



# Commissioned Officers Association

Of the U.S. Public Health Service

February 23, 2022

The Honorable Guy Guzzone  
Chairman, Budget and Taxation Committee  
Maryland Senate  
3 West Miller Senate Office Building 11 Bladen Street  
Annapolis MD 21401-1912

As the Director representing the Commissioned Officers' Association of the U.S. Public Health Service on the Maryland Military Coalition, and as their Communications Director, I write to strongly recommend a **FAVORABLE** report by the Committee for ***SB 130 Income Tax Subtraction Modification -- Military and Public Safety Retirement Income*** sponsored by Senator Jackson.

The U.S. Public Health Service has more than 1,200 active duty and retired officers living in Maryland. Four of our largest duty stations (Headquarters, the National Institutes of Health, the Food and Drug Administration and the Centers for Medicare and Medicaid Services) are located here and many officers who work within the National Capital Region choose to reside here. These officers are highly trained and skilled and most have multiple degrees. The greatest number are healthcare professionals (doctors, dentists, nurses and nurse practitioners and pharmacists), scientists, drug and vaccine developers and reviewers and healthcare policy specialists and nearly ALL of them have a security clearance. I don't need to tell you that Maryland has been experiencing a critical shortage in many of these professions; and the situation has only been exacerbated by COVID.

For more than 23 years, the military-connected community has sought passage of legislation to attract and retain second-career service members to live, work and fully retire in our state. A Maryland General Assembly-commissioned [study by Towson University \(2019\)](#) found that each year, the defense industry alone faces a shortage of over 7,200 qualified workers, especially in computer and mathematical, architecture and engineering and **science occupations**. The study recommended fully exempting the state tax on uniformed services' retired pay along with other initiatives in order to support Maryland's burgeoning defense industry and boost the state's economy. Modest steps have been taken to realize this objective, which we believe the General Assembly supports in principle. The Towson Report correctly notes that a majority of defense jobs require technical skills, leadership experience and security clearances that can't be sourced from our general population. [A separate Towson University study \(2018\)](#) found that the total economic impact of Maryland's military installations represented 15.4% of the state's gross domestic product. That translates to thousands of jobs.

Moreover, recently retired [Maryland Treasurer, Nancy Kopp](#), emphasized during her final meeting that the state faces an alarming and growing shortage of state employees due to retirement. Uniformed Services' retirees are ideal candidates to compete for many of these high-paying positions as they have a demonstrated track record of performance in large, complex organizations. But today, these

transitioning service women and men have lots of choices to live and work after they take off their uniforms. Maryland needs to be more competitive with other states to secure its fair share of this precious resource.

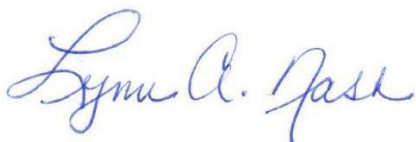
I retired after 30 years of service and I made a conscious decision not to work. I turned down an SES position as well as several other 6-figure positions in the defense industry as well as the federal sector. However, I continue as a mentor for about fifty officers. This year, I've been contacted by **TWENTY officers** who are retiring – these are all senior officers, and this is an unusually **HIGH** number. All plan to pursue second careers, but unfortunately, **NONE of them plan to stay in Maryland**. As I speak to them, I keep hearing that the high cost of living in Maryland, 2<sup>nd</sup> highest in the nation, is a significant factor influencing their decisions as well as the State's current policy on retirement income. These officers want to select a new place to live where they can keep more of the money they've already earned as retirement income, and earn even more while maintaining a good quality of life.

Last year, North Carolina and Arizona joined 32 other states in fully exempting state tax of uniformed services' retired pay. In addition, Nebraska joins them in 2022, raising the total number of states that **DO NOT TAX** military retirement income to 35. In our region, New Jersey, Pennsylvania and West Virginia have no tax on such pay. Those three states account for significant numbers of workers who live outside Maryland, paying no property or state income taxes here. (Please refer to the enclosed fact sheet and map detailing this information as well as a recent article that discusses these issues).

SB 130 would raise the current 'income tax subtraction' on Uniformed Services' retired pay from \$15,000 to \$20,000. While this is only an incremental "bump" towards our final goal of fully tax-free service retirements, we urge action now, especially as we face economic recovery from COVID and the State has a budget surplus.

The Maryland Military Coalition is a registered non-profit, non-partisan group of 19 leading Maryland military and veterans' organizations who represent approximately 150,000 currently serving, veterans, uniformed services retirees, their families and survivors. On its behalf, I recommend a **FAVORABLE** report out of SB 130 by the Committee. Thank you, Senator Jackson, for your continued support of veterans and their families.

