

SB0346 -- Income Tax - Subtraction Modification -

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Position: FAV



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

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, supports Senate Bill 346 -- *Income Tax - Subtraction Modification - Military Retirement Income (Keep Our Heroes Home Act)*.

Senate Bill 346 phases in an increase in a subtraction modification under the Maryland income tax to allow for a subtraction of all military retirement income beginning in Tax Year 2026.

MCCC supports incentives that seek to keep retirees here in Maryland, and in particular working military veterans. This has been a longtime MCCC priority, most notably through efforts of the Montgomery County Chamber Community Foundation's (MCCCF) Veterans Institute for Procurement (VIP) program.

The VIP program is the first free training program for Service-Disabled Veteran-Owned Small Businesses and Maryland Veteran-Owned Small Businesses. Veteran-Owned company "C-level" executives receive 27 hours of comprehensive instruction on how to accelerate their federal government contracting business skills. Over three days, subject matter experts from industry and government provide best business practice strategies and instruction. Most of the executives who graduate from the VIP program are retired military veterans who reside in Maryland.

Maryland's incentives for military retirees to remain here are often not competitive with other states. Most other states already exempt military retirement income from their state's taxes. It is imperative that Maryland better compete for military veterans by offering competitive incentives to remain here after retirement, particularly those that will continue working and bring tremendous entrepreneurship to our State's economy. In turn, keeping more veterans here in Maryland will benefit Maryland's tax base, create jobs, and grow economic activity in the future.

For these reasons, the Montgomery County Chamber supports Senate Bill 346 and requests a favorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

*Brian Levine | Vice President of Government Affairs
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SB 346 - ARMY ALLIANCE_FAV.pdf

Uploaded by: Bryson Popham

Position: FAV

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January 23, 2024

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 West, Miller State Office Building
Annapolis, Maryland 21401

RE: Senate Bill 346 - Income Tax - Subtraction Modification - Military Retirement Income
(Keep Our Heroes Home Act) - FAVORABLE

Dear Chairman Guzzone and Members of the Committee,

I am writing on behalf of the Army Alliance, a nonprofit advocacy organization whose sole mission is to provide support for one of our major military installations in the State – the Aberdeen Proving Ground (APG). From its founding in 1917, APG has grown into the central research facility for the United States Army, one of a number of such military installations in our State.

The Army Alliance has consistently advocated, over a number of years, for changes in Maryland law to provide a greater exemption from personal income taxation for income earned by military retirees. Such exemptions are consistent with the laws of most other states, including states adjacent to Maryland.

Our chief reason for this position is the economic development benefit it would provide to the State. Using Aberdeen Proving Ground (APG) as one example of a major military installation in Maryland, there are approximately 2,000 uniformed personnel serving APG needs; however, more important, there are well over 20,000 defense-related jobs in the surrounding area of North East Maryland. It should be emphasized that these jobs are often filled by military retirees who have security clearances – a necessary credential for employment. It is an unfortunate fact that many of these individuals who work on or around APG do not live in Maryland, but rather in Pennsylvania, Delaware or other states that have more favorable personal income tax statutes for military retirees.

Senate Bill 346 keeps moving the ball in the right direction. We were please to support Governor Moore's initiative in this area in 2023, and we applaud Senator Elfreth and her Senate colleagues in this attempt to maintain the momentum we achieved last year.

We strongly urge a favorable report on Senate Bill 346.

Very truly yours,



Bryson F. Popham

Maryland Military Coalition SB0346 Written Testimo

Uploaded by: DAVID Dragics

Position: FAV



MARYLAND MILITARY COALITION

Serving Veterans through Legislative Advocacy

January 23, 2024

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

Subject: **Request for FAVORABLE Report** – SB0346 – Income Tax -- Subtraction Modification – 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 ***SB0346, Income Tax – Subtraction Modification – Military Retirement Income (Keep Our Heroes Home Act)***, sponsored by Senator Sarah Elfreth. This bill will, over the next three years, eliminate the current age restriction on the subtraction of military retirement income from the State Income Tax and phase in a 100% subtraction modification of all military retirement income by the end of 2026.

