SB344 - Retirement Tax Reduction Act of 2022 - RMC
Uploaded by: Dakota Matthews
Position: FAV

Rural Maryland Council

50 Harry S. Truman Parkway • Annapolis, MD 21401
Office: 410-841-5772 • Fax: 410-841-5987 • TTY: 800-735-2258
Email: rmc.mda@maryland.gov
Website: www.rural.maryland.gov

John Hartline, Chair *Charlotte Davis, Executive Director*

Testimony in Support of
Senate Bill 344 - Retirement Tax Reduction Act of 2022
Budget and Taxation Committee
February 23, 2022

The Rural Maryland Council supports Senate Bill 344 - Retirement Tax Reduction Act of 2022. The bill will allow a tax subtraction for those receiving old age or survivor benefits from social security and those over 65 that are not fully employed and has an adjusted gross income of less than $100,000. This subtraction will encourage Marylanders to stay in the State after retirement and bring retirees from other states to Maryland. The subtraction will also help the elderly who are living in poverty and struggling to pay their bills.

The tax reduction will benefit many retirees in Maryland's rural and underserved areas. Rural Maryland has an older and poorer population compared to the urban and suburban parts of the State, meaning that taxes effect this population more than others. Since many older Marylanders are retired from their careers, they now rely heavily on the income received from Social Security, but many must still acquire additional income to make ends meet. These Marylanders have already worked most of their lives but still cannot afford to live out the rest of their lives comfortably. The state tax elimination will allow these lower incomed elderly Marylanders to live more comfortably as they age instead of worrying about how they will afford to pay their bills or provide for themselves.

The tax reduction will also bring new residents to Maryland to retire and keep current residents in the State after they retire instead of moving to other states where they may live out cheaper retirements. Maryland has both beaches and mountains that make for great retirement locations, unfortunately, many retirees avoid Maryland because of the high rate of taxes that they would pay if they chose to move here. Consequently, the same goes for Marylanders moving out of the State after retirement.

The Rural Maryland Council respectfully requests your favorable support of Senate Bill 344.

The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.

SB 344_MDCC_Retirement Tax Reduction Act of 2022_F
Uploaded by: Maddy Voytek
Position: FAV

LEGISLATIVE POSITION:
Favorable
Senate Bill 344
Retirement Tax Reduction Act of 2022
House Ways and Means 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 344 would allow individuals with less than $100,000 of federal adjusted gross income a subtraction modification under the Maryland income tax if the individual is receiving old age/survivor Social Security benefits or if they are at least 65 years old and not employed full-time.

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 344 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 344.

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Uploaded by: Paul Schwartz

Position: FAV

Testimony of Paul Schwartz, NARFE
Before House Ways & Means Committee
Senate Bill 344 – Retirement Tax Elimination Act of 2022
February 23, 2022

Good afternoon. My name is Paul Schwartz and I am the Chair of the State Legislation Committee for the Maryland Federation of NARFE, the National Active and Retired Federal Employees Association and the more than 300,000 Federal employees and annuitants living in Maryland that NARFE represents.

We strongly support passage of SB 344 and let me tell you why:

–Senior migration to more tax friendly states is a real issue and should be a real concern to you and Maryland's economy.

–Retirees may retire to Florida for the weather, but they do not retire to Delaware or Pennsylvania for the weather

–In Bankrate's July 2021 study, Maryland ranked last of the 50 states as the worst place to which to retire

–This mirrors a similar study by Moneywise Magazine in 2020 which also placed Maryland dead last

–This should not be too surprising since according to a March 2021 study in Wallet Hub, Maryland has the third highest personal income tax burden of all the states

–When Marylanders retire elsewhere, they take their tax money, buying power and community service with them

–The story of a recently retired military couple was shared with me. They had two military pensions plus social security, moved from Waldorf Maryland to Gettysburg Pennsylvania and saved $24,000.

