



# MARYLAND MILITARY COALITION

*Serving Veterans through Legislative Advocacy*

March 1, 2023

The Honorable Guy Guzzone  
Chair, Budget and Taxation Committee  
3 West  
Miller Senate Office Building  
Annapolis, MD 21401

Subject: **Request for FAVORABLE Report** – SB 553 - Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act)

Dear Chair Guzzone and distinguished members of the Budget and Taxation Committee:

On behalf of the members of the Maryland Military Coalition (MMC) and as its Legislative Director, I write to recommend a **FAVORABLE report** by the Committee on SB 553, Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act), sponsored by President Bill Ferguson by request of Governor Moore and by Senator Michael A. Jackson (District 27). This bill will, over the next two years, raise the amount of military retirement income received by individuals that can be exempted from the Maryland income tax regardless of age.

This bill will make Maryland more competitive with surrounding states by incentivizing military retirees to remain here after retiring from active duty. The MMC strongly supports this bill for the following reasons:

- Most military retirees range in age from their early 40s to early 50s, depending upon the number of years of service. Many will work in civilian jobs for up to 25 years — second careers with income that would be *fully taxable*. By retaining military retirees in the state and increasing the exemption of their military retirement income, the state can gain tax revenue from their civilian jobs, offsetting the cost of full exemption of military retired pay.
- As of January 31, 2023, there were 51,835 military retirees in Maryland, receiving approximately \$1.968 billion in retirement income annually.<sup>1</sup> The number of military retirees has declined by 985 since the end of 2019 (see Attachment 1) and by 421 since the end of 2021. This bill, if passed and signed into law, will serve to help reverse this trend.

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<sup>1</sup> <https://actuary.defense.gov/>

- For Tax Year 2023, three of the four states contiguous to Maryland either fully exempt military retirement income with no age restriction (Pennsylvania, West Virginia) or exempt more than Maryland (Virginia--\$20,000 for 55 and older). Exempting \$25,000 of military retirement income this year, *regardless of age*, and \$40,000 in Tax Year 2024 will exceed that of the Commonwealth of Virginia, making Maryland a more attractive residency option for those retiring from active duty.

SB 553 is a positive step in the right direction, moving our state closer to the 38 other states that currently fully exempt military retirement income from their state income tax (see Attachment 2). The MMC member organizations strongly support not only this legislation but also Governor Moore's aspirational goal of exempting 100 percent of military retirement income—sooner after 2024 rather than later—so that, as he stated, “Maryland should be no state’s farm team.”<sup>2, 3</sup>

The Maryland Military Coalition **strongly supports** SB 553 and asks for a **FAVORABLE** report from the Budget and Taxation Committee. Raising the exemption of military retirement income from the state income tax to \$40,000 over the next two years, regardless of age, recognizes the value of the contributions military retirees can and will make to this state’s future growth.

The Maryland Military Coalition is a registered non-profit, non-partisan advocacy organization comprised of prominent Maryland-based veteran and military groups, representing over 150,000 service-connected individuals, including those currently serving, veterans, retirees and their families, caregivers, and survivors.

We want to thank Governor Moore for his commitment to our veterans and to President Ferguson and Senator Michael Jackson for sponsoring this legislation and their strong, support of the uniformed services community in Maryland.

Respectfully,



David L. Dragics  
COL USA (Ret)  
Legislative Director

Attachments (2)

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<sup>2</sup> <https://governor.maryland.gov/press/pages/Governor-Wes-Moore-Delivers-His-First-State-of-the-State-Address.aspx#:~:text=ANNAPOLIS%2C%20MD%E2%80%94%20Today%2C%20Governor,to%20put%20them%20before%20ourselves.>

<sup>3</sup> Maryland Needs to Create an Attractive Tax Environment for Military Retirees, Tom Jurkowsky, Capital Gazette, February 7, 2023, <https://www.capitalgazette.com/opinion/columns/ac-ce-tom-jurkowsky-military-retirees-20230207-c7irntcfgrdbpl2c6zgun6mxcu-story.html>

