

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 a member of the Annapolis Chapter of the Military Officers Association of America, I am writing to request a **FAVORABLE** report by the Committee for ***SB 130, Income Tax Subtraction Modification -- Military and Public Retirement Income***, sponsored by Senator Jackson.

My name is Tom Jurkowsky. I am a retired rear admiral in the U.S. Navy who served on active duty for 31 years as both an enlisted man and officer. I serve on the board of directors of the Military Officers Association of America and have lived in Annapolis for 28 years.

I have chosen to remain in the state, despite its high taxes. Many of those whom I have served with in the Navy—both officer and enlisted—have chosen not to live in Maryland because of those taxes. Unfortunately, they deprived many Maryland companies and organizations a range of professional skills and leadership.

The reason they moved or chose to live in other states is that their new states did not tax military pensions. They found excellent jobs and very comfortable lifestyles. With these new jobs and income, they pay the required state income tax, of course, and generate more income for their new state. Additionally, businesses in their new states benefit from the economic activity they create—groceries, rent, mortgage payments and recreational spending, for example.

A study done by Towson University's Regional Economic Studies Institute found that when a military retiree reenters the workforce, his or her household sustains nearly \$115,000 annually in economic activity and supports their new state with \$7550 in state and local tax revenues.

Virtually all military retirees must find a second career after leaving the service. Military pensions alone will not support a retiree and his or her family. So why not keep those people in Maryland? There are currently 35 states that fully exempt military pensions from taxation, including nearby West Virginia, Pennsylvania and New Jersey that allow workers to live in those states and commute into Maryland to high-paying jobs without having to pay income or property taxes. Several others are moving towards it, including Delaware.

The Towson study also found that an extraordinary number of defense-related jobs in Maryland. In fact, the defense industry represents more than 15 percent of the state's GDP and faced a shortage of more than 7000 qualified workers. With the pandemic these numbers are even higher, especially when coupled with state government vacancies that are at an all-time high.

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

Interestingly, Arizona Governor Doug Ducey launched a plan on 15 February that would nearly double veterans in his state's workforce. This announcement built on his commitment to make Arizona the best state for veterans in the country.

"Arizona has a message for the men and women who've served our country in uniform—we value your experience, we value your skills and we want you to come work for our state," he said. In his state of the state speech earlier in 2022, the governor said veterans "represent the best of our country and as any hiring manager will tell you: Veterans are among their most prized and productive employees." The governor's human resources director said that "**as natural leaders and problem solvers, these are exactly the kind of men and women we want to join the state's ranks.**" She added that veterans embody a "*service before self*" spirit and typically are disciplined, fearless and have a strong work ethic.

I believe that the qualities the Arizona governor and his human resources director identify with veterans are the SAME qualities any Maryland company or organization can also benefit from.

