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Testimony in Support of HB951 - Income Tax Subtraction Modification – Military and Public Safety Retirement Income

HB951 expands the existing military retirement income tax subtraction modification by increasing to the maximum amount of retirement income that can be excluded to \$20,000. In order to qualify for this modification, the resident must be at least 55.

The bill also expands the existing State subtraction modification for retired law enforcement, correctional officers, and fire, rescue, and emergency services personnel by exempting up to \$20,000 in eligible retirement income for residents 55 or older. This expansion is phased in over two tax years beginning in 2022.

Expanding the subtraction modification will make Maryland a more desirable place to live for military retirees. It will also encourage retirees to remain in Maryland after age 55, as they begin to contemplate life after completely leaving the workforce. A majority of states do not tax military retirement. Currently, 21 states exempt military retirement pay from state income taxes, and 16, including Maryland, have partial exemptions.

A majority of states have exempted military retirement income from taxation, positioning them as potentially more desirable retirement locations than Maryland. Expanding the income tax subtraction not only benefits Maryland retired veterans and first responders, it also benefits the state. The bill incentivizes newly retired veterans to move to Maryland and incentivizes veterans and first responders to remain in Maryland. Their spending and benefits local businesses and their knowledge and experience benefits prospective employers and communities.

For these reasons, I respectfully ask for a favorable report on HB951.