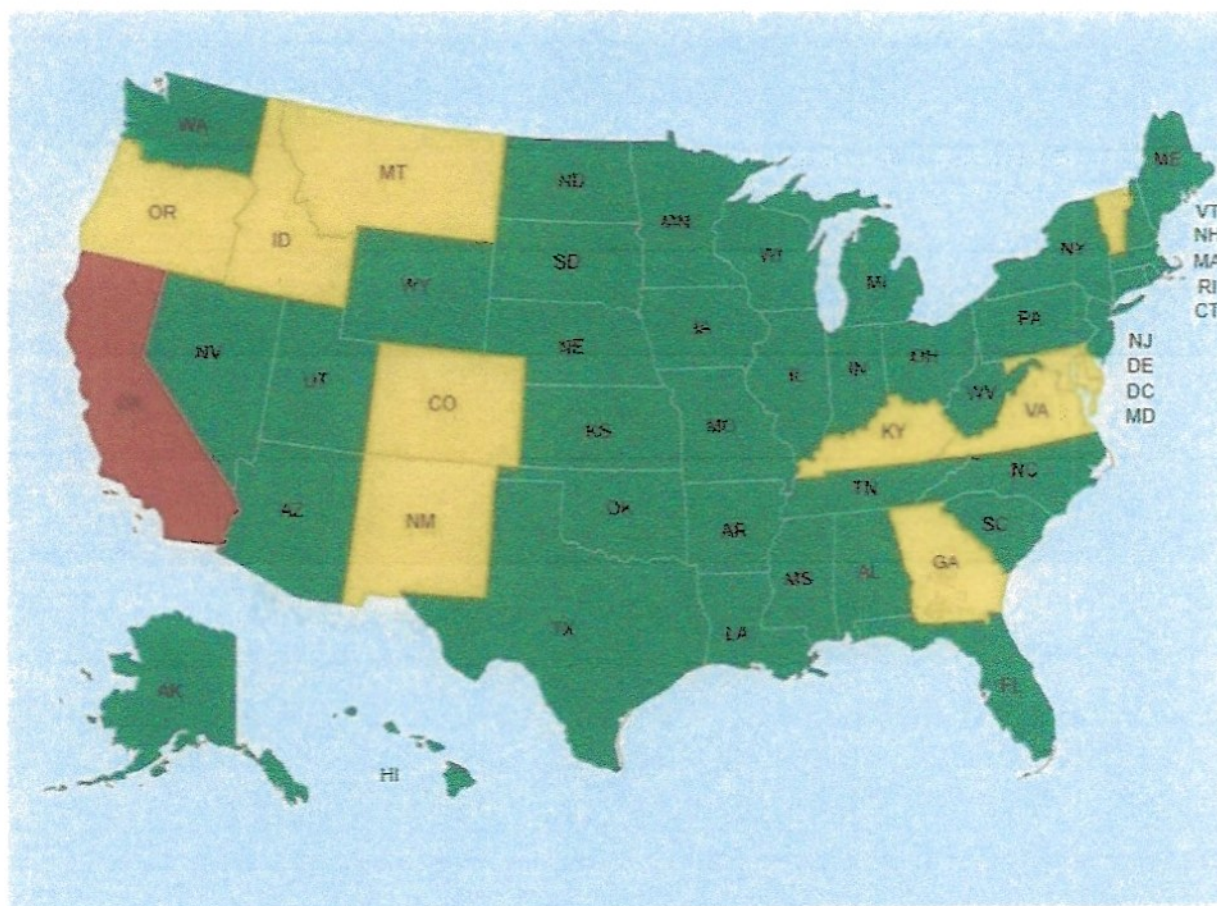
David L. Dragics
COL USA (Ret)
Legislative Director

Attachments (2)

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

^{SS} 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

SB 99_MDCC_Keep our Heroes Home Act_FAV.pdf

Uploaded by: Hannah Allen

Position: FAV



LEGISLATIVE POSITION:

Favorable

Senate Bill 99 – Keep Our Heroes Home Act

Budget & Taxation Committee

Wednesday, January 15, 2025

Dear Chair Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

SB 99 increases the amount of a subtraction modification from \$20,000 to \$40,000 over a period of two years under the Maryland income tax for military retirement income for individuals, regardless of age.

In Maryland, there are 33 available workers for every 100 open jobs according to the U.S. Chamber as of December 2023 – which means our state is facing a severe workforce shortage. Maryland also ranks 45th for overall tax climate according to the Tax Foundation. To address this, we support efforts aimed at Military Retirement Relief, including the elimination of the state income tax on uniformed services retirement pay.