This bill will place Maryland in a position to join the 38 other states that do not tax military retirement income and have no age restriction (see Attachment 1). It will align Maryland with its neighboring states of Pennsylvania and West Virginia which already exempt military retirement income from their state income tax. It will place Maryland ahead of the Commonwealth of Virginia, which will, beginning with Tax Year 2025 and beyond, exempt a maximum of \$40,000 of military retirement income. It will also place our state ahead of Delaware, which only exempts \$12,500 of military retirement income from its state income tax.

Passing this bill will help address three interrelated economic issues impacting Maryland's economy: 1) slow employment and wage growth, 2) a decline in the labor participation rate, and 3) domestic migration away from more expensive states such as Maryland.

As pointed out in the Comptroller of Maryland's inaugural State of the Economy Report, Maryland's economic growth has stalled since 2017.¹ The report points out that while growth in federal employment in Maryland has been considerable in the post-pandemic recovery, private sector employment has not recovered to its pre-pandemic level. There are 3.1 job openings for every job seeker in Maryland, compared to the U.S. as a whole where there are 1.3 openings for

¹ <https://www.marylandtaxes.gov/reports/static-files/SOTE.pdf>, Executive Summary

every job seeker. As an example, in Maryland, there are currently 8,857 openings for jobs that require any type of security clearance.²

A second interrelated issue impacting Maryland's economy is the decline in the state's labor participation rate: "Examining labor participation by demographic groups shows that Maryland's underperformance in LPR recovery relative to the nation and its neighbors is concentrated in the 25 to 44 age cohorts. A decline in labor participation among prime-aged workers is particularly concerning because these workers are typically the most productive compared to other age groups."³

Domestic migration out of Maryland is the third interrelated issue impacting Maryland's economy. As pointed out in the State of the Economy Report, Maryland has experienced domestic outmigration for the last ten years. Of the average 8,000 per year in that timespan who have left the state, 16 percent are between the age 35 and 54 with another 37 percent between the ages of 55 and 64.⁴ Combined, **over half of the average annual domestic migration out of Maryland has been those between the ages of 35 and 64.** Further, of those leaving who earned \$100,000 or more each year, 14 percent were between the ages 35 and 54 with 22 percent between the ages of 55 and 64, for a total of 36 percent.

Nationally, Maryland does not rate well when it comes to taxes. According to the Tax Foundation, **Maryland ranks 45th out of 50 states for its individual income tax.** Only Connecticut (#46), Hawaii (#47), New Jersey (#48), California (#49), and New York (#50) rank lower. All four contiguous states to Maryland have a higher ranking: Pennsylvania (#23), West Virginia (#25), Virginia (#34), and Delaware (#43).⁵

As of January 31, 2023, there were 51,835 military retirees in Maryland, receiving approximately \$1.968 billion in retirement income annually.⁶ **The number of military retirees has declined by 985 since the end of 2019 (see Attachment 2) and by 421 just between the end of 2021 and January 2023.** With a military retiree in Maryland receiving an average of \$37,962 during those 13 months, **that decline in the number of retirees resulted in approximately \$16 million less dollars coming into the state.**

Further, **as part of the domestic migration out of Maryland, military retirees are moving to states such as North Carolina where military retirement income from all the uniformed services is exempt from that state's income tax with no age restriction (see Attachment 3).** As early as 2019, it was pointed out to Maryland officials that a major part of a military retiree's decision of whether to remain in Maryland "is the amount to which their military pension will be taxed."⁷ Since then, the state has continued to see a decline in military retiree residents.

Almost all military retirees range in age from their late 30s to their early 50s, depending upon the number of years of service. Upon retirement from the military, many will work in civilian jobs for up to 25 years — **second careers with income that is fully taxable.** If there is no change to

² <https://www.clearancejobs.com/jobs/maryland>

³ <https://www.marylandtaxes.gov/reports/static-files/SOTE.pdf>, Executive Summary

⁴ Ibid.

⁵ Tax Foundation, 2024 State Business Tax Climate Index, <https://taxfoundation.org/research/all/state/2024-state-business-tax-climate-index/>

⁶ <https://actuary.defense.gov/>

⁷ <https://commerce.maryland.gov/Documents/ResearchDocument/employment-in-maryland-defense-study-HB-1542-2019.pdf>, page 32.

the current law, military retirees will continue to leave the state for those where there is no tax on their military retirement income, resulting in depriving Maryland income, property, and sales tax revenue and other economic benefits that would be received if they stayed. However, **by retaining military retirees in Maryland through the elimination of the age restriction and phasing in the full 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.**

The fundamental issue is whether Maryland wants to retain this valuable human capital or continue to let this valuable resource leave the state. **SB0346**, if passed and signed into law, will serve to mitigate the trend of continuing loss in the 35 to 54 age cohort and **help retain the human capital to help improve the state's economy going forward.**

SB0346 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. 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.”⁸ As well, it complements the Governor’s Year of Military Families by signaling to those on active duty currently assigned to installations in Maryland, and who will retire in the next three years, that our state is serious in them remaining here.