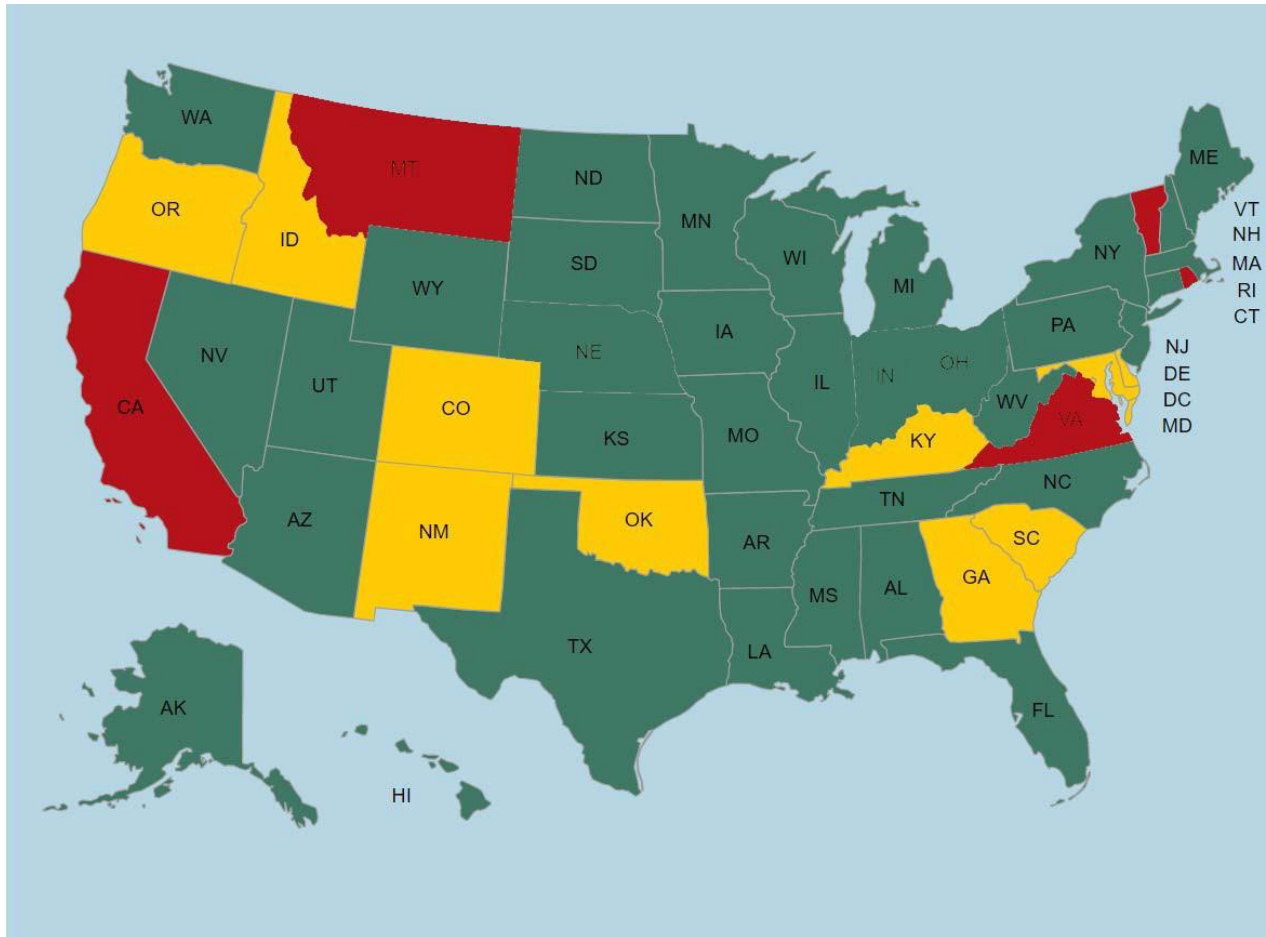
Please consider legislation that will encourage military-retired personnel to remain or come to Maryland. I ask that you return a **FAVORABLE** report on SB 130 - Income Tax Subtraction Modification -- Military and Public Retirement Income. Thank you, Senator Jackson, for your continued support of Maryland veterans and their families.

Respectfully,

Thomas J. Jurkowsky
RADM (Ret.), U.S. Navy
2029 Chesapeake Rd.
Annapolis, MD 21409
District 33

(3 Encl.)

States that DO NOT Tax Military Retired Pay



Green: Both military retired pay (MRP) and Survivor Benefit Plan payments (SBP) are fully exempt from state taxation.

Yellow: MRP and/or SBP receive partial exemption from state taxation.

Red: Neither MRP nor SBP is exempt from state taxation



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. NEW Nebraska (joining in 2022) |
| 2. Alaska * | 20. Nevada * |
| 3. NEW Arizona ☑ ‡ (2021) | 21. New Hampshire * |
| 4. Arkansas ☑ ‡ | 22. New Jersey ‡ (\$6K Vet ded) |
| 5. Connecticut ‡ | 23. New York ☑ ‡ |
| 6. Florida * | 24. NEW 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. NEW 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 \$2,00; 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

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.