Currently, Maryland is home to many military individuals and families, housing 20 military facilities and 11 military bases. When service members retire from the military, typically between their mid 30s – mid 50s, they often take on jobs after their retirement and contribute to the workforce. Military retirees fill important gaps in our workforce like IT, healthcare, cybersecurity, and defense. A lot of these jobs are higher paying as well. However, because Maryland is one of 11 states and DC that currently tax a portion of military retirement income, we're seeing military retirees seek opportunities outside of Maryland, moving to other states, and not participating in our workforce. If we can keep military retirees and their family's tax base in Maryland, we would gain not only a continued contribution to our local economy but also the wealth of experience and skills they bring, enhancing the state's workforce and fostering a sense of community and stability.

Maryland should become more in line with the other 38 states that do not tax military retirement income. To be economically competitive with our neighboring states, we should increase the subtraction modification for military retirement income, ultimately helping keep a highly skilled workforce in our state to help fill open jobs.

Supporting veterans is of utmost importance to the Maryland Chamber. Military retirees hold a great deal of knowledge that they pass on to any number of potential employers and are often found continuing their legacy of service by volunteering for Maryland's charities and schools.

Maryland benefits greatly from the retention of these individuals and this legislation provides our state with a golden opportunity to properly honor those who have served in our armed forces. SB 99 will allow us to not only reward military retirees for their sacrifices but allow them to continue their legacy of service at home in Maryland. By providing incentives for our military retirees to stay in Maryland, they will continue to provide sales tax revenue, volunteer, make charitable contributions and contribute to the state's economy.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **Favorable Report** on SB 99.



Senator Salling Income Tax Senate Bill 99 – Subtra

Uploaded by: Jarrett Hartsock

Position: FAV

JOHNNY RAY SALLING
Legislative District 6
Baltimore County

Budget and Taxation Committee

Public Safety, Transportation,
and Environment Subcommittee



James Senate Office Building
11 Bladen Street, Room 321
Annapolis, Maryland 21401
410-841-3587 · 301-858-3587
800-492-7122 Ext. 3587
JohnnyRay.Salling@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Budget and Taxation Committee
Chair Guy Guzzone
Vice Chair Jim Rosapepe
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Mr. Chair, Vice Chair and members of the Budget and Taxation Committee. Thank you for allowing me the opportunity to testify in favor of Senate Bill 99.

Current law states that if you are under 55 years old, you can only subtract \$12.5k of military retirement income. If you are 55 or older, you can only subtract \$20k of military retirement income. While I would like to immediately remove the tax on military retirement income, I think a partial tax exemption would be a great compromise for all interested parties. As a result, I have proposed a bill, Cross-filed with Delegate Rogers, that would introduce a greater tax exemption for military retirees having served in all branches.

Unlike bills introduced in past Legislative Sessions, this bill will exempt the first \$25,000 of military retirement income earned in 2025. In 2026, the first \$40,000 of retirement income would be exempted. Additionally, there is no age restriction.

Nearly all states do not tax military retirement income in some shape or form. Two of our neighboring states - West Virginia and Pennsylvania - do not tax military retirement income at all. With our proximity to other states, many military retirees have arranged to live elsewhere and commute to Maryland for work due to the better tax rates that other states have to offer. Many veterans are relatively young, continue to be active in the work force, and looking for a place to settle down after years of relocating. Maryland is where we want them to stay.

While this bill is not a full retirement income tax exemption, I believe this bill will help our State generate revenues as military retirees will have more money to spend on our local businesses, recreation, and so forth.

As a U.S. Army veteran, I am proud to present this bill for your consideration, as it eases stress on veterans and their families, and allows for positive economic opportunities for our state.

Thank you for allowing me to speak today, and I would urge a favorable report on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Johnny Ray Salling".

Senator Johnny Ray Salling

Testimony in support of SB0099 - Income Tax - Subt

Uploaded by: Richard KAP Kaplowitz

Position: FAV

01/15/2025

Richard Keith Kaplowitz
Frederick, MD 21703

TESTIMONY ON SB#/0099- POSITION: FAVORABLE

Income Tax - Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act)

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget & Taxation Committee
FROM: Richard Keith Kaplowitz

My name is Richard Keith Kaplowitz. I am a resident of District 3, Frederick County. I am submitting this testimony in support of SB#/0099, Income Tax - Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act)

This bill will increase, from \$20,000 to \$40,000 over a 2-year period, the amount of a certain subtraction modification under the Maryland income tax for certain military retirement income received by individuals, regardless of age, during a taxable year for certain military service. It will honor their service and help veterans, in a fraught economy in which assessments on homes is increasing their tax burden, offset those increases so they can stay in their communities and in their homes.

