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**SB 346 Income Tax - Subtraction Modification – Military Retirement Income
(Keep Our Heroes Home Act)
Senate Budget and Taxation Committee
FAVORABLE
January 24, 2024**

Good afternoon Chair Guzzone and Members of the Budget and Taxation Committee. I am Karen Kalla, volunteer AARP legislative aide, member of the AARP Executive Council, and resident of Montgomery County. AARP Maryland is one of the largest membership-based organizations in the state, encompassing over 850,000 members. AARP MD supports SB 346 Income Tax - Subtraction Modification – Military Retirement Income (Keep Our Heroes Home Act). We thank Senator Elfreth and this bi-partisan group of Senators for sponsoring this bill.

AARP is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to the families such as healthcare, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

Senate Bill 346 will, over the next three years, both remove the age parameters on and increase the military retirement income subtraction from \$20,000 in taxable year 2024 to 100% in taxable year 2026.

Supporting these retirement income subtraction parameters could change the life of a veteran taking home a military retirement pension. It is a valuable step in supporting these veterans as they leave uniformed services and transition to civilian life and workforce.

By increasing the retirement income subtraction, the average retired veteran will have an increased level of financial freedom, taking some burden off government programs and institutions, such as the Veterans Administration. With roughly 377,000 veterans living within the state of Maryland, and 55,793 of which receiving a military pension, there will be a measurable impact of the increased amount of money that each veteran receiving military retirement pay would inject into the local economy. That money could be spent towards paying for schooling of their children or securing housing within the state of Maryland—currently the 6th most expensive state in which to live.

As of 2023, Roughly 61% of these military retirees are under the age of 65 and able to rejoin the workforce outside of the military. In addition to the immediate benefits that the state would see by passing this bill, there would-be long-term benefits as well. If the state of Maryland were to become a more financially friendly location for military retirees, an increased retention of these retirees would

be possible. This increased retention would serve to further support Maryland's economy. Working age retirees would go on to lead careers outside of the military, with fully taxable income.

AARP believes we must honor the service and acknowledge the sacrifice of our veterans. Senate Bill 346 Keep Our Heroes Home Act does so, by providing greater economic viability for retired veterans and their dependents.

For these reasons, we respectfully request a favorable report for Senate Bill 346. For questions or more information, please feel free to contact Tammy Bresnahan, Senior State Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451.

