

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 278 (Senator Simonaire, *et al.*)

Budget and Taxation and Education, Energy,
and the Environment

Tax Relief and Pensions Equality for Service Members Act

This bill generally establishes uniform definitions related to the military in the General Provisions, Local Government, State Government, State Personnel and Pensions, Tax-General, and Tax-Property Articles of the Maryland Code, primarily by reference to definitions in the U.S. Code. While numerous alterations within the bill represent only stylistic or technical changes, there are substantive changes. These changes *generally* make certain provisions – including those related to reemployment and reinstatement rights, income tax abatement, and property tax relief – more broadly applicable to additional service members. **The bill takes effect July 1, 2025; provisions related to income tax subtraction modifications and abatements apply to taxable years beginning after December 31, 2024, and provisions related to property tax relief for renters apply to taxable years beginning after June 30, 2025.**

Fiscal Summary

State Effect: Since it is assumed that this bill applies in a limited number of cases, State finances are not materially affected.

Local Effect: Since it is assumed that the bill applies in a limited number of cases, local finances are not materially affected.

Small Business Effect: None.

Analysis

Bill Summary/Current Law: The bill adds the definition of several military terms to State Government § 9-901. This includes the definition of “military family” as well as all of the terms found in **Exhibit 1** below. “Military family” includes the spouse and dependent children of a service member or veteran related by blood, marriage, or adoption.

Exhibit 1
Repeated Military Definitions Added to State Government § 9-901

Term	U.S. Code Reference	Definition
Active duty	37 U.S.C. § 101	Full-time duty in the active service of a uniformed service, including full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a service school by law or the relevant Secretary
Active service member	N/A	An individual who is (1) an active-duty member of the uniformed services or (2) serving in a reserve component of the uniformed services on active-duty orders
Armed forces	10 U.S.C. § 101	Army, Navy, Air Force, Marine Corps, Space Force, and Coast Guard
Reserve component	37 U.S.C. § 101	The Army National Guard of the United States, the Army Reserve, the Navy Reserve, the Marine Corps Reserve, the Air National Guard of the United States, the Air Force Reserve, the Coast Guard Reserve, or the Reserve Corps of the Public Health Service
Service member	N/A	An individual who is a member of (1) the uniformed services or (2) a reserve component of the uniformed services
Uniformed services	37 U.S.C. § 101	Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service
Veteran	38 U.S.C. § 101	A person who served in the active military, naval, air, or space service, and who was discharged or released under non-dishonorable conditions

Source: Department of Legislative Services

The bill also establishes a definition for “military service” applicable to Division I (State Personnel) of the State Personnel and Pensions Article.

Expanded Eligibility for Privileges and Benefits

Numerous statutory provisions related to personnel, pensions, and taxation explicitly extend certain benefits or privileges to individuals who meet certain requirements, generally related to military service. The bill *generally* expands certain provisions to apply more broadly, some of which are further described below.

Personnel Provisions – Reemployment and Reinstatement Rights

Under current law, *returning veterans* who are State employees are granted specified rights regarding reemployment and reinstatement; the definition of “returning veteran” is limited to an individual who left State employment to perform military service in the *armed forces* of the United States and who seeks reinstatement to State employment. Generally, regular State employees who leave to perform military service in the *armed forces* of the United States are entitled to reinstatement if (1) the nature and length of military service meets requirements under federal law; (2) the veteran either received a certificate of satisfactory completion of military service or was released from service under honorable conditions, as specified; and (3) the returning veteran applies for reinstatement within 90 days (or 31 days for returning reservists). Members of a reserve component of the armed forces are similarly eligible, as specified. Counties, municipalities, and other specified local governmental entities must give employees who return from military service in the *armed forces* of the United States the same reemployment rights as provided to State employees.

The bill repeals references to the *armed forces*, thereby expanding reemployment and reinstatement rights (State and local) to veterans of the National Oceanic and Atmospheric Administration (NOAA) and the Public Health Service (PHS), as well as members of those reserve components (so long as they meet the applicable definition of “military service” as added in the bill). The bill also removes restrictions on the types of applicable release from service/certificates of completion.

Personnel Provisions – Service Credits and Age Restrictions in Hiring

Under current law, if a local government makes appointments to government positions under a civil service or merit system law or ordinance, it must adopt rules or regulations to grant special credit to *honorably discharged* veterans of the *armed forces* who meet specified requirements. The bill repeals references to *honorably discharged* and *armed forces*, thereby expanding applicability to additional veterans, as defined above.

