

SB 279 Income Tax Mod Military Retirement

Uploaded by: Bresnahan, Tammy

Position: FAV

**SB 279 – Income Tax – Subtraction Modification – Military
Retirement Income
Senate Budget and Taxation Committee
January 29th, 2020**

Good afternoon Chairman Guzzone and members of the Senate Budget and Taxation Committee. My name is Tammy Bresnahan and I am the Director of Advocacy for AARP MD. AARP Maryland is one of the largest membership-based organizations in the State, with almost 900,000 members, including nearly 200,000 Veterans.

On behalf of AARP Maryland, I am here today to support **SB 279 – Income Tax – Subtraction Modification – Military Retirement Income**. We thank Governor Hogan for asking that this legislation be introduced.

Senate Bill 279 expands the existing military retirement income tax subtraction modification by exempting 100% of military retirement income from State taxation. The exemption is phased in over two years, beginning with tax year 2020.

AARP Maryland supports this retirement security initiative as it:

- Honors the Service of our military retirees through affording a total tax subtraction modification for military retirement income
- Acknowledges their sacrifice by noting that military retirement income represents a small return given that it is earned through decades of often hazardous service performed on a global basis, and that it can only in the most limited manner be conveyed to a surviving spouse
- Makes Maryland an attractive retirement option for future military retirees

There is a growing nation-wide awareness of the value that military retirees bring to states. In “States Compete for Military Retirees” (August 10, 2015), The Pew Charitable Trusts noted “a growing competition among states wanting to attract and keep military retirees, who are some of the best-educated, best-trained and youngest retirees around. Active military members are generally eligible for retirement after 20 years of service. The majority then get civilian jobs, turning their military training into skills for the private sector. As a result, they pay income taxes, sales taxes on everything they buy, and possibly business taxes, boosting the economies of the states they live in.”

AARP Maryland believes that supporting SB 279 is a solid economic move for Maryland, its workforce, its employers, our military installations, and all taxpayers across the State – not just for retired members of the Uniformed Services. We believe that military retirees’ decades of challenging service devoted to safeguarding our freedoms merit this full income tax subtraction on military retirement pay.

AARP Maryland respectfully requests a favorable report for Senate Bill 279.

For questions or additional information, please feel free to contact Tammy Bresnahan, Associate State Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451.

SB279_USPHS_Support_Final

Uploaded by: Currie, James

Position: FAV

Commissioned Officers Association of the U.S. Public Health Service



January 27, 2020

The Hon. Guy J. Guzzone, Chair
Budget and Taxation Committee
Maryland State Senate
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, MD 21401-1991

Dear Mr. Chairman:

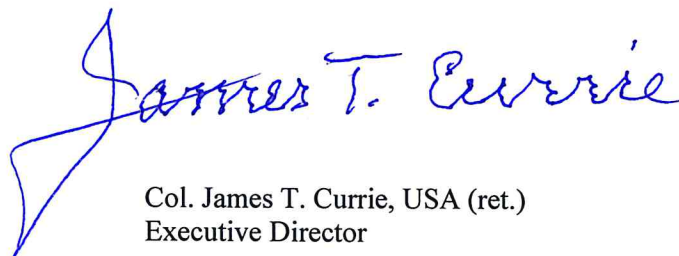
I am writing you as Executive Director of a non-profit organization in the State of Maryland, the Commissioned Officers Association of the U.S. Public Health Service. We represent the uniformed officers who serve our country in the U.S. Public Health Service, one of the seven federal uniformed services.

Maryland is home to more of these officers than any other State. These are highly-educated individuals who serve our country for many years, retire, and take up a second career in the private medical sector. Any State would be delighted to have these officers remain within its borders and add to the economic viability of the State. We hear constantly from officers who are retiring from the USPHS and are searching for the location where they will pursue the next phase of their careers. Often, one of the primary determinants of their decision is how their PHS retirement income is treated for taxation purposes.

We understand that the State of Maryland is once again considering legislation that would exempt uniformed service retirement income from State taxation. We understand that the decision as to whether to do so will be based on an evaluation as to whether the State will benefit economically from such exemption. As you make this calculation, we ask you to consider the value of having additional practicing physicians or dentists or nurses or engineers remain in Maryland for their second careers, as opposed to having them depart for more retiree-friendly locales.

Please do not hesitate to reach out to us if you or your staff wish to discuss this matter.

