



MARYLAND MILITARY COALITION

Serving Veterans through Legislative Advocacy

SENATE BILL 405 -- SUPPORT

Senate Bill 405 – Retirement Tax Elimination Act of 2022

Senate Budget and Taxation Committee

February 23, 2022

Good afternoon. Chairman Guzzone and members of the Committee, my name is John May, representing the Maryland Military Coalition of 19 uniformed services and veterans' organizations with over 150,000 members in Maryland. The Coalition is an independent, nonprofit, politically nonpartisan, all volunteer, Veteran's advocacy group representing the interests of Maryland Veterans from every branch of service, including active duty, National Guard, Reserve, retired, former military, their families and survivors.

The Maryland Military Coalition supports SB 405.

Broad based tax relief is not just good for our states' economy, it is also good for our quality of life. Maryland seniors deserve to have peace of mind to know that they can afford to stay right here in Maryland where they have spent their lives working and raising a family and where they continue to contribute so much.

And with families struggling and retirees getting squeezed by inflation and higher costs across the board, there is no reason we cannot get this done for the people of Maryland and let Marylanders keep more of their hard-earned money in their own pockets.

Maryland has one of the highest costs of living in the nation, which discourages "aging in place" and encourages migration to senior friendly states.

Maryland's tax burden and overall high cost of living also discourages military men and women retiring from active duty from remaining in the state and pursuing second careers here. Very few military personnel can live on their retirement income alone. Most require a second career that will generate income that is appropriately taxed. Unfortunately, Maryland's tax burden and cost of living encourages migration to military friendly states.

A legislative goal of the Maryland Military Coalition is 100% elimination of state income tax on military retired pay, as has been regularly advocated in earlier General Assembly sessions. Indeed, it is the object of several bills in THIS session. And, we are strongly in support of related legislation in this session that will move us further toward full exemption of uniformed services retired pay from Maryland State taxation.

What is clear from the recent study by Towson University is that the state needs many more qualified, cleared professional workers in the defense industry. For the younger military retiree seeking a second career and a welcoming employer -- what comes next

is one's decision on location and that will be made primarily as a "pocketbook" decision rather than a "feel good" decision based on the beauty of the area. The tax burden on ones retired pay is a major factor in this decision.

While 35 states fully exempt military pensions from taxation, including neighboring states, Pennsylvania, New Jersey, and West Virginia, Maryland exempts only a portion. This fact, combined with Maryland's higher overall state tax burden, makes Maryland a less attractive state for residence for military retirees.

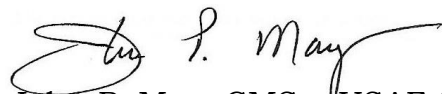
Also, while subtractions from retired pay have been proven helpful in retaining talent in Maryland -- it is more impactful when authorized in its entirety immediately following military retirement, rather than at some specified future age. Many military retirees opt to pursue their second careers elsewhere largely because most states offer them immediate 100% tax exemption on their retired pay upon stepping away from active duty.

SB 405 offers one approach toward the realization of the Coalition's goal -- but for the age and employment restrictions.

The Coalition urges the Maryland General Assembly to adopt legislation to eliminate or significantly reduce taxes on ALL sources of retirement income and allow Maryland to compete aggressively with other more senior friendly, as well as military friendly states.

We support SB 405 on its merits, and we urge a favorable report. Thank you for this opportunity to express that support before the Committee today.

Respectfully submitted,



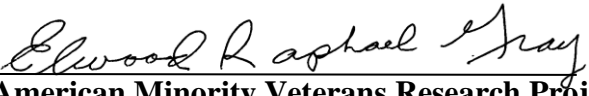
John P. May, CMSgt USAF (Ret)
Director
Maryland Military Coalition

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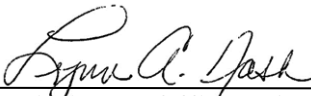
Member Organizations, Maryland Military Coalition


Air Force Sergeants Association


American Military Society

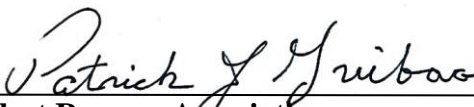

American Minority Veterans Research Project



Association of the United States Navy



Commissioned Officers Association of the
US Public Health Service

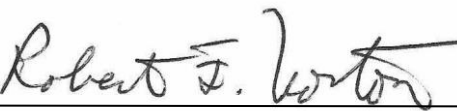

Disabled American Veterans

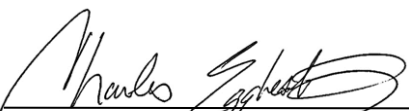

Distinguished Flying Cross Association



Fleet Reserve Association


Jewish War Veterans of the USA


Maryland Air National Guard Retirees'
Association

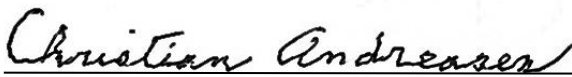

Military Officers Association of America


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