



MARYLAND MILITARY COALITION

Serving Veterans through Legislative Advocacy

February 7, 2022

The Honorable Vanessa E. Atterbeary, Esq.
Chairwoman, Ways and Means Committee
Maryland House of Delegates
3 West Miller Senate Office Building
11 Bladen Street
Annapolis MD 21401-1912

Dear Madam Chair and distinguished members of the Committee, as President of the Maryland Military Coalition, I write to strongly recommend a **FAVORABLE** report by the Committee on **HB 317, Income Tax Subtraction Modification -- Military Retirement Income** sponsored by DEL Reid Novotny (District 9A).

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) (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 ultimate objective, which we believe the MGA 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 Univ. study (2019), cited on p. 5. In the above report, found that the total economic impact of Maryland's military installations represented 15.4% of the state's gross domestic product. That translates to tens of thousands of jobs overall in our state.

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 positions since 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.

Last year, North Carolina and Arizona joined 32 other states in fully exempting state tax of uniformed services' retired pay. Nebraska joins them in 2022, raising the total number of states 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).

HB 317 would phase out tax on military retired pay over a period of 4 years beginning this year, an increase in a subtraction modification under the Maryland income tax to allow for a subtraction of all military retirement income by 1 January 2025. The Coalition believes this approach is pragmatic and affordable.

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 members, veterans, uniformed services retirees, their families and survivors. On its behalf, I recommend a **FAVORABLE** report out of HB 317 by the Committee.

Yours, respectfully

Robert F. Norton
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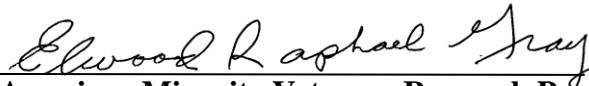
Enclosures (2)

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Member Organizations, Maryland Military Coalition

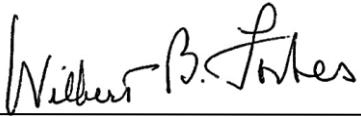

Air Force Sergeants Association


American Military Society



American Minority Veterans Research Project



Association of the United States Navy



Commissioned Officers Association of the
US Public Health Service

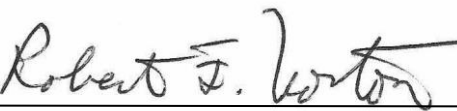

Disabled American Veterans

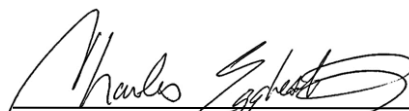

Distinguished Flying Cross Association



Fleet Reserve Association


Jewish War Veterans of the USA


Maryland Air National Guard Retirees'
Association

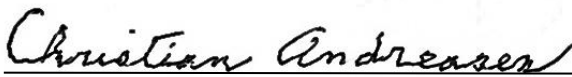

Military Officers Association of America


Military Order of the Purple Heart



Montford Point Marines of America


National Association for Black Veterans


Naval Enlisted Reserve Association

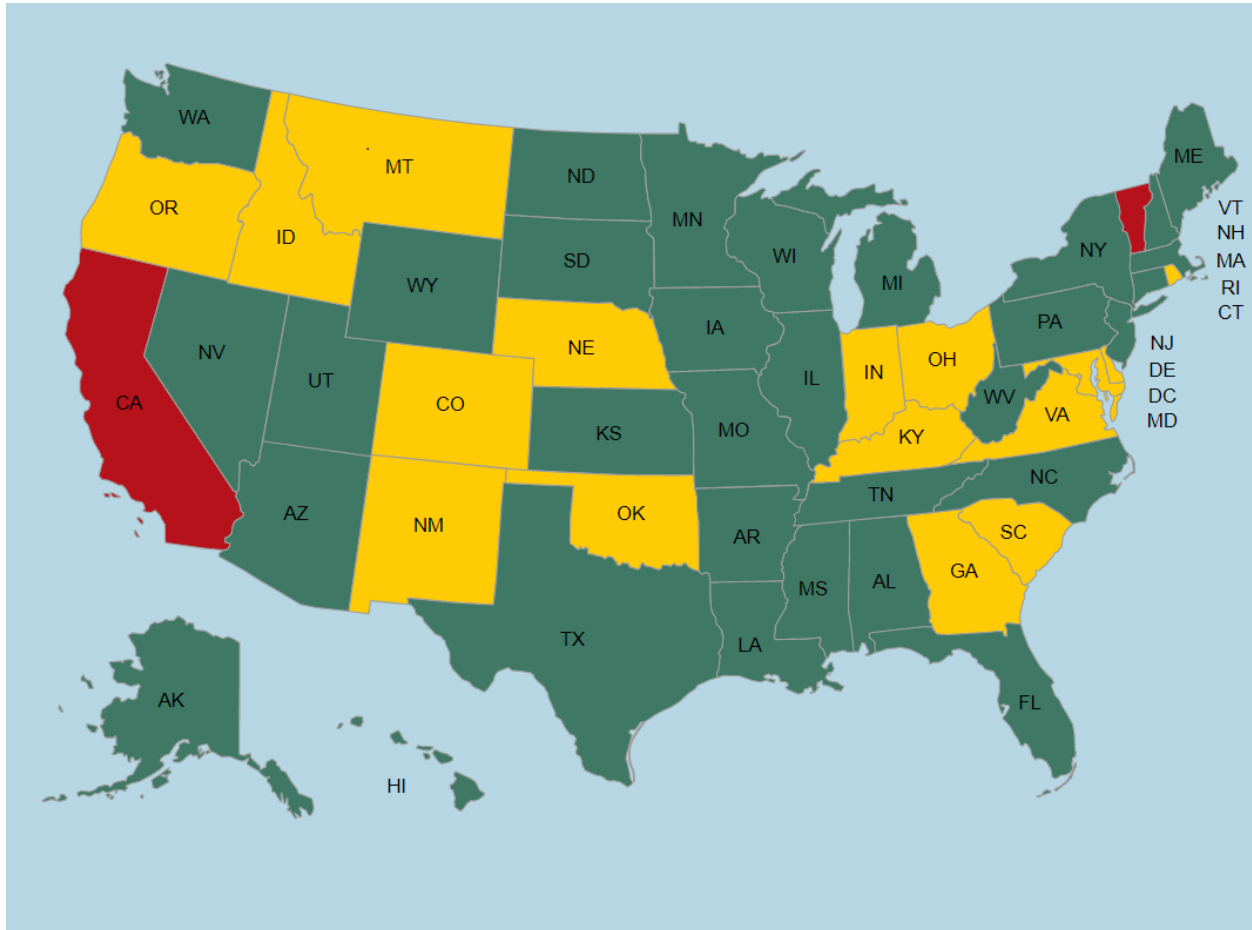

Reserve Organization of America


Reserve Organization of America


Society of Military Widows


Veterans of Foreign Wars

States That 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



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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 \$2,000; 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]