Sincerely,



Col. James T. Currie, USA (ret.)
Executive Director

SB279_MOAAMD_Support_Final

Uploaded by: Kaplan, Harvey

Position: FAV



MARYLAND COUNCIL OF CHAPTERS

Harvey T. Kaplan, MMC Director for Maryland MOAA

January 26, 2020

Senator Guy J. Guzzone, Chair
Senate Budget and Taxation Committee, Maryland General Assembly
Miller Senate Office Building, 3 West Wing, 11 Bladen Street
Annapolis, Maryland 21401-1991

Dear Senator Guzzone and Members of the Committee,

For the past 21 years Maryland's Veterans have supported the revenue-producing approach of elimination of taxes on Uniformed Services Retired Pay for retirees living in our State. SB 279 is a bipartisan piece of legislation supported by our 16 Maryland Military Coalition (MMC) organizations and a large segment of the 460,000-member Veterans community in Maryland. It is imperative that it be implemented in 2020 during a period of monumental economic competition for highly technical and experienced military retirees in our geographic area. Maryland is becoming a cyber and technical center of excellence urgently requiring the intellectual capital of military retirees to work in Maryland's Defense-related industry and in other areas where their skills, highly valued knowledge, and security clearances are critically essential. As explained most effectively in the recent General Assembly-directed research study by Towson University, implementation unquestionably will generate millions of dollars in State revenue monthly once the provisions of SB 279 are fully implemented. For details, see the Oct. 7, 2019 Towson University Regional Economic Studies Institute [RESI] document: [A Study of Employment in the State's Defense Industry](https://commerce.maryland.gov/Documents/Research/Document/employment-in-maryland-defense-study-HB-1542-2019.pdf). Link to the study: commerce.maryland.gov/Documents/Research/Document/employment-in-maryland-defense-study-HB-1542-2019.pdf

The 10 Maryland Chapters of MOAA with members in all Districts in the State strongly urge the Maryland Senate's Budget and Taxation Committee to move our State forward on this truly meaningful economic initiative. Kindly let me know if there is anything our Council or I can provide to further explain details in the Towson University study and/or how this supports all the citizens of Maryland.

In past years the Committee has argued that there are insufficient dollars to implement this type of legislation—even though the cited study forecasts longer-range economic benefits for the State. However, this year the required dollars already are in the Governor's Budget. We should use them for the purpose for which they are identified, and thereby generate millions of dollars in revenue for Maryland in future years—as explained clearly and most meticulously in the Towson University study.

The MOAA Maryland Council has furnished all members of the General Assembly with a new Fact Sheet on this issue. I hope that you and your staff will review it as a document relevant to your own Committee's assigned bills this session.

Sincerely,

Harvey T. Kaplan, Ph.D.

Colonel, U.S. Army Corps of Engineers (Ret.)

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MARYLAND COUNCIL OF CHAPTERS
UPDATED JANUARY 2020 LISTINGS

The 50 States and Uniformed Services Retired Pay

A FACT SHEET OF THE MILITARY OFFICERS ASSOCIATION

As of January 1, 2020, 31 of the 50 states do not tax military retirement pay, and that figure includes the 9 states, marked with asterisks below (*), without any personal income tax:

| | |
|------------------------------------|---|
| Alabama | Mississippi |
| Alaska * | Missouri |
| Arkansas | Nevada * |
| Connecticut | New Hampshire * |
| Hawaii | New Jersey |
| Illinois | New York |
| Iowa | North Dakota (based on April 2019 law) |
| Florida * | Ohio (now fully implemented) |
| Indiana (based on August 2019 law) | Pennsylvania |
| Kansas | South Dakota* |
| Louisiana | Tennessee* |
| Maine | Texas* |
| Massachusetts | West Virginia |
| Michigan | Washington* |
| Minnesota | Wisconsin and Wyoming* [cont'd on page 2] |

12 states currently tax a portion of a retiree's annual Retired Pay and, in the interest of brevity, only a short explanation of key special provisions is included here (consult individual state tax codes for full details):

Arizona – Some small exclusions apply.

Colorado – Adjustments vary by age of retiree, up to a \$24,000 exemption.

Delaware – Some age-based exclusions apply.

Georgia –Income is adjusted up to \$35,000 over age 62 and \$65,000 at age 65.

Idaho –Maximum deductions vary annually, based on age.

Kentucky –Retirees prior to 1997 are 100% exempt; later retirees have an exemption up to \$41,000.

Maryland: Current Status – It is noted that the Subtraction from Maryland Income is **not a tax exemption; it is limited to \$5,000 below age 55, and then \$15,000 for retirees over the age of 55.** Family economic considerations also reveal that the Maryland Pension Exclusion, \$30,600 for the most recent tax return, severely limits the financial attractiveness of the State long-term for many retirees evaluating second career location options in Maryland. These factors often encourage them to work in Maryland during their second career employment but live outside the State—while commuting to attractive high-paying jobs in nearby Maryland. For a substantive and comprehensive explanation, consult the Oct. 7, 2019 Towson University Regional Economic Studies Institute [RESI] document: **A Study of Employment in the State's Defense Industry:** commerce.maryland.gov/Documents/ResearchDocument/employment-in-maryland-defense-study-HB-1542-2019.pdf [Use “Forms Identification” or cut/paste link.]

