



Ft. George G. Meade Chapter
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Oral Testimony
In Support of HB 461
Recommend Favorable Report
David L. Dragics, Legislative Liaison

Madam Chair Atterbeary, distinguished members of the Ways and Means Committee, thank you for the opportunity to testify in **FAVOR** of Delegate Rogers' bill, "Income Tax Subtraction Modification – Military and Public Safety Retirement Income," HB 461.

My name is David Dragics. I am a retired Army colonel and the Legislative Liaison of the Ft. George G. Meade Chapter of the Military Officers Association of America, or MOAA. MOAA chapters are local affiliates of the national organization and are advocates for the uniformed services community at the state and local levels. The Ft. Meade chapter, one of ten in Maryland, currently has 95 members, with approximately 75% of them drawing military retirement pay. The Ft. Meade chapter strongly supports HB 461.

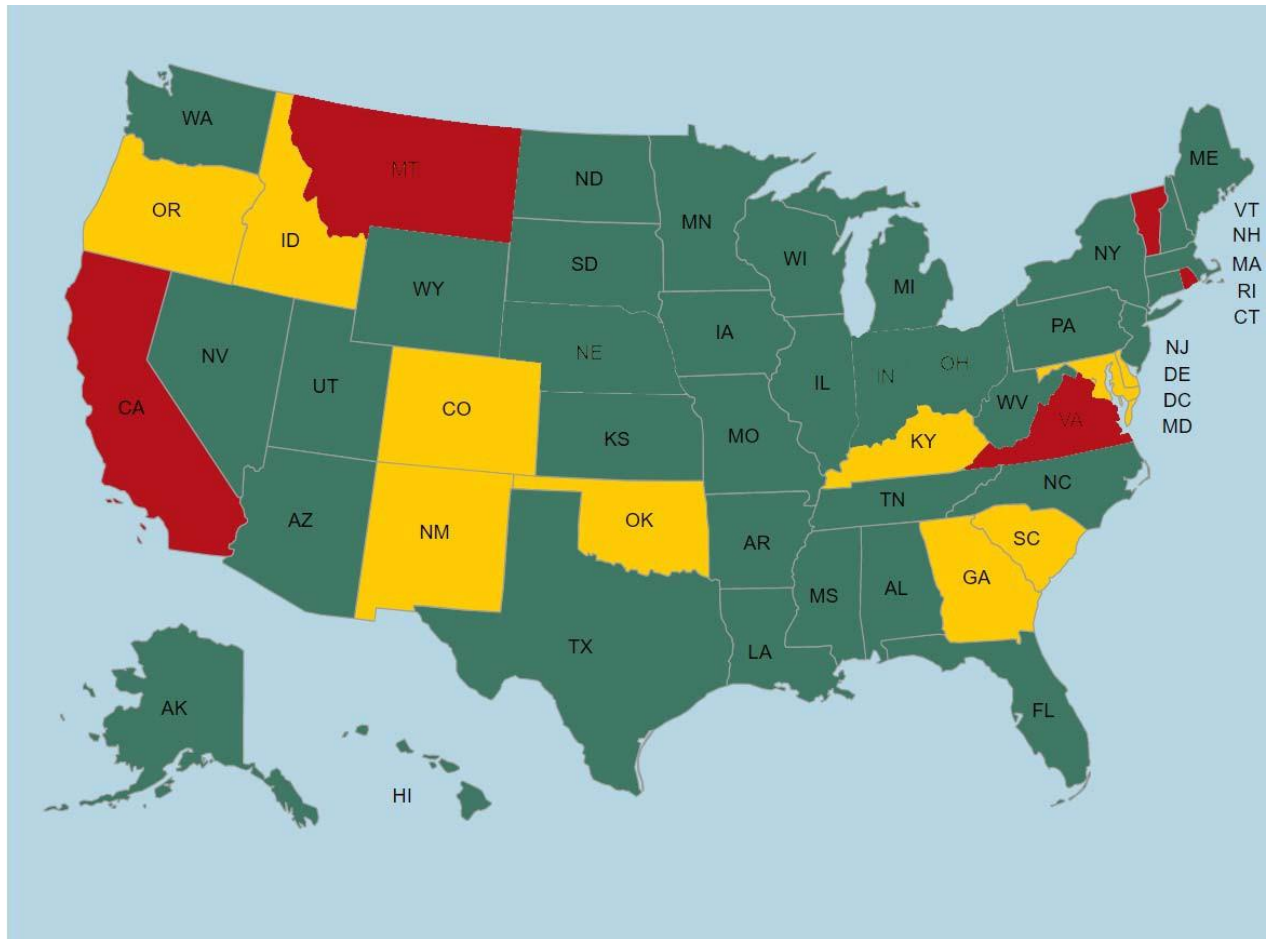
As you may be aware, MOAA chapters and other service-related organizations in the state have been advocating for legislative action to make Maryland more desirable for current uniformed services retiree residents and a more desirable retirement destination for second-career service retirees. The latest *Statistical Report on the Military Retirement System*, issued by the Department of Defense last September, indicated that, as of September 30, 2020, there were 51,739 military retirees in Maryland who were receiving approximately \$139.7 million in monthly payments. There were also another 6,586 military survivors receiving approximately \$8.2 million monthly. HB 461 would benefit those retirees and survivors and those of the other uniformed services—and our state—by putting more of their disposable income into the Maryland economy. In relation to its population, Maryland has one of the highest, if not the highest number of military bases in the nation, with nearly 29,000 assigned personnel, contributing over 15% of our state's GDP according to the General Assembly's [study conducted by Towson State University](#). For the 15% to 17% of active duty personnel expected to retire from the military each year, HB 461 would help make the state an attractive retirement destination. Increasing the pool of retirees could help alleviate the growing shortage of state employees due to retirement as pointed out by recently retired [Maryland Treasurer, Nancy Kopp](#). The bottom line: every member of this committee understands that Maryland needs to be more competitive with other states to attract and retain its fair share of military retirees. HB 461 will be a positive step in doing that.

The Ft. George G. Meade Chapter recommends a **FAVORABLE** report on HB 461, "Income Tax Subtraction Modification –Military and Public Safety Retirement Income." We thank retired Army colonel DEL Mike Rogers for not only his service but also his leadership on this issue.

Thank you,

Colonel, USA (Retired)
Legislative Liaison
District 30A

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 \$2,000; 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]