**Member Organizations, Maryland Military Coalition**

James P. Monahan  
**Air Force Sergeants Association**

John S. May  
**American Military Society**

Elwood R. Raphael Gray  
**American Minority Veterans Research Project**

A. A.  
**Association of the United States Navy**

Lynn A. Gask  
**Commissioned Officers Association of the  
US Public Health Service**

Wilbert B. Fisher  
**Disabled American Veterans**

William H. Greding  
**Distinguished Flying Cross Association**

Patrick J. Grubbs  
**Fleet Reserve Association**

Ernie A. Buttrick  
**Jewish War Veterans of the USA**

Steve L. Bloodwin  
**Maryland Air National Guard Retirees'  
Association**

Robert J. Worton  
**Military Officers Association of America**

Charles E. Spitzer  
**Military Order of the Purple Heart**

[Signature]  
**Montford Point Marines of America**

M. L. Messer  
**National Association for Black Veterans**

Michael P. Hays  
**Naval Enlisted Reserve Association**

Christian Andreasen  
**NOAA Association of Commissioned Officers**

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**Reserve Organization of America**

Catherine L. McEraw  
**Society of Military Widows**

M. Blackwell  
**Veterans of Foreign Wars**

## Military Retirees and Survivors Maryland -- 2017 to 2023

| As of 12/31 | Total DoD Retired Receiving Pay from DoD | Total DoD Retired with VA Offset | Total Monthly Pay (\$1000) | Total Annual Pay (\$1000) | Total Survivors | Survivors with DIC Offset | Monthly Pay | Total Annual Pay (\$1000) | Total Retired & Survivors | Annual Change | Retiree Average Annual Pay (\$1000) | Survivor Average Annual Pay (\$1000) |
|-------------|--|----------------------------------|----------------------------|---------------------------|-----------------|---------------------------|-------------|---------------------------|---------------------------|---------------|-------------------------------------|--------------------------------------|
| 2017        | 52,673                                   | 15,127                           | \$134,209                  | \$1,610,508               | 6,662           | 1,238                     | \$7,973     | \$95,676                  | 59,335                    |               | \$30,576                            | \$14,361                             |
| 2018        | 52,728                                   | 14,989                           | \$138,655                  | \$1,663,860               | 6,515           | 1,223                     | \$7,982     | \$95,784                  | 59,243                    | (92)          | \$31,556                            | \$14,702                             |
| 2019        | 52,820                                   | 14,773                           | \$141,768                  | \$1,701,216               | 6,477           | 1,218                     | \$8,006     | \$96,072                  | 59,297                    | 54            | \$32,208                            | \$14,833                             |
| 2020        | 52,666                                   | 14,530                           | \$143,611                  | \$1,723,332               | 6,551           | 1,275                     | \$8,156     | \$97,872                  | 59,217                    | (80)          | \$32,722                            | \$14,940                             |
| 2021        | 52,256                                   | 13,991                           | \$151,696                  | \$1,820,352               | 6,479           | 1,275                     | \$8,813     | \$105,756                 | 58,735                    | (482)         | \$34,835                            | \$16,323                             |
| 1/31/2023   | 51,835                                   | 12,788                           | \$163,980                  | \$1,967,760               | 6,348           |                           | \$10,168    | \$122,016                 | 58,183                    | (552)         | \$37,962                            | \$19,221                             |

-1.86% 2019 -2023 change: (985)

Change from 2017 to 2023: (1,152)

-1.9%

The monthly amount of retired pay (in \$1,000) is the amount prior to deductions for tax withholdings and other allotments, but after deductions for Survivor Benefit Plan premiums, waivers/offsets from compensation/award received from the U.S. Department of Veterans Affairs (VA), etc.

Retirees with a VA waiver/offset are those with reduced DoD retired pay due to a VA compensation/award, i.e., after "Concurrent Receipt: benefits are paid.