Nebraska – Two Options: 7 years exemption at 40% or retired pay 15% lifetime exemption at age 67.

North Carolina – The year retired is the basis for State range: \$0 to \$4,000 (\$8,000 for joint returns).

Oklahoma –Exemption is the greater of: 75% or \$10,000.

Oregon –“Federal Pension Subtraction” applies, except for “special case” residents of the state.

South Carolina –Exemption is \$3,000 and it increases to \$10,000 over the age of 65.

Only the following 7 states fully tax Uniformed Services Retired Pay:

California, Montana, New Mexico, Rhode Island, Utah, Vermont, and Virginia—Worthy of note is the fact that in neighboring Virginia income tax % rates across wage brackets are consistently and substantially lower than in Maryland.

The details of tax codes vary substantially among the states, and are subject to change. Taxpayers are urged to consult with tax professionals, as appropriate.

[Latest MOAA Update based on December 2019 Data: 26 January2020]

SB279_ALDM_Support_Final

Uploaded by: May, John

Position: FAV



THE AMERICAN LEGION
Department of Maryland
Legislative Committee

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**ENDORSEMENT IN SUPPORT OF SENATE BILL 279 INCOME TAX –
SUBTRACTION MODIFICATION – MILITARY RETIREMENT INCOME**

Chair Guzzone, Vice Chair Rosapepe and distinguished members of the Senate Budget and Taxation Committee.

The American Legion Department of Maryland as part of its foundation requiring our second century old veterans service organization to be fully supportive of our men and women in uniform as well as their families. This pledge is acutely true for those who have sacrificed a large portion of their life in service to our country.

Senate Bill 279, as its predecessors before it, eliminates taxing on the retirement income for those persons who have served a career in the U. S. military.

Support for this measure by this committee will have multiple positive effects. It will provide a stimulus to those exiting the services to reside in Maryland creating an addition to the tax base not only of the retiring service member but the adult members in his or her family as well.

Successful passage will enable employers to have a greater selection of persons needed to fill job vacancies, particularly in the defense contract community where security clearances are necessary to employment. Departing personnel who have such documentation can easily step into a new career without the expense and time constraints for an employer or a job candidate must endure.

Finally, Senate Bill 279 will show the service man and woman that Maryland Cares! This bill can put substantive meaning behind the often used phrase, “thank you for your service.”

Statement of Support
Senate Bill 0279
January 29, 2020

In closing, The American Legion's over 40,000 Maryland members ask the Senate Budget and Taxation Committee to offer a favorable report on Senate Bill 279 and commend the Governor and the Senate co-sponsors for their compassion towards our service career veterans

Respectfully, yours

Patrick Guibao

Patrick J. Guibao
Chair
THE AMERICAN LEGION
Department of Maryland
Legislative Commission

SB279_MMC_Support_Final

Uploaded by: Norton, Robert

Position: FAV



MARYLAND MILITARY COALITION

SENATE BILL 279 – SUPPORT

Senate Bill 279 – Income Tax – Subtraction Modification – Military Retirement Income
Senate Budget and Taxation Committee
January 29, 2020

Mr. Chairman and members of the Committee, my name is Bob Norton, President of the Maryland Military Coalition (MMC). The Coalition is a registered, non-partisan group of 16 leading Maryland veterans and military organizations as shown on the back of my statement, representing approximately one out of four military-connected people in the state including veterans, uniformed services members – active, former and retired – their survivors and family members.

The Maryland Military Coalition strongly supports SB 279.

The recent study of employment in the state’s defense industry by Towson University states that the Maryland defense industry “face[s] a shortage of 7,217 qualified workers”. The study emphasized that “fully exempting military pensions from taxation is one policy that Maryland can take to encourage military retirees to reside in and contribute to the state.”

In the Coalition’s view, passage of SB 279 is an important ‘next step’ to boost Maryland’s economy by attracting and retaining Uniformed Services’ retirees to the defense industry in our state. We believe the return on investment in phasing out the state tax on military retired pay will be fully repaid by reducing and ultimately eliminating our state’s shortfall in the defense and related industries. In a high employment, competitive national economy it only makes sense for our state to offer meaningful incentives to those whose experience, technical expertise, leadership skills and critical security clearances are in high demand across the nation. Our service women and men have many choices today when they transition to civilian life: New Jersey and Pennsylvania and 29 other states recognize the value of this investment and we believe Maryland should as well.