The Maryland Military Coalition **strongly supports** SB0346 and asks for a **FAVORABLE** report from the Budget and Taxation Committee. Eliminating the age restriction and phasing in a 100 percent exemption of military retirement income over the next three years 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 Senator Sarah Elfreth for sponsoring this legislation and her continued strong support of the uniformed services community, in particular, military retirees, in Maryland.

Respectfully,



David L. Dragics
COL USA (Ret)
Legislative Director

Attachments (3)

⁸ <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>

Member Organizations, Maryland Military Coalition

James P. Monahan
Air Force Sergeants Association

Steve P. May
American Military Society

Elwood Raphael Gray
American Minority Veterans Research Project

A. W. O.
Association of the United States Navy

Lynda A. Nash
Commissioned Officers Association of the
US Public Health Service

Wilbert B. Fisher
Disabled American Veterans

Seldon H. Freidus
Distinguished Flying Cross Association

Phyllis J. Collins
Fleet Reserve Association

Seldon H. Freidus
Jewish War Veterans of the USA

Steve L. Blocker
Maryland Air National Guard Retirees'
Association

Emmett R. Robert
Maryland Veterans Chamber of Commerce

Robert J. Winton
Military Officers Association of America

Charles E. [Signature]
Military Order of the Purple Heart

[Signature]
Montford Point Marines of America

M. L. Meese
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. McShaw
Society of Military Widows

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National Active and Retired Federal Employees
Veterans Affairs Directorate, NARFE MD

M. Blackwell
Veterans of Foreign Wars



MARYLAND MILITARY COALITION

UPDATED January 21, 2024 LISTINGS

The 38 States that Exempt Uniformed Services Retired Pay

As of January 21, 2024, **38 of the 50 states** do not tax ALL uniformed retirement pay, and that figure includes the 9 states, marked with asterisks below (*), without any personal income tax:

1. Alabama ‡ ^{SS}	20. Nevada *
2. Alaska *	21. New Hampshire *
3. Arizona ☒ ‡ ^{SS}	22. New Jersey ‡ ^{SS} (+\$6K Vet deduction)
4. Arkansas ☒ ‡ ^{SS}	23. New York ‡ ^{SS}
5. Connecticut ‡ Military-only retired pay	24. North Carolina ‡ ^{SS} 2022 (+ USPHS/NOAA)
6. Florida *	25. North Dakota ‡ ^{SS} Military-only retired pay
7. Hawaii ‡ ^{SS}	26. Ohio ‡ ^{SS}
8. Illinois ☒ ‡ » ^{SS}	27. Oklahoma ☒ ^{SS}
9. Indiana ‡ ^{SS} Military-only retired pay	28. Pennsylvania ‡ » ^{SS}
10. Iowa ☒ ‡ ^{SS} 2023 ALL	29. Rhode Island Military-only retired pay
11. Kansas ‡ ^{SS}	30. South Carolina ‡ ^{SS} Military-only retired pay
12. Louisiana ‡ ^{SS}	31. South Dakota*
13. Maine ‡ ^{SS} Military-only retired pay	32. Tennessee*
14. Massachusetts ‡ ^{SS}	33. Texas*
15. Michigan ☒ ‡ ^{SS} Military-only retired pay	34. Utah ‡ Military-only retired pay
16. Minnesota ☒ ‡	35. Washington*
17. Mississippi ‡ » ^{SS}	36. West Virginia ‡ Military-only retired pay
18. Missouri ☒ ‡	37. Wisconsin ‡ ^{SS} Military-only retired pay
19. Nebraska ‡	38. Wyoming*

* 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 retiree's "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):