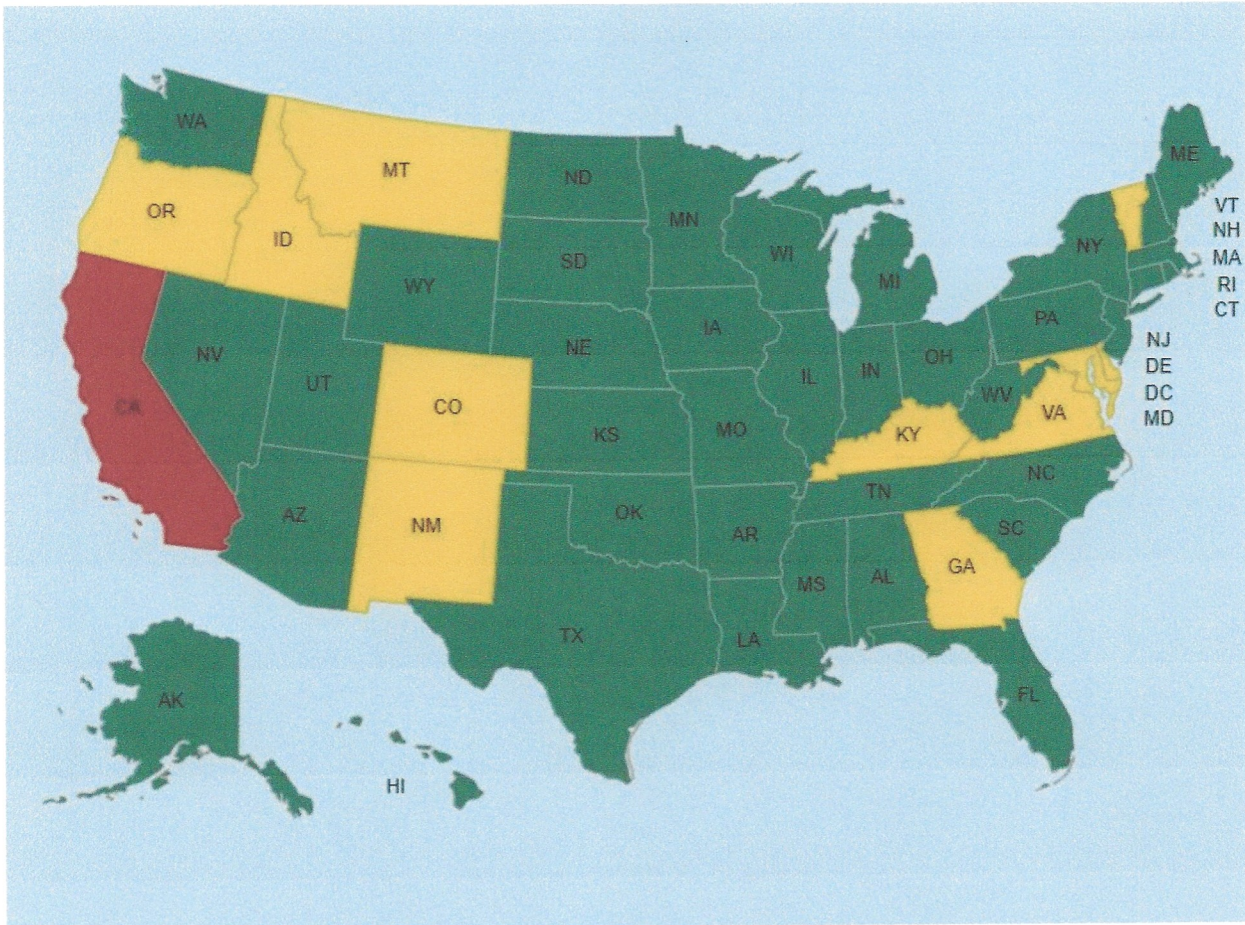
Retiree and Survivor pay only includes payments from DoD. Payments from the VA for disability compensation/award or Dependency and Indemnity Compensation (DIC) are not included here. Due to NDAA 2020, the DIC offset to Survivor Pay is being phased out over the next year. (Footnote to 12/31/21 data)

Source: <https://actuary.defense.gov/>

Military Retirement subheading; dropdown menu: Congressional Districts Reports, 2017-2023

# States that do **NOT** Tax Military Retired Pay

As of January 26, 2023



## Map Legend

- **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.

Source: MOAA Communications; updated January 26, 2023