

Rear Admiral Thomas J. Jurkowsky
U.S. Navy (Retired)

Committee Chair Atterberry and Members of the Ways & Means Committee:

My name is Tom Jurkowsky. I am a retired rear admiral in the U.S. Navy who served on active duty for 31 years as both an enlisted man and officer. I serve on the board of directors of the Military Officers Association of America and have lived in Annapolis for 28 years.

I have chosen to remain in the state, despite its high taxes. Many of those whom I have served with in the Navy—both officer and enlisted—have chosen not to live in Maryland because of those taxes. Unfortunately, many Maryland companies and organizations were not able to take advantage of the many professional and leadership skills these individuals learned in the military.

The reason they moved or chose to live in other states is that their new states did not tax military pensions. They found excellent jobs and very comfortable lifestyles. With these new jobs and income, they pay the required state income tax, of course, and generate more income for their new state. Additionally, businesses in their new states benefit from the economic activity they create—groceries, rent, mortgage payments and recreational spending, for example.

A study done by Towson University's Regional Economic Studies Institute found that when a military retiree reenters the workforce, his or her household sustains nearly \$115,000 annually in economic activity and supports their new state with \$7550 in state and local tax revenues.

Virtually all military retirees must find a second career after leaving the service. Military pensions alone will not support a retiree and his or her family. So why not keep those people in Maryland? There are currently 35 states that fully exempt military pensions from taxation, and several others are moving towards it, including nearby Delaware.

The Towson study found an extraordinary number of defense related jobs in Maryland. In fact, the defense industry represents more than 15 percent of the state's GDP and faces a shortage of more than 7000 qualified workers. With the pandemic these numbers are even higher, especially when coupled with state government vacancies that are at an all-time high.

The Towson study reaffirms an earlier study the General Assembly directed several years ago to examine the financial impact of retired military personnel on the Maryland economy. That report said: "...if Maryland does not exempt military retirement pay from state and local income taxes...countless others [retired service members] will opt to move to military retiree-friendly states."

I am attaching an opinion piece on this issue that will appear this week in *The Capital*. Please consider legislation that will encourage retired military personnel to remain or come to Maryland.

Thank you.

Maryland Legislators Must Work to Attract and Retain Retired Military Personnel

by Rear Adm. Tom Jurkowsky, U.S. Navy (Ret.)

Maryland has a golden opportunity to retain many skilled, disciplined and experienced individuals in the state—but only if our state legislators pass legislation as 35 other states have done. The required legislation would exempt military retired pay from state income tax, enticing career military personnel to remain in the state and pursue second careers here.

This legislative action would make a significant contribution to the state's economy, generating tax revenue from follow-on jobs by the military retirees who remain.

The Towson University Regional Economic Studies Institute (RESI) completed a study entitled "A Study of Employment in the State's Defense Industry." The study was done at the direction of the state legislature.

The Towson study found that in the second quarter of 2019 alone, there were nearly 24,000 job postings for defense related jobs. However, the defense industry, which represents 15.4 percent of the state's GDP, faced a shortage of 7200 qualified workers—particularly for computer, engineering and science occupations. With the pandemic, these numbers are even higher, especially when coupled with state government vacancies that are at an all-time high.

With so many military personnel assigned in the state, one would think that career military retirees would be ideal candidates for these 7200 positions because of their technical knowledge and leadership experience, coupled with their security clearances.

Why the shortfall? According to the Towson study, while military retirees in Maryland have access to ample employment opportunities, several factors are considered when deciding where to live post-retirement. These factors include the tax burden and the overall cost of living. Maryland, when compared to 11 other states, has the second highest cost of living, effectively reducing the value of a salary earned by any member of a military household in the state. This is notable because the compensation for jobs requiring a security clearance in Maryland is lower than that of Virginia and Washington, DC.

Another factor cited in the Towson study is the military pension exemption. While 35 states fully exempt military pensions from taxation and several others moving towards it, including Delaware, Maryland exempts only a portion. This fact, combined with Maryland's higher overall state tax burden, makes Maryland a less attractive state for residence.

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Maryland's already high tax rate, and the increasing exit of higher income residents to avoid these taxes, makes exempting military pay a critical

issue. It's an incentive for a military person to retire in a state and not have their military pension taxed.

Very few military personnel can live on their retirement income alone. Most require a second career that will generate income that will be—and is—appropriately taxed.

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. These “ripple effects” are only felt if the household resides in the state.

Military retirees are higher wage earners who represent the type of individuals Maryland should be trying to attract and retain.

The bottom line is that immediate tax relief for military retirees in Maryland is a fiscally sound option to attract and retain valuable individuals—good neighbors who pay their bills, volunteer in the community and have an appreciable level of discretionary income. Other states have recently learned this and are catching on—losing a little in revenue but building a stronger fiscal base by increasing the number of state taxpayers.

The Maryland legislature has been provided a report on the issue of exempting military retirement from state taxes. It's now time for our state legislators to act. If action is not taken, Maryland will continue to be left further behind.

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Tom Jurkowsky is a retired Navy rear admiral. He is on the board of the Military Officers Association of America (MOAA), a military support organization that advocates for a strong defense and for all military personnel and their families. He lives in Annapolis.