

Statement of Jayson L. Spiegel
HB0315
Income Tax – Subtraction Modification– Military Retirement
February 9, 2022
FAVORABLE

Dear Chair Atterbeary and Members of the Ways and Means Committee:

My name is Jayson Spiegel. I am a Gaithersburg resident (District 17) and retired after 28 years commissioned service in the Army and Army Reserve. I am a former National Executive Director of the Reserve Organization of America (ROA) and represent ROA on the board of the Maryland Military Coalition. I am also an Army Reserve Ambassador for the State of Maryland.

I am speaking in my personal capacity. Full disclosure - as a retired Army officer currently receiving retirement pay, I would be among those to benefit from this bill.

I urge the Committee to favorably report HB0461, which increases the exemption of military retirement pay from state income taxation. Expanding the subtraction modification will primarily benefit National Guard and Reserve retirees, whose retirement pay is typically substantially less than that of an Active Duty retiree. The bill would also incentivize military retirees to remain in Maryland upon retirement or move to Maryland from other states.

Although the Fiscal and Policy Note for HB0315 has not been published, HB0315 is substantially similar to HB0951, introduced in the last session by Delegate Washington, and SB0370, introduced by former Senator Doug Peters. HB0951 and SB0370 would have exempted the first \$20,000 of military and first responder retirement pay. The Fiscal and Policy Notes for the two bills reflect that the annual reduction in general revenue due to SB0370 from 2023 through 2025 would have been \$11.4M, \$11.6M and \$11.8M, respectively.

Increasing the military retirement pay exemption to \$20,000 would benefit National Guard and Reserve retirees. At age 60, a typical E7 who retired after serving 8 years Active Duty, 2 year-long deployments and 10 years in the Guard or Reserve, would receive approximately \$18,500 in annual retirement pay. In today's environment, that hypothetical Service Member's mix of Active, Guard and deployment service is typical. This bill would exempt all of this hypothetical retiree's military pension.

In addition, exemption military retirement pay from state taxation, will make Maryland a more attractive retirement destination for military retirees.

According to the Military Offices Association of America (MOAA), 33 states exempt military retirement pay from state income tax; nine have no state income tax. Our

The study found that the defense industry, which represents 15.4 percent of the state's GDP, faced a shortage of 7,200 qualified workers, particularly for computer, engineering and science occupations. Military retirees are uniquely positioned to fill those jobs. However, while military retirees in Maryland have access to employment opportunities, they consider other factors when deciding where to live post-retirement, including the tax burden and the overall cost of living.

The Towson study identified taxation of military pensions as a factor driving military retirees to consider employment in other states. 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 — items such as groceries, rent, mortgage payments and recreation — benefits the economy. The study said this spending associated with one military retiree's household sustains nearly \$115,000 in economic activity and supports \$7550 in state and local tax revenues. However, these "ripple effects" are only felt if the household resides in the state.

Exempting an increased amount of military retirement from state taxation not only benefits Maryland retired veterans, doing so also benefits the state. The bill incentivizes newly retired veterans to move to or remain living in Maryland. Their spending power benefits local businesses, and their knowledge and experience benefits prospective employers and communities. The bill enables Maryland to compete successfully with other states as a home for military retirees and demonstrates support and appreciation for those who served our country.

For the above reasons, I respectfully request a **favorable report** on HB0461.

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