Under current law, members of a State or local retirement or pension system must receive service credit for a period of absence from employment while in military service if specified conditions are applicable. Under the applicable definition of “military service,” membership in a reserve component of the *armed forces* is included; the bill repeals the reference to *armed forces*, thereby incorporating members of the Reserve Corps of PHS. Current law also requires specified service credit for each full year of attendance at a United States service academy; under the bill, service credit may also be earned based on attendance at the Uniformed Services University.

Under current law, a local government may exempt war veterans younger than age 55 from any age limitation or requirement in hiring. The bill allows local governments to also exempt *health emergency* veterans younger than age 55 from any age limitation or requirement. It defines “health emergency” as (1) a national emergency, an emergency, or a major disaster declared by the President of the United States under specified authority; (2) a public health emergency declared by the U.S. Secretary of Health and Human Services; or (3) a catastrophic health emergency declared by the Governor.

Income Tax Provisions

Under current law, a tax collector may abate the income tax, interest, penalties, or charges related to the tax if the tax collector determines that collection of the tax is not warranted because of the administration and collection costs involved. The income tax must be abated in the case of any individual who dies in active service as a member of the *armed forces* of the United States if such death occurs while serving in a combat zone or as a result of wounds, disease, or injury incurred while serving. The income tax must also be abated if the individual dies while a military or civilian employee of the United States, if the death occurs as a result of wounds or injury incurred outside the United States in a terroristic or military action while the individual was a military or civilian employee of the United States.

The bill requires the income tax to be abated (1) for deceased members of the *uniformed services* (including NOAA and PHS) and (2) if the death occurs while (or as a result of) serving in a public health emergency response area, as defined. The bill also makes conforming changes.

Property Tax Relief

Under current law, renters who are permanently and totally disabled and who qualify for benefits under any federal act for members of the United States *armed forces* are eligible for certain forms of property tax relief from the State and local governments. Among other changes, the bill extends eligibility for certain State and local property tax relief to disabled

renters who qualify for benefits under any federal act for all *service members*, which includes NOAA, PHS, and a reserve component of the uniformed services.

Other Provisions

Among other provisions, the bill also repeals certain references to veterans who were honorably discharged and substitutes “veterans,” who are defined (as shown above) as having been discharged under conditions other than dishonorable; for instance, these changes affect credits for veterans and spouses in State hiring.

The bill also repeals multiple references to reserve components of the *armed forces of the United States* and instead references reserve components, which includes the reserve component of PHS. This affects eligibility for military service credit from the State Retirement and Pension System and a subtraction modification for military pay from the State income tax.

In addition, the bill harmonizes a sales and use tax exemption for nationally organized and recognized organizations of veterans of the *armed forces of the United States* that are qualified as tax exempt to apply to any such tax-exempt organizations of veterans, as defined above.

State/Local Fiscal Effect: Although the definition changes in the bill expand access to various State and local benefits and privileges to certain members of PHS, NOAA, and the National Guard, these changes represent a small number of people. In some cases, the bill extends benefits or privileges only to disabled members of these services, which is an even smaller population.

In January 2020, the latest date for which information is readily available, there were an estimated 2,200 PHS officers living in Maryland, with about 1,500 on active duty and 700 retired. As of September 2024, there are 53 NOAA officers in the State, and as of January 2025, about 6,000 National Guard members in Maryland. Compared to the 321,000 veterans living in Maryland who are already covered by these programs, this change is very small and can be absorbed by any affected agency’s or local government’s existing funds.

Additional Comments: The definition of “veteran” from the U.S. Code includes “a person who served in the active military.” The Department of Legislative Services interprets “active military” based on the U.S. Code definition of “military service,” as “military” is not defined in the bill. Per 50 U.S.C. § 3911(2), “military service” means:

- in the case of a service member who is a member of the Army, Navy, Air Force, Marine Corps, Space Force, or Coast Guard, active duty;

- in the case of a member of the National Guard, it includes service under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days, for purposes of responding to a national emergency declared by the President and supported by federal funds;
- in the case of a service member who is a commissioned officer of PHS or NOAA, active service; and
- any period during which a service member is absent from duty on account of sickness, wounds, leave, or other lawful cause.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 691 (Delegate Patterson, *et al.*) - Appropriations and Ways and Means.

Information Source(s): Office of the Comptroller; Anne Arundel, Baltimore, Cecil, Frederick, and Montgomery counties; Baltimore County Public Schools; Montgomery County Public Schools; cities of Frederick and Havre de Grace; Judiciary (Administrative Office of the Courts); Department of Budget and Management; Maryland Department of Health; Maryland Department of Transportation; Department of Veterans and Military Families; Governor's Office of Small, Minority, and Women Business Affairs; Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2025
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