



**LEGISLATIVE POSITION:**

**Favorable**  
**Senate Bill 405**  
**Retirement Tax Elimination Act of 2022**  
**Senate Budget and Taxation Committee**  
**Wednesday, February 23, 2022**

Dear Chairman 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 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

Currently, Maryland only provides a State Pension Exclusion for individuals who are at least 65 years old or who are totally disabled. Under this subtraction modification, up to a specified maximum amount of taxable pension income (\$31,100 for 2019) may be exempt from tax. There is also the “Social Security offset” which is the reduction in the maximum pension exclusion allowed under current law.

The pension exclusion is limited to income received from an “employee retirement system”, this includes 401(k) cash or deferred arrangement plans, 403(b) plans, 457(b) plans, thrift savings plans, and savings incentive match plan for employees retirement plans under 401(k) of the Internal Revenue Code (IRC). However, traditional IRAs, rollover IRAs, roth IRAs, Keogh plans, simplified employee pensions, and savings incentive match plan for employees retirement plans under 408 of the IRC are deemed ineligible for this exclusion. Senate bill 405 would eliminate 100% of state retirement taxes and provide \$4 billion in cumulative relief to retirees. This will be phased in over time using an income exclusion and will begin in tax year 2022.

Maryland has one of the highest costs of living in the nation, which discourages individuals who currently live here to stay after retirement. Nine states do not have any income tax and 14 states exempt all or part of federal pensions from state and local taxes. These states also actively recruit seniors with tax incentives because they recognize the value they bring as economic engines for job and revenue generation. Senate bill 405 will not only encourage “aging in place” but will also help Maryland compete with neighboring states when it comes to attracting senior citizens looking to move. This will provide numerous benefits to Maryland families and our economy. With these comments in mind, The Maryland Chamber of Commerce respectfully requests a **favorable report** on SB 405.