



MARYLAND MILITARY COALITION

Serving Veterans through Legislative Advocacy

February 23, 2023

The Honorable Vanessa Atterbeary
Chair, Ways and Means Committee
Maryland House of Delegates
House Office Building, Room 131
Annapolis, MD 21401

Subject: **Request for FAVORABLE Report with Amendment** – HB 767 - Income Tax Subtraction Modification – Military Retirement Income (Military Pension Tax Freedom Act)

Dear Chair Atterbeary and distinguished members of the Ways and Means Committee:

On behalf of the members of the Maryland Military Coalition (MMC) and as its Legislative Director, I write to recommend a **FAVORABLE report with amendment** by the Committee on **HB 767, Income Tax Subtraction Modification – Military Retirement Income (Military Pension Tax Freedom Act)**, sponsored by Delegate Mike Griffith (District 35A). This bill would phase in, over a five-year period, an increase in a subtraction modification of all military retirement income with no age restrictions, reaching 100% by January 1, 2027. While HB 767 is a step in the right direction, **we ask that the bill be amended to a full exemption of military retired pay within a three-year phase-in period with no age restriction.** Any phase-in period longer than three years is not an incentive for individuals on active duty currently stationed in Maryland who will retire within three years to remain as residents following their transition to civilian life. This is consistent with Governor Moore's aspirational goal of achieving full exemption of military retirement income and not being any state's farm team.¹

Our support of an amended HB0767 is based on our stated position detailed in written and oral testimony submitted for HB 15 on February 2, 2023, exempting military retirement income either all at once or as above. We further pointed out that:

Currently, **38 states fully exempt military retirement income** from their state income tax with **no age restrictions**; **23 of those states have fully exempted** military retirement income **since 2018**, the last year Maryland raised its current deduction for individuals 55

¹ <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>

HB 767 – Income Tax Subtraction Modification – Military Retirement Income (Military Pension Tax Freedom Act)

and older to \$15,000 (see Attachment). Maryland is one of only 11 states and the District of Columbia that does not fully exempt military retired pay.

In written and oral testimony submitted for HB 554 on February 16, 2023, we stated that we not only supported the proposed increases to the exemption but also Governor Moore’s aspirational goal of achieving a full exemption of military retired pay sooner after 2024 rather than later.

In our testimony for HB 15, we further pointed out that the assumptions for the table in the State/Local Revenues section of the Fiscal Note were not an accurate representation of the fiscal and economic consequences of the bill. The fiscal note does not take into consideration the offset that would reflect the fully taxable 2nd career incomes of military retirees who choose to remain in Maryland. Further, the fiscal note does not reflect the effect on other state tax revenues as a result of the increase in disposable income that would flow into the state’s economy, a known fact in retired veteran spending. This was the case for the fiscal note for HB 554 as well.

We **support** HB 767 and ask for a **FAVORABLE report with an amendment** to achieve a 100% exemption of military retirement income within three years so that Maryland will be equal to 38 other states.

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 Delegate Mike Griffith for sponsoring this legislation and his strong, continuing support of the uniformed services community in Maryland.

Respectfully,




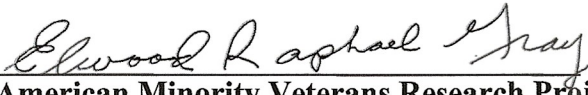
David L. Dragics
COL USA (Ret)
Legislative Director