–According to the latest Census data, Maryland lost population between 2020 and 2021 because of what they called out-migration (after accounting for births and deaths)

–According to the latest annual United Van Lines National Movers Survey, 28% of those leaving Maryland cited retirement as a reason

–It should be noted that, in addition to the revenue that seniors generate, overall population also impacts receipt of federal grants and even the number of representatives we have in Congress

–With Maryland's own General Assembly's Spending Affordability Committee now projecting a historic budget surplus of $4.1 billion at the close of fiscal 2022 (and with "structural surpluses" projected through 2027), now is the time to provide Marylanders with meaningful tax relief, tax relief that has been necessitated by the federal tax plan passed in December 2017 and eliminated or reduced so many of the middle class tax deductions

Our only question is whether that $100,000 cap becomes $200,000 for joint returns. We support that as well.

SB 344_SP_FAV.pdf
Uploaded by: Sarah Reichert-Price
Position: FAV

Senator Guy Guzzone, Chair
and Members of The Budget and Taxation Committee
Maryland Senate
Annapolis, MD

RE: SB 344- Retirement Tax Reduction Act 2022- SUPPORT

Dear Chair Guzzone and Members of The Committee,

Marylanders work hard to obtain and acquire their retirement funds. At an age which income is limited, and the cost of living is increasing at a rate that exceeds their limited income, I ask that you support SB 344. Any funds that can be put back into the pockets of the Maryland citizens, is a positive attribute.

I hereby ask that you vote a FAVORABLE return for SB 344- Retirement Tax Reduction Act 2022.

Thank you for your time,

Sarah Price
221 Miller Street
Westernport, MD

SB 344_AARP_FAV.pdf
Uploaded by: Steve Hershey
Position: FAV

One Park Place | Suite 475 | Annapolis, MD 21401-3475
1-866-542-8163 | Fax: 410-837-0269
aarp.org/md | md@aarp.org | twitter: @aarpmd
facebook.com/aarpmd

SB 344 Retirement Tax Reduction Act of 2022
Support
Senate Budget and Taxation Committee
February 23, 2022

Good afternoon Chair Guzzone and members of the Senate Budget and Taxation Committee. My name is Tammy Bresnahan. I am the Director of Advocacy for AARP MD. AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Key priorities of our organization include helping all Marylanders achieve financial and health security. AARP MD and its almost 870,000 members support SB 344 Retirement Tax Reduction Act of 2022. We thank Senators Hershey and Elfreth for sponsoring this important legislation.

AARP is working hard to strengthen retirement security for all Americans by ensuring that workers and retirees have access to their hard earned and hard saved dollars. In a recent survey of over 1700 AARP Maryland members, 60 percent responded that maintaining their retirement savings should be an AARP legislative priority.

The rising cost of essential necessities, including groceries, utilities, and prescription drugs, is of significant concern for millions of Marylanders, especially for older and retired Marylanders living on fixed incomes. In fact, according to an AARP study, in 2017, 22% of Maryland residents stopped taking medication as prescribed due to rising costs.

Older Marylanders on fixed incomes clearly feel the effects of inflation more than the rest of us. These retirees bear a disproportionate brunt of drug and medical inflation, which is significantly higher than overall inflation.

Maryland's retirees currently pay federal income taxes, as well as significant state and local income taxes, and motor fuel taxes, sales taxes, and property taxes. A vast number of older Marylanders also fully support or contribute financially to the well-being of their children and grandchildren, as well as act as primary caregivers to their parents and spouses. They also feel that they have limited options for rejoining the workforce and virtually no time horizon to increase their savings. Reducing taxes on retirement income will provide Maryland's retirees with extra dollars to care for their loved one's needs and help with food, housing, transportation and medical costs.

Within our state, Marylanders over age 50 create an economic impact much greater than their portion of the population. As the percentage of state residents over 50 continues to grow, so will their contributions to our economy. According to "Longevity Economy," a report prepared by Oxford Economics for AARP, Marylanders 50 and older generated 39 percent of the state's gross domestic product in 2018, totaling $163 billion. Moreover, the report found that state residents 50 and older made up just 36 percent of Maryland's population in 2018 but supported 1.6 million or 44 percent of jobs across the state and 38 percent of state and local taxes in the amount of $15 billion.

