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Budget and Taxation Committee

Subcommittees

Capital Budget

Pensions

Chair, Public Safety,
Transportation, and Environment

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>

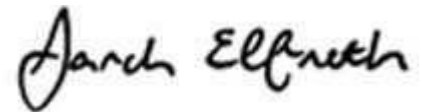
industry. By leaving Maryland or by paying income taxes in another state that does not tax military retirement income, Maryland is losing both tax revenue and a highly skilled workforce.

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