Attachment

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

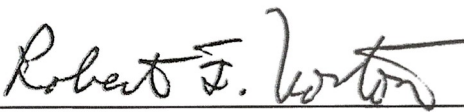

Disabled American Veterans



Distinguished Flying Cross Association



Fleet Reserve Association


Jewish War Veterans of the USA


Maryland Air National Guard Retirees'
Association


Military Officers Association of America

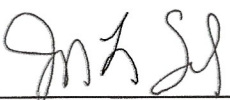

Military Order of the Purple Heart


Montford Point Marines of America

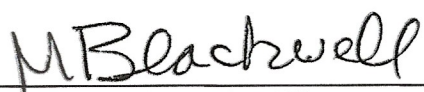

National Association for Black Veterans


Naval Enlisted Reserve Association


NOAA Association of Commissioned Officers

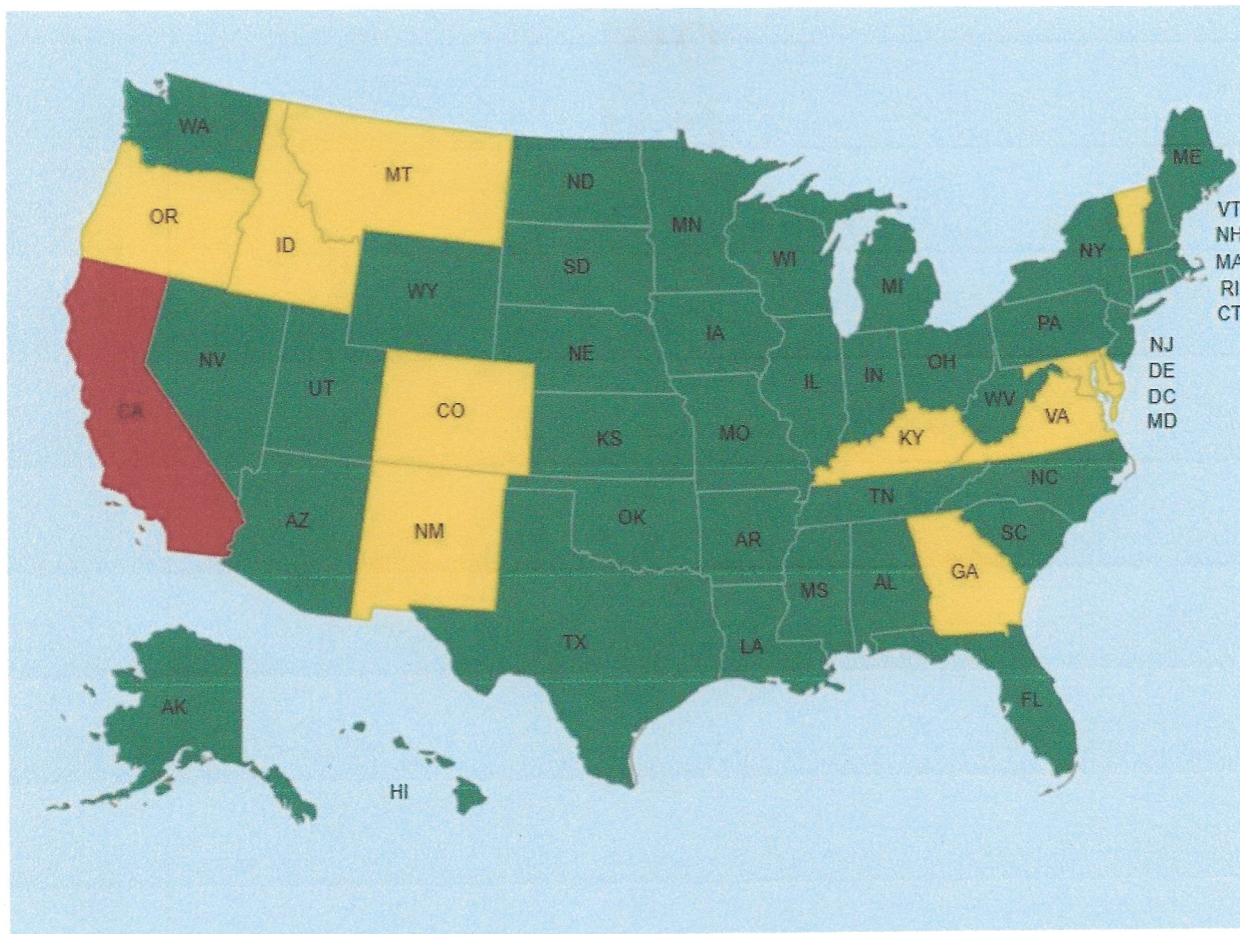

Reserve Organization of America


Society of Military Widows


Veterans of Foreign Wars

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.



MARYLAND MILITARY COALITION

UPDATED JANUARY 2023 LISTINGS

The 50 States and Uniformed Services Retired Pay

As of January 1, 2023, **38 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: (Table is by date passed)

1. Alaska *	20. NEW North Dakota ‡ ^{SS} (2019)
2. Florida *	21. NEW Hawaii ‡ ^{SS} (2020) All Services
3. Nevada *	22. NEW New Jersey ‡ ^{SS} (2020) (+\$6K Vet ded)
4. New Hampshire *	23. NEW Mississippi ‡ » ^{SS} (2020) All Services
5. South Dakota*	24. NEW Arizona ☒ ‡ ^{SS} (2021) All Services
6. Tennessee*	25. NEW Massachusetts ‡ ^{SS} (2021) All Services
7. Texas*	26. NEW Minnesota ☒ ‡ (2021) All Services
8. Washington*	27. NEW Missouri ☒ ‡ (2021) All Services
9. Wyoming*	28. NEW New York ‡ ^{SS} (2021) All Services
10. Alabama ‡ ^{SS} (1989) All Services	29. NEW Ohio ‡ ^{SS} (2021) All Services
11. Louisiana ‡ ^{SS} (1989) All Services	30. NEW Utah ‡ (2021)
12. Pennsylvania ‡ » ^{SS} (1999) All Services	31. NEW Wisconsin ‡ ^{SS} (2021) All Services
13. Kansas ‡ ^{SS} (2004) All Services	32. NEW Illinois ☒ ‡ » ^{SS} (2022) All Services
14. Michigan ☒ ‡ ^{SS} (prior to 2011)	33. NEW Nebraska ‡ (2022) All Services
15. Maine ‡ ^{SS} (2016)	34. NEW North Carolina ‡ ^{SS} (2022 +USPHS/NOAA)
16. NEW Connecticut ‡ (2018)	35. NEW Oklahoma ☒ ^{SS} (May 26, 2022) All Services
17. NEW West Virginia ‡ (2018) All Services	36. NEW Rhode Island (Jul 21, 2022) Begins TY23
18. NEW Arkansas ☒ ‡ ^{SS} (2019) All Services	37. NEW South Carolina ‡ ^{SS} (May 13, 2022)
19. NEW Indiana ‡ ^{SS} (2019)	38. NEW Iowa ☒ ‡ ^{SS} (2023 ALL Ret. Inc. 55≥/Dis.)

* 9 (Nine) States have 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.

» No tax on 401(k), IRA or pension distributions

^{SS} Social Security exempt (includes AL, AZ, AK, CA, DE, GA, HI, IA, ID, IL, IN, KY, LA, ME, MD, MA, MI, MS, NC, NJ, NY, OH, OK, OR, PA, SC, VA, WI, N=28)

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):