AARP Maryland looks forward to working with all of you in enacting and implementing policies - like SB 344 - that preserve and support this economic engine in our state and helps to ensure that older Marylanders can live their retirement years with dignity and independence. We will continue corresponding with our members to make certain they understand the various policy proposals being discussed and how they address the needs of older Marylanders and their families.

AARP Maryland respectfully requests a favorable report for SB 344. Thank you.

For questions or additional information, please feel free to contact Tammy Bresnahan, State Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451.

SB 344_Senator Hershey Testimony_FAV.pdf

Uploaded by: Steve Hershey

Position: FAV

STEPHEN S. HERSHEY, JR.
Legislative District 36
Caroline, Cecil, Kent, and
Queen Anne's Counties

Finance Committee
Executive Nominations Committee

Legislative Policy Committee

James Senate Office Building
11 Bladen Street, Room 320
Annapolis, Maryland 21401
410-841-3639 · 301-858-3639
800-492-7122 *Ext.* 3639
Fax 410-841-3762 · 301-858-3762
Steve.Hershey@senate.state.md.us

The Senate of Maryland

ANNAPOLIS, MARYLAND 21401

February 22, 2022

The Honorable Guzzone
Budget and Taxation Committee
Senate Bill 344 – Retirement Tax Reduction Act of 2022

Dear Chairman and Members of the Committee:

Senate Bill 344 would exempt the first $50,000 of income from taxation for all retirees with less than $100,000 of federal adjusted gross income. This would phase in over two years starting in 2022 but before January 1, 2024, 50% of the first $15,000 of eligible income would be exempt. After December 31, 2023 – 100% of the amount of income eligible.

Recent surveys have found that Maryland is **ranked the worst place to retire** based on multiple reasons, with "Affordability and Tax Climate" as the two largest factors.

The rising cost of inflation and essential necessities, including groceries, utilities and prescription drugs are of significant concern for millions of Marylanders, especially for older and retired who are living on a fixed income.

This bill will allow more Maryland retirees to keep their hard earned retirement income and allow them to stay in our state. It's important to try and keep these Marylander's in our state, they contribute to our communities and economy, and they are our volunteers.

This bill is supported by AARP and NARFE.

I request a favorable vote on Senate Bill 344.

SB 344 Retirement Tax Elimination Act of 2022.pdf
Uploaded by: Tammy Bresnahan
Position: FAV

One Park Place | Suite 475 | Annapolis, MD 21401-3475
1-866-542-8163 | Fax: 410-837-0269
aarp.org/md | md@aarp.org | twitter: @aarpmd
facebook.com/aarpmd

SB 344 Retirement Tax Reduction Act of 2022
Support
Senate Budget and Taxation Committee
February 23, 2022

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SB0344-BT_MACo_OPP.pdf
Uploaded by: Kevin Kinnally
Position: UNF

Senate Bill 344

Retirement Tax Reduction Act of 2022

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 23, 2022

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

Counties are eager and committed partners in promoting economic growth and creating opportunity – and prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but county governments welcome flexible and optional tools to serve and react to local needs and community priorities.

The General Assembly routinely considers broad or targeted tax incentives to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals sometimes focus exclusively on the state's tax structure, but often extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by locally elected leaders directly accountable within the communities they serve, are best positioned to govern local affairs – ranging from land use to fiscal matters. MACo steadfastly guards this local autonomy and consistently advocates against one-size-fits-all policies that override local decision-making.

State tax incentives should be enacted as "local option" offerings to allow counties maximum flexibility in tailoring local policies to meet local needs and priorities. The State and its local governments already work together here – where the State routinely grants a state-level property tax credit, but then enables county governments to enact their own as a local option.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives, but resist state-mandated changes that preclude local input.

Maryland Association of Counties (MACo)
169 Conduit Street, Annapolis, MD 21401 ◆ 410.269.0043 ◆ www.mdcounties.org