Maryland has the opportunity to do for our veterans what the Federal Government has failed to do with S.3243 - Tax Cuts for Veterans Act of 2023 ¹, which they continue to fail to pass. That bill would have excluded some income from Federal income taxes for veterans. There is a moral value to treating those who sacrificed and served to protect us and want to have a life in Maryland fairly. We can honor our veterans by indicating through our tax laws that we want them to build that life in our state. We can ensure that, in light of increasing assessments, that the burden of taxes doesn't force veterans to move from Maryland to a state that offers these benefits. Virginia is doing this and we don't want or need our veterans to relocate their for the deduction. Maryland can join a group of compassionate states in how we treat our veterans. ²

I respectfully urge this committee to return a favorable report on SB#/0099.

¹ <https://www.congress.gov/bill/118th-congress/senate-bill/3243>

² <https://www.military.com/benefits/military-pay/state-retirement-income-tax.html#:~:text=Maryland%3A%20The%20first%20%2412%2C500%20is,of%20meeting%20the%20eligibility%20requirements>.

Senate Bill 99 Final Testimony.pdf

Uploaded by: Giavante Hawkins

Position: UNF

OFFICERS & DIRECTORS

Donya S. Oneto
President

Ann F. Elliott
1st Vice President

Hannah Coyle
2nd Vice President

Ellen S. Silverstein
Secretary

Michael S. McIlhargey
Treasurer

Sean D. Coggins
Delegate

Matthew T. Eddleman
Delegate

Nicole Moore
Delegate

John Salan
Delegate

Christopher Williams
Delegate

Barbara J. Smith
Past President

Bob Medbery
Board of Trustees Delegate

Giavante' Hawkins
Executive Director

January 13, 2025

Honorable Members of the Senate Budget and Taxation Committee
Maryland General Assembly
11 Bladen Street
Annapolis, MD 21401

RE: Senate Bill 99 - Income Tax - Subtraction Modification - Military Retirement Income (Keep Our Heroes Home Act)

Dear Chair and Members of the Committee:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents. We must respectfully express our opposition to Senate Bill 99, despite its laudable goal of supporting military retirees.

While we deeply respect and value our military retirees, we have significant concerns about this legislation from a tax policy and fiscal responsibility perspective. The bill's dramatic increase in tax exemptions - from the current maximum of \$20,000 to \$40,000 - would create an unsustainable reduction in state tax revenues at a time when Maryland faces numerous fiscal challenges. Our analysis suggests this could significantly impact the state's ability to fund essential services and maintain fiscal stability.

The implementation timeline raises serious administrative concerns. The July 1, 2025 effective date with immediate application to the 2025 tax year creates a mid-year implementation challenge. The two-phase approach over consecutive years will require multiple system updates and taxpayer education cycles. The rapid increase could create confusion during tax preparation and planning.

Furthermore, this legislation raises fundamental tax equity issues. It creates a substantial disparity between military and other forms of retirement income. The flat exemption amount, regardless of total retirement income, disproportionately benefits higher-income retirees. The bill lacks income-based phase-outs that could better target relief to those most in need.

From a practical administrative perspective, our members have identified numerous problematic aspects. Mid-year implementation will complicate income calculations for 2025, and rapid changes in consecutive years will increase the risk of filing errors. The broad definition of military service may create verification challenges. The immediate \$25,000 exemption represents a significant revenue reduction, and the subsequent increase to \$40,000 compounds the fiscal impact, with no offsetting revenue sources identified to maintain state services.



MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

10451 Mill Run Circle #625
Owings Mills, MD 21117

1-800-922-9672
410-876-5998

FAX 443-881-4146
www.msatp.org

OFFICERS & DIRECTORS

Donya S. Oneto
President

Ann F. Elliott
1st Vice President

Hannah Coyle
2nd Vice President

Ellen S. Silverstein
Secretary

Michael S. McIlhargey
Treasurer

Sean D. Coggins
Delegate

Matthew T. Eddleman
Delegate

Nicole Moore
Delegate

John Salan
Delegate

Christopher Williams
Delegate

Barbara J. Smith
Past President

Bob Medbery
Board of Trustees Delegate

Giavante' Hawkins
Executive Director

The system modifications required would be substantial. Tax preparation software will require multiple updates, state systems will need rapid modifications, and training materials will need frequent revisions. The long-term implications are also concerning, as this creates pressure for similar treatment of other retirement income, may lead to demands for additional increases in future years, and could impact Maryland's bond rating and borrowing costs.

While we strongly support our military retirees, we believe a more measured approach would better serve Maryland's interests. We recommend phasing in increases over a longer period, including income-based limitations, considering a more modest maximum exemption, aligning implementation with the tax year calendar, and including offsetting revenue measures.

For these reasons, MSATP cannot support Senate Bill 99 in its current form. We stand ready to work with the committee to develop alternative approaches that would provide targeted support for military retirees while maintaining sound tax policy and fiscal responsibility.

Respectfully submitted,

Giavante' Hawkins
Maryland Society of Accounting and Tax Professionals