The Maryland Military Coalition strongly supports enactment of SB 279. Thank you for the opportunity to present our views before the Committee today.

Respectfully submitted,

Colonel Robert F. Norton, USA-ret.
President, Maryland Military Coalition
7413 Mahaska Drive
Derwood, Maryland 20855 (District 19)

Member Organizations, Maryland Military Coalition

James P. Monahan

Air Force Sergeants Association

Stacy P. May

American Military Society

Lynn A. Nash

**Commissioned Officers Association of the
US Public Health Service**

Wilbert B. Forbes

Disabled American Veterans

Sheldon Goldberg

Distinguished Flying Cross Association

Pleasala J. Collins

Fleet Reserve Association

Evan A. Buttrick

Jewish War Veterans of the USA

Steve L. Bloodgood

**Maryland Air National Guard Retirees'
Association**

Harvey Kaplan

Military Officers Association of America

Charles Egbert

Military Order of the Purple Heart

Mervyn Rice

National Association for Black Veterans

Michael P. Hays

Naval Enlisted Reserve Association

Christian Andreasen

NOAA Association of Commissioned Officers

Catherine L. McGraw

Society of Military Widows

Arthur L. Cooper

The Retired Enlisted Association

Thomas C. Williams

Veterans of Foreign Wars

SB 279_SULLIVAN

Uploaded by: Sullivan, Cara

Position: FAV



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TTY USERS CALL VIA MD RELAY

Senate Bill 279 - Income Tax- Subtraction Modification - Military Retirement Income
Senate Budget and Taxation Committee
January 29, 2020

Secretary George W. Owings, III, Maryland Department of Veterans Affairs
Cara Sullivan, Deputy Legislative Officer, Governor's Office

Chair Guzzone, Vice-Chair Rosapepe, Members of the Senate Budget and Taxation Committee:

Senate Bill 279 expands Maryland's existing military retirement income subtraction modification by exempting 100% of military retirement income from State taxation for military retirees regardless of age. The exemption is phased in over two years, beginning with tax year 2020.

Current law provides a subtraction modification for the first \$5,000 of military retirement income of individuals under 55 years of age and a subtraction modification for the first \$15,000 of military retirement income for individuals who are 55 years of age or older.

Senate Bill 279 will make Maryland more competitive in attracting military retirees to live, work and raise families in our State. At least 17 states do not tax military retirement, including neighboring Pennsylvania and West Virginia. An additional seven states do not tax any personal income and two only tax only dividend and interest income.

According to a 2019 study conducted by the Regional Economic Studies Institute at Towson University, each year occupations in Maryland's defense industry face a shortage of 7,217 qualified workers, particularly for computer and mathematical, architecture and engineering, and science occupations. Our military retirees, who are generally eligible for retirement after 20 years of service, are the perfect candidates to fill these roles.

These veterans will pay Maryland income tax on the wages earned in these second careers. The average military retiree household sustains nearly \$115,000 in economic activity and \$7,550 in state and local tax revenue.

The Administration appreciates the leadership and commitment of this Committee and the General Assembly in providing these hard-earned benefits to our military retirees and looks forward to continuing to work together to expand the subtraction modification.

The Administration respectfully requests a favorable report on Senate Bill 279.



SULLIVAN_FAV_SB 279

Uploaded by: Sullivan, Cara

Position: FAV



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MACo_UNF_SB0279

Uploaded by: Kinnally, Kevin

Position: UNF



Senate Bill 279

Income Tax - Subtraction Modification - Military Retirement Income

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: January 29, 2020

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

Counties are eager and committed partners in promoting economic growth and creating opportunity – we prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but welcomes tools to grant counties options and flexibility to pursue their own parallel tax incentives, or to develop others to suit their local needs.

The General Assembly routinely considers proposals to change tax structures, often seeking to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals often are focused exclusively on the state’s tax structure, but sometimes extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by their elected leaders who are directly accountable within the community, are in the best position to make decisions on local affairs – ranging from land use to budget priorities. MACo steadfastly guards this local autonomy, and frequently advocates against statewide solutions that mandate county compliance or otherwise override local decision-making.

Property taxes show the best collaborative way to enact targeted tax relief. The State and its local governments already work together here – where the State routinely grants a state-level tax credit, but then enables county governments to enact their own as a local option.

State proposals that involve local revenue sources can be enacted as “local option” offerings, to allow counties maximum flexibility to achieve local goals. MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives, but resist state-mandated changes that preclude local input.

Accordingly, MACo urges the Committee to issue an **UNFAVORABLE** report on SB 279.