



## MARYLAND MILITARY COALITION

*Serving Veterans through Legislative Advocacy*

February 21, 2022

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

As President of the Maryland Military Coalition (MMC), I write in support of ***HB 420, Retirement Tax Elimination Act of 2022*** sponsored by Speaker Jones at the request of the Administration.

HB420 would authorize a state income tax ‘subtraction’ modification on retirement income up to a certain amount each year for certain individuals who are at least 65 years old, receiving Social Security benefits and who are not fully employed.

Because a Fiscal Note has not been issued on HB 420 to date, the MMC is uncertain if the current subtraction for Uniformed Services retirement income -- \$15,000 for qualifying individuals over age 55 -- would be continued during the six-year period (2022-2027) when Maryland tax on other retirement income would be phased out should the bill pass.

Potentially, older Uniformed Services’ retirees in receipt of Social Security benefits and no longer working would benefit over time from the phase-out of state tax on their retirement income. The Baltimore Sun noted in a recent editorial (January 13, 2022) that Maryland “ranks in the bottom 10 of states for its percentage of seniors with just 15.9% of its 6.177 million residents 65 or older.” Phasing out state tax on Maryland seniors’ retirement income would almost certainly incentivize more residents to fully retire in our state.

According to the Defense Department, there were 51,739 military retirees in Maryland as of September 30, 2020; and, 6,586 survivors receiving military Survivor Benefits for a total of 58,325. Thus, approximately 9,274 (15.9%) would be eligible for the retirement income subtraction envisioned under HB 420.

HB 420 also may be somewhat attractive to currently serving members of the Uniformed Services planning second careers but concerned about Maryland’s high costs and high taxes. The MMC has testified this session on other measures that would increase the current subtraction for retirees over age 55 or phase out the subtraction completely over time. Thus, we believe HB 420 to be complementary to our long-stated goal of passage of workforce incentives that will attract and retain younger military retirees to live, work and fully retire here in Maryland.

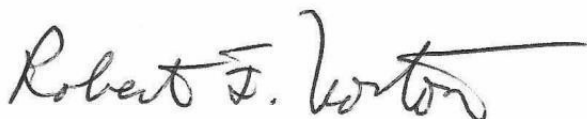
A Maryland General Assembly-commissioned study by [Towson University](#) (2019) recommended fully exempting the state tax on uniformed services' retired pay along with other initiatives in order to support Maryland's burgeoning defense industry and boost the state's economy. Modest steps have been taken to realize this 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 University [study \(2018\)](#) found that the total economic impact of Maryland's military installations represented 15.4% of the state's gross domestic product. That translates to thousands of jobs.

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 thereby raising the total number of states to 35. In our region, New Jersey, Pennsylvania and West Virginia have no tax on military retirement income. 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).

The Maryland Military Coalition is a registered non-profit, non-partisan group of 19 leading Maryland military and veteran organizations who represent approximately 150,000 currently serving, veterans, uniformed services retirees, their families and survivors. On its behalf, I recommend a **FAVORABLE** report out on HB 420.

Very respectfully,

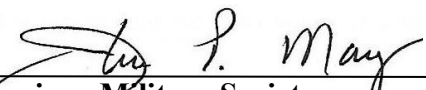



Robert F. Norton  
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Enclosures (2)

**Member Organizations, Maryland Military Coalition**

  
Air Force Sergeants Association

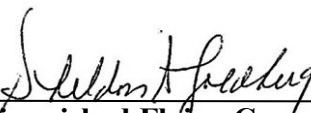
  
American Military Society

  
American Minority Veterans Research Project

  
Association of the United States Navy


  
Commissioned Officers Association of the  
US Public Health Service

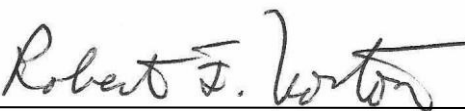
  
Disabled American Veterans


  
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





## 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. <b>NEW</b> Nebraska (joining in 2022)    |
| 2. Alaska *                      | 20. Nevada *                                 |
| 3. <b>NEW</b> Arizona ☒ ‡ (2021) | 21. New Hampshire *                          |
| 4. Arkansas ☒ ‡                  | 22. New Jersey ‡ (\$6K Vet ded)              |
| 5. Connecticut ‡                 | 23. New York ☒ ‡                             |
| 6. Florida *                     | 24. <b>NEW</b> 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. <b>NEW</b> 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]