Yours, respectfully



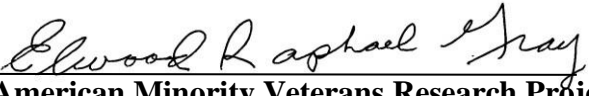
Lynn A. Nash, PhD, RN, PHCNS-BC, FAAN  
CAPTAIN (Ret.), U.S. Public Health Service  
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District 17

Enclosures (3)

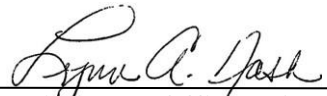
## Member Organizations, Maryland Military Coalition

  
Air Force Sergeants Association

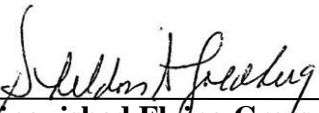
  
American Military Society

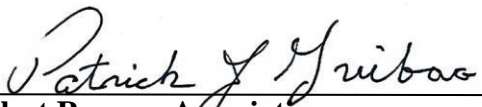
  
American Minority Veterans Research Project

  
Association of the United States Navy


  
Commissioned Officers Association of the  
US Public Health Service

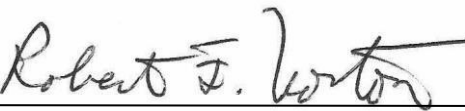
  
Disabled American Veterans

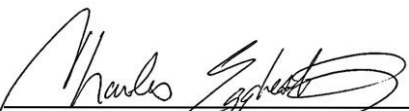
  
Distinguished Flying Cross Association

  
Fleet Reserve Association

  
Jewish War Veterans of the USA

  
Maryland Air National Guard Retirees'  
Association

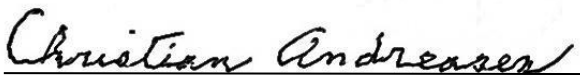
  
Military Officers Association of America

  
Military Order of the Purple Heart

  
Montford Point Marines of America

  
National Association for Black Veterans

  
Naval Enlisted Reserve Association

  
Reserve Organization of America

  
Reserve Organization of America

  
Society of Military Widows

  
Veterans of Foreign Wars





## MARYLAND MILITARY COALITION

### UPDATED JANUARY 2022 LISTINGS

### The 50 States and Uniformed Services Retired Pay

As of January 30, 2022, **35 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:

1. Alabama ‡	19. <b>NEW</b> Nebraska (joining in 2022)
2. Alaska *	20. Nevada *
3. <b>NEW</b> Arizona ☒ ‡ (2021)	21. New Hampshire *
4. Arkansas ☒ ‡	22. New Jersey ‡ (\$6K Vet ded)
5. Connecticut ‡	23. New York ☒ ‡
6. Florida *	24. <b>NEW</b> North Carolina ‡ (as of 2021)
7. Hawaii ‡	25. North Dakota ‡ (2019)
8. Illinois ☒ ‡	26. Ohio ‡
9. Indiana ‡ (2019)	27. Pennsylvania ‡
10. Iowa ☒ ‡	28. South Dakota*
11. Kansas ‡	29. Tennessee*
12. Louisiana ‡	30. Texas*
13. Maine ‡	31. <b>NEW</b> Utah ‡ (2021)
14. Massachusetts ‡	32. Washington*
15. Michigan ☒ ‡	33. West Virginia ‡
16. Minnesota ☒ ‡	34. Wisconsin ‡
17. Mississippi ‡	35. Wyoming*
18. Missouri ☒ ‡	

\* No personal income tax

☒ Active Duty pay included

‡ SBP= Military Survivor Benefit Plan. Insurance on up to ½ of the military retirees “pension” receive monthly upon the death of the sponsor.

Eleven (11) states and the District of Columbia 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):

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

**Delaware** – Some age-based exclusions apply. Under 60 \$2,000; 60 years of age or older are entitled to a pension exclusion of up to \$12,500

**District of Columbia** – Exemption of up to \$3,000 available if 62 and older.

**Georgia** – Income is adjusted based on age. Exclusion up to \$35,000 between 62 and 64 years *or* disabled; and, \$65,000 over 65. Some property tax exemptions are available.

**Idaho** – \$36,132 of retirement income (\$54,198 for joint filers) may be exempt if 65 and over (or 62 and over and disabled

**Kentucky** –Retirees prior to 1997 are 100% exempt; later retirees have an exemption up to \$31,110. Additional exclusions may be available.

**Maryland: Current Status**— 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, \$33,100 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](#).