Military Retirees and Survivors Maryland -- 2017 to 2023

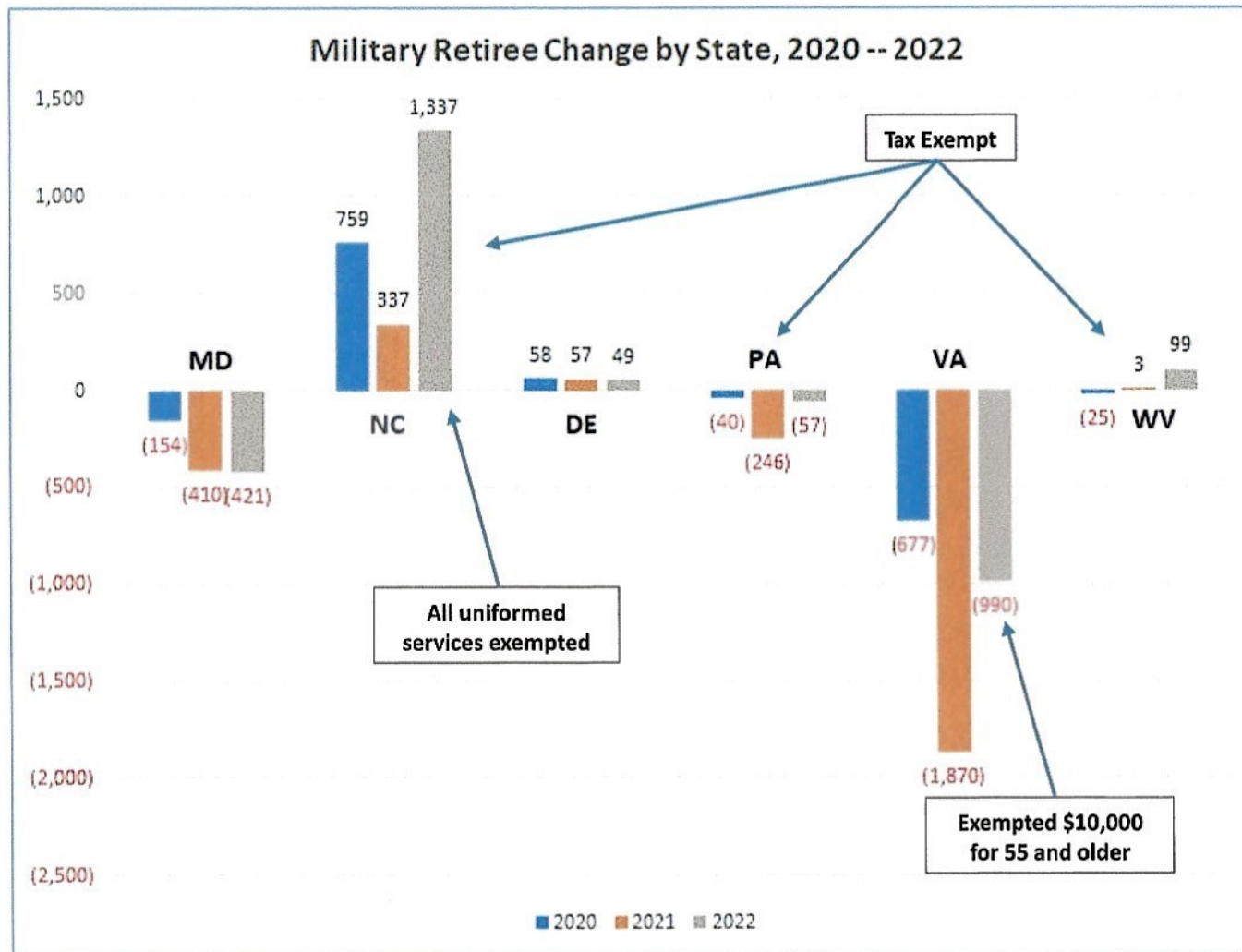
As of 12/31	Total DoD Retired Receiving Pay from DoD	Total DoD Retired with VA Offset	Total Monthly Pay (\$1000)	Total Annual Pay (\$1000)	Total Survivors	Survivors with DIC Offset	Monthly Pay	Total Annual Pay (\$1000)	Total Retired & Survivors	Annual Change	Retiree Average Annual Pay (\$1000)	Survivor 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 2019 to 2023:	(1,114)	-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



North Carolina, Delaware, Pennsylvania, and West Virginia have no age restrictions on military retirement income.

