



February 16, 2022

The Honorable Venessa E. Atterbeary
House Ways and Means Committee
Room 131, House Office Building
Annapolis, Maryland 21401

RE: House Bill 461- Income Tax Subtraction Modification - Military and Public Safety Retirement Income - FAVORABLE

Dear Chair Atterbeary and Members of the Committee,

On behalf of the Southern Maryland Navy Alliance (SMNA), I am pleased to support the referenced legislation and thank both Delegate Rogers and his co-sponsors for its introduction.

SMNA is a nonprofit advocacy organization whose sole mission is to provide support for one of our major military installations in the State – the Naval Air Station Patuxent River (NAS Patuxent River). NAS Patuxent River hosts both the Naval Air systems Command (NAVAIR) and Naval Air Warfare Center Aircraft Division (NAWCAD) headquarters, as well as, the Atlantic Test Range and the U.S. Naval Test Pilot School. It serves as a center for test and evaluation and systems acquisition relating to naval aviation. The station also operates a small outlying field NOLF Webster. Commissioned on April 1, 1943, the air station grew rapidly in response to World War II and continued to evolve through the Cold War to the present.

While SMNA supports the entire bill, we wish to draw the Committee's attention to the language on page 3, line 2 of this bill. This language reflects a longstanding effort by legislative leaders to recognize the importance of the defense community as a whole to our State economy. As we explain below, the rate of State personal income taxation for employees in the defense industry has a direct and substantial effect on workforce availability for the industry. This represents an ongoing and significant challenge to the ability of defense contractors and government installations to secure qualified employees to work in Maryland.

The challenge may be understood this way: while the defense community has the same need for highly qualified, knowledge-based employees that many businesses in Maryland have, there is a unique requirement in the defense industry. That requirement is for employees to possess an active security clearance. Other industries have no such requirement. As a result, military retirees are uniquely qualified to fulfill this workforce need, as well as, bring years of vital singular experience and knowledge to the defense industry in Maryland.

Complicating this situation is the fact that other states close to Maryland impose a lower rate of personal income tax on military retirees or even no state income tax at all. In an effort to attract and retain employees at Maryland military installations and within the defense community, the Maryland personal income tax can be a major factor in the prospective employee's decision. Because Maryland is behind other states in reducing the income tax rate on military retirees, it is more difficult to attract them to defense industry and government jobs in our State.

House Bill 461 will not eliminate this problem, but it does offer the prospect of incremental – even substantial – progress toward our goal.

For these reasons, the Southern Maryland Navy Alliance respectfully requests a favorable report on House Bill 461.

Very truly yours,

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Gary Kessler
President