



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**.