Delaware exempts \$12,500.

Virginia taxed military retirement income before 2022. Exempted \$10,000 in 2022 for 55 and older and \$20,000 in 2023 for 55 and older. Virginia removed their age restriction beginning with Tax Year 2024. Will exempt \$30,000 in 2024 and \$40,000 in 2025 and beyond.

Source: <https://actuary.defense.gov/> Military Retirement subheading; dropdown menu; Congressional District Report, 2019-2023

SB 346 FINAL WR Testimony (1).pdf

Uploaded by: Giavante Hawkins

Position: FAV



MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

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Giavante' Hawkins
Executive Director

To: Budget and Taxation

From: The Maryland Society of Accounting and Tax Professionals

Re: SB 346

Contact Person: Giavante' Hawkins

Position: IN FAVOR

Income Tax - Subtraction Modification - Military Retirement Income

I write today on behalf of the Maryland Society of Accounting and Tax Professionals (MSATP), representing over 2,000 accounting and tax professionals serving hundreds of thousands of Maryland taxpayers. We strongly support Senate Bill 346 to steadily expand the existing military retirement income tax subtraction modification over the next three tax years.

Under current law, military retirees face an unfair tax liability compared to other Maryland retirees, such as state and local government retirees. Those under 55 years old can only exempt \$12,500 while older retirees can exempt up to \$20,000. This bill would increase that exemption to \$20,000 for all military retirees starting next year, eventually exempting 100% of military pension income entirely by Tax Year 2026.

Our member professionals frequently see the obstacles this presents in attracting and retaining veterans to settle in Maryland post-retirement. For many, it is cost-prohibitive, and they move to more military retirement-friendly states nearby. However, Maryland has an opportunity to lead in our region by making veterans feel welcomed and able to affordably retire here.

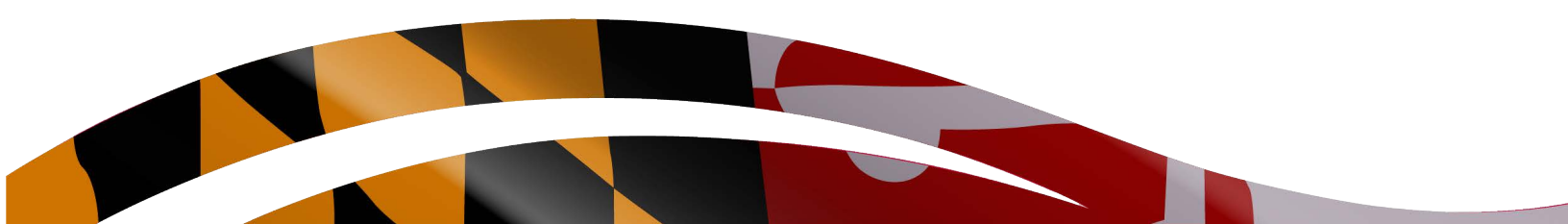
Additionally, reduced income taxes put more disposable income back into veterans' pockets to spend at local small businesses, raising revenues for local retail shops, restaurants, professional services, and countless other enterprises. More resident veterans also expand Maryland's tax base over time. And some entrepreneurial retirees may start small businesses themselves, hiring local residents.

As tax practitioners working with military families, we encourage you to consider Senate Bill 346 favorably to enact a full income tax subtraction on military pensions. This will support those who served our country while providing an economic boost with more veterans living, working, and spending their benefits to help Maryland small businesses thrive.

We are happy to serve as a resource to the Committee on this important effort.

Thank you for your consideration.

Giavante Hawkins



SB 346_MDCC_Keep our Heroes Home Act_FAV.pdf

Uploaded by: Hannah Allen

Position: FAV



LEGISLATIVE POSITION:

Favorable

Senate Bill 346 – Keep Our Heroes Home Act

Senate Budget and Taxation Committee

Wednesday, January 24, 2024

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,800 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 346 phases in, over a period of three years, an increase in a subtraction modification under the Maryland income tax to allow a subtraction of all military retirement income beginning in taxable year 2026.

In Maryland, there are 33 available workers for every 100 open jobs according to the U.S. Chamber as of December 2023 – which means our state is facing a severe workforce shortage. Maryland also ranks 45th for overall tax climate according to the Tax Foundation. To address this, we support efforts aimed at Military Retirement Relief, including the elimination of the state income tax on uniformed services retirement pay.

