

Department of Legislative Services  
Maryland General Assembly  
2003 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 480

(Senator Astle, *et al.*)

Budget and Taxation

Ways and Means

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**Task Force to Study the Financial Impact of Retired Military Service Personnel  
on the Economy of the State**

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This bill creates a 12-member Task Force to Study the Financial Impact of Retired Military Service Personnel on the Economy of the State. The task force is required to: (1) determine the number of retired military personnel in the State; (2) determine the number of retirees engaged in secondary employment; (3) determine the average total income of retired military personnel including any secondary employment or second career income, military retirement income, or other retirement income; (4) determine the value of any additional benefits or programs available to retired military personnel; (5) determine the average expenditures of the State and local governments for military retirees and their families; (6) determine the average expenditures paid by a military retiree for goods and services, in sales tax, and real estate tax; (7) determine the cost of health care services provided by the State to retired military personnel; (8) determine the average taxes paid by military personnel on an annual basis; (9) review the total tax burden on military retirees in the State as compared to other states; and (10) review the total tax burden in the State, including provisions of law exempting retirement income from taxation, as compared to other states.

The task force is required to report its findings to the Governor and the General Assembly by December 1, 2003. The Maryland Department of Veterans Affairs and the Comptroller's Office are required to provide staffing for the task force.

The bill takes effect July 1, 2003 and terminates December 31, 2003.

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**Fiscal Summary**

**State Effect:** Any expense reimbursements for task force members and staffing costs for Veteran's Affairs and the Comptroller are assumed to be minimal and absorbable within existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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### **Analysis**

**Current Law:** The Maryland income tax provides an exclusion for the first \$2,500 of military retirement income received by an individual. This amount may be subtracted from federal adjusted gross income for the taxable year provided that the individual is at least 55 years of age on the last day of the taxable year and was an enlisted member of the military at the time of retirement. In addition, this subtraction is reduced by 50% of the amount by which the federal adjusted gross income exceeds \$17,500. No subtraction is allowed for individuals having federal adjusted gross income over \$22,500.

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### **Additional Information**

**Prior Introductions:** Several bills dealing with the State taxation of military retirement income have been introduced during the last several sessions, including HB 196 and HB 557 of 1999, HB 774 of 2000, HB 446 of 2001, and HB 53 and SB 163 of 2002. None passed.

**Cross File:** HB 81 is listed as a cross file although the bills are not identical.

**Information Source(s):** Comptroller's Office (Bureau of Revenue Estimates), Department of Defense Actuary, Department of Legislative Services

**Fiscal Note History:** First Reader - February 14, 2003  
ncs/jr Revised - Senate Third Reader - April 7, 2003

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