**Nebraska** –Effective 2022 Military retirement pay will be 100% exempt.

**New Mexico** – A retirement income exemption of \$8,000 is available, subject to income restrictions, for taxpayers 65 and over.

**Oklahoma** – Military retired pay exclusion is the greater of: 75% *or* \$10,000. Military disability pay is exempt. 100% disabled up to 100% property tax exemption.

**Oregon** – “Federal Pension Subtraction” applies based on when service occurred. (e.g. all before Oct. 1, 1991 = 100% subtraction. No months before you cannot subtract any federal pension). See [2016 Oregon Publication OR-17](#)

**South Carolina** – Military Retired Pay: \$17,500 is exempt if under 65; \$30,000 is exempt if 65 and over. You must have other income, besides military retirement, to qualify for this.

**Only the following 5 states fully tax Uniformed Services Retired Pay:**

**California, Montana, Rhode Island, 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.**

[Update based on [Military State Report Card & Tax Guide](#), August 15, 2019 Data:  
Updated 30 January 2022]

# Tom Jurkowsky: Granting tax relief to military retirees can boost the Md. economy | COMMENTARY

By Tom Jurkowsky  
Capital Gazette |  
Feb 15, 2022 at 5:00 AM

Maryland has a golden opportunity to retain many skilled, disciplined and experienced individuals — but only if our state legislators pass legislation as 35 other states have done. The required legislation would exempt military retiree pay from state income tax, enticing career military personnel to remain in the state and pursue second careers here.

This legislative action would make a significant contribution to the state's economy, generating tax revenue from follow-on jobs by the military retirees who remain.

The Towson University Regional Economic Studies Institute completed a study entitled, "A Study of Employment in the State's Defense Industry." The study was done at the direction of the state legislature.

The Towson study found that in the second quarter of 2019 alone, there were nearly 24,000 job postings for defense-related jobs. However, the defense industry, which represents 15.4% of the state's gross domestic product, faced a shortage of 7,200 qualified workers — particularly for computer, engineering and science occupations. With the pandemic, these numbers are even higher, especially when coupled with state government vacancies that are at an all-time high.

With so many military personnel assigned in the state, one would think that career military retirees would be ideal candidates for these 7,200 positions because of their technical knowledge and leadership experience, coupled with their security clearances.

Why the shortfall? According to the Towson study, while military retirees in Maryland have access to ample employment opportunities, several factors are considered when deciding where to live post-retirement. These factors include the tax burden and the overall cost of living. Maryland, when compared to 11 other states, has the second highest cost of living, effectively reducing the value of a salary earned by any member of a military household in the state. This is notable because the compensation for jobs requiring a security clearance in Maryland is lower than in Virginia and Washington, D.C.

Another factor cited in the Towson study is the military pension exemption. While 35 states fully exempt military pensions from taxation and several others are moving toward it, including Delaware, Maryland exempts only a portion. This fact, combined with Maryland's higher overall state tax burden, makes Maryland a less attractive place to live.

The Towson study reaffirms an earlier study that the General Assembly directed to study the financial impact of retired military service personnel on the Maryland economy. That report said: "... if Maryland does not exempt military retirement pay from state and local income taxes ... countless others [retired service members] will opt to move to military retiree-friendly states."

Maryland's already high tax rate, and the growing number of higher income residents leaving the state to avoid these taxes, makes exempting military retirement pay a critical issue. It's an incentive for a military person to retire in a state and not have their military pension taxed.

Very few military personnel can live on their retirement income alone. Most require a second career that will generate income that will be — and is — appropriately taxed.

The Towson study said that when military retirees reenter the workforce, they obviously earn income and generate economic activity in addition to their military pensions. Military retiree household spending — on items such as groceries, rent, mortgage payments and recreation — benefits the economy. The study said that spending associated with one military retiree's household sustains nearly \$115,000 in economic activity and supports \$7,550 in state and local tax revenue. These "ripple effects" are only felt if the household resides in the state.

Military retirees are higher wage earners and are the type of individuals Maryland should be trying to attract and retain.

The bottom line is that immediate tax relief for military retirees in Maryland is a fiscally sound option to attract and retain valuable individuals — good neighbors who pay their bills, volunteer in the community and have an appreciable level of discretionary income. Other states have recently learned this and are catching on — losing a little in revenue but building a stronger fiscal base by increasing the number of state taxpayers.

The Maryland legislature has been provided a report on the issue of exempting military retirement pay from state taxes. It's now time for our state legislators to act. If action is not taken, Maryland will continue to be left further behind.

*Tom Jurkowsky is a retired Navy rear admiral. He is on the board of the Military Officers Association of America, a military support organization that advocates for a strong defense and for all military personnel and their families. He lives in Annapolis.*