Currently, Maryland is home to many military individuals and families, housing 20 military facilities and 11 military bases. When service members retire from the military, typically between their mid 30s – mid 50s, they often take on jobs after their retirement and contribute to the workforce. Military retirees fill important gaps in our workforce like IT, healthcare, cybersecurity, and defense. A lot of these jobs are higher paying as well. However, because Maryland is one of 11 states and DC that currently tax a portion of military retirement income, we're seeing military retirees seek opportunities outside of Maryland, moving to other states, and not participating in our workforce. If we can keep military retirees and their family's tax base in Maryland, we would gain not only a continued contribution to our local economy but also the wealth of experience and skills they bring, enhancing the state's workforce and fostering a sense of community and stability. This elimination will make our state more regionally competitive in retaining veterans and their families, keeping a highly skilled workforce in our state to help fill open jobs.

Maryland should join the other 38 states that do not tax military retirement income. To be economically competitive with our neighboring states, we should align with West Virginia and Pennsylvania who fully exempt military retirement income from their state tax. Eliminating the age restriction and phasing in a 100% exemption of military retirement income over the next three years recognizes the value of the contributions military retirees will make to Maryland's future economic growth.

Supporting veterans is of utmost importance to the Maryland Chamber. Military retirees hold a great deal of knowledge that they pass on to any number of potential employers and are often found continuing their legacy of service by volunteering for Maryland's charities and schools. Maryland benefits greatly from the retention of these individuals and this legislation provides our state with a golden opportunity to properly honor those who have served in our armed forces. SB 346 will allow us to not only reward military retirees for their sacrifices but allow them to continue their legacy of service at home in Maryland. By providing incentives for our military retirees to stay in Maryland, they will continue to provide sales tax revenue, volunteer, make charitable contributions and contribute to the state's economy.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **Favorable Report** on **SB 346**.



MTA Favorable SB346 1-24-2024.pdf

Uploaded by: Jenna Sublett

Position: FAV



M a r y l a n d Troopers Association



INCORPORATED 1979

January 24, 2024

The Honorable Guy Guzzone, Chairman and Members of the Budget & Taxation Committee

RE: SB 346- Income Tax - Subtraction Modification - Military Retirement Income

(Keep Our Heroes Home Act)

POSITION: SUPPORT

The Maryland Troopers Association (MTA) has a membership strength of approximately 2,629 members of which 1,120 are active sworn Troopers involved in traffic and criminal enforcement throughout the State of Maryland.

To honor those who sacrifice their lives every day, MTA supports an increase in a subtraction modification under the MD income tax to allow for a subtraction of all military retirement income.

Our MTA members include several active and retired military members that are Troopers. We believes this legislation will act as an incentive for them to remain in Maryland and not feel the need to reside in other states once retired.

Maryland State Troopers and military members are integral members of the community in Maryland. Given the role that they perform to preserve the public safety of our counties and state, we feel that this small change is warranted and justified.

Therefore, the Maryland Troopers Association strongly supports SB 346 and request a favorable report.

Brian Blubaugh
President
Maryland Troopers Association

Member of National Troopers Coalition
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SB 346_FAV_AARP.pdf

Uploaded by: Karen Kalla

Position: FAV



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facebook.com/aarpmid

**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.



Elfreth - SB346 Testimony.pdf

Uploaded by: Sarah Elfreth

Position: FAV

SENATOR SARAH ELFRETH
Legislative District 30
Anne Arundel County



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Budget and Taxation Committee

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Joint Committee on the Chesapeake and
Atlantic Coastal Bays Critical Area

Chair, Joint Subcommittee on
Program Open Space/Agricultural
Land Preservation

January 24, 2024

Testimony in Favor of SB346
Income Tax - Subtraction Modification - Military Retirement Income (Keep Our Heroes Home Act)

Chairman Guzzone, Vice-Chair Rosapepe, and members of the Budget and Taxation Committee,

I respectfully request a favorable report of Senate Bill 346 to affirm Maryland's commitment to our veterans by recognizing the service of retired veterans of all ages and incentivizing them to continue residing in Maryland. I am proudly joined by over nineteen of my colleagues in the Senate who cosponsor this legislation. I extend gratitude to Governor Moore and the Budget and Taxation Committee for your work to advance this issue in the 2023 Legislative Session.

According to the United States Department of Veterans Affairs,¹ Maryland is the proud home to 363,531 veterans, totaling 7.4% of the adult population of the state and higher than the national average of 6.4%. Of these veterans, 55,793 are retirees, accounting for 15.3% of the state veteran population and again higher than the national average of 11.5%. Maryland continues to outpace the national average with our population of veterans ages 35-54 (27.9% in Maryland, 24% nationally), and ages 55-64 (20.9% in Maryland, 18.6% nationally).

Despite Maryland's current high rates of veteran residency, the United States Department of Veterans Affairs projects that the veteran population of Maryland will decrease to 214,851 by 2050, a loss of 1.8% of our current population. The reason is simple: Maryland is not effectively incentivizing retired veterans, particularly those below age 55, to stay. We can correct this with Senate Bill 346.

Currently, Maryland statute limits tax incentives for retired Maryland veterans to only those above the age of 55. In fact, the median age of retired veterans is 45.² Considering Maryland's high number of veterans within this age group, a large portion of retired veterans are missing out on tax incentives for their service - and many are making the decision to retire to one of the 26 other states that do not tax their military retirement income³. Those veterans who retire at or before 45 will have second careers, many of which will be in the highly-paid security and defense

¹ <https://www.datahub.va.gov/stories/s/8vmb-86pa>

² <https://doi.org/10.1186/s40779-015-0057-y>

³ <https://turbotax.intuit.com/tax-tips/military/states-that-dont-tax-military-retirement/L6oKaePdA>

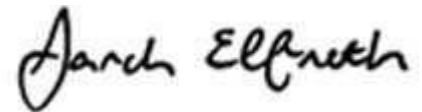
industry. By leaving Maryland or by paying income taxes in another state that does not tax military retirement income, Maryland is losing both tax revenue and a highly skilled workforce.

The inequity of access expands beyond age. Over half of female veterans in the United States are under the age of 45,⁴ meaning that the majority of retired female veterans would not be eligible for this tax incentive. Further, 25% of working-age civilian veterans with a VA determined Service-Connected Disability was 25% in Maryland in 2017⁵, disproportionately disqualifying them from the current tax incentive structure despite their military service.

Although tax incentives for retired veterans residing in Maryland currently exist, the current structure is inaccessible to the majority of female veterans as well as most disabled veterans in Maryland. Senate Bill 346 addresses this inequity by removing the age requirement of 55 years to ensure that all retired veterans, no matter their age, gender, or disability are eligible for tax incentives to remain residents of Maryland. By removing these limiting factors, Maryland can keep more of our heroes home, which will have a consequent positive economic impact on the state as more veterans claim Maryland as their primary home and contribute to the state economy through income, property, and sales taxes.

I urge a favorable report on Senate Bill 346.

Sincerely,

A handwritten signature in black ink that reads "Sarah Elfreth". The signature is written in a cursive, flowing style.

Senator Sarah Elfreth
District 30

⁴ <https://www.va.gov/vetdata/docs/surveysandstudies/vetpop.pdf>

⁵ https://www.disabilitystatistics.org/StatusReports/2017-PDF/2017-StatusReport_MD.pdf

SB0346-BT_MACo_OPP.pdf

Uploaded by: Kevin Kinnally

Position: UNF



Senate Bill 346

*Income Tax - Subtraction Modification –
Military Retirement Income (Keep Our Heroes Home Act)*

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: January 24, 2024

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

Counties are eager and committed partners in promoting economic growth and creating opportunity – and prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but county governments welcome flexible and optional tools to serve and react to local needs and community priorities.

The General Assembly routinely considers broad or targeted tax incentives to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals sometimes focus exclusively on the State's tax structure, but often extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by locally elected leaders directly accountable within the communities they serve, are best positioned to govern local affairs – ranging from land use to fiscal matters. MACo steadfastly guards this local autonomy and consistently advocates against one-size-fits-all policies that override local decision-making.

State tax incentives should be enacted as "local option" offerings to allow counties maximum flexibility in tailoring local policies to meet local needs and priorities. The State and its local governments already work together here – where the State routinely grants a state-level property tax credit, enabling county governments to enact their own as a local option.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives but resist state-mandated changes that preclude local input.