



# MARYLAND MILITARY COALITION

*Serving Veterans through Legislative Advocacy*

February 13, 2025

The Honorable Vanessa E. Atterbeary  
The Honorable Jheanelle K. Wilkins  
House Ways and Means Committee  
130 Taylor House Office Building  
Annapolis, MD 21401

Subject: **Request for FAVORABLE Report – HB 800 - Income Tax - Subtraction Modification for Military Retirement Income - Individuals Under the Age of 55**

Dear Chair Atterbeary, Vice Chair Wilkins and Distinguished Members of the House Ways and Means Committee:

On behalf of the Maryland Military Coalition and as its Communications Director, I come before you to ask for a **FAVORABLE report** for House Bill HB 800 “**Income Tax - Subtraction Modification for Military Retirement Income - Individuals Under the Age of 55**”, introduced by Delegate Mike Griffith. This bill removes the current discriminatory age restriction of age 55 for service retirees and provides a \$20,000 tax income tax subtraction for all veterans, regardless of age.

While I recognize that the State’s budget is in dire straights, this bill is imperative if you and the Governor wish to reduce outflow of service members leaving the State upon retirement and grow our economy. Currently, **38 states do not tax military retired pay without age restriction**. Our state **is not competitive with three of the four contiguous states that have no age restriction on exempting military retired pay and either exempt 100 percent** (Pennsylvania and West Virginia), **or exempt MORE**—Virginia exempts \$40,000 of military retirement income this year and beyond.

The Coalition strongly supports this bill for the following reasons:

- Most service members are highly trained leaders and have a strong work ethic.
- Most service retirees leave active-duty in their early 40s to 50s, depending on their years of service. Most will work in civilian service for up to 25 years (or more)—2<sup>nd</sup> careers that are fully taxable.
- By passing this bill and retaining retiring young service members in the state, **the state can gain tax revenue from their civilian jobs**, and their spouse’s jobs, **offsetting the cost of the increased subtraction**.
- By attracting and retaining military retirees, they and their families will continue to contribute to their communities. They will bring expertise and critical skills to occupations where serious shortages currently exist, such as in Defense, healthcare, information technology, cyber, and research. They will also start small businesses.
- However, when a retiree leaves Maryland for a state where their retiree income is exempt (any of the 38 states that don’t tax retired pay), our state loses the opportunity to tax revenue from their 2<sup>nd</sup> career income, their working spouse’s income, purchase of a home or car, sales, use, excise and property taxes for up to 25 years. These retirees buy homes and cars, pay sales and use, excise and support the local economy. You know this is true—you only have to sit at the gate

**1101 Mercantile Lane, Suite 260 • Largo, Maryland 20774**  
**(301) 583-8687 • (800) 808-4517**

**Request for FAVORABLE Report – HB 800 - Income Tax - Subtraction Modification for Military Retirement Income - Individuals Under the Age of 55**

and watch the cars entering Fort Detrick, Fort Meade, Aberdeen Proving Grounds or PAX River. You won't see many Maryland tags.

- There are currently 8,327 openings for jobs in Maryland that require [security clearances](#). Most retiring service members hold clearances that can be transferred to federal or contractor jobs that have these opening **IF** that individual has an **incentive** to stay. Passing this bill will help address this issue.
- The state currently has shortages in all health occupations as well as teaching positions. In my Corps, the U.S. Public Health Service, most officers are doctors, nurses, dentists and pharmacists, among others. Passing this bill would help address these shortages too.
- The number of DoD retirees alone has declined in Maryland by 601 between 2016 – 2023 and total number of Retired and Survivors has [declined by 1,061](#). At the same time, North Carolina who exempted military retirement pay in 2023 has seen a 2,000+ **INCREASE** in retired service members.

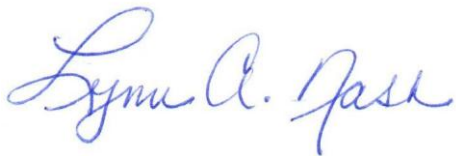
The fundamental issue is whether the State of Maryland wants to retain this valuable human capital or continue to let this valuable resource continue to leave the State. If HB 800 is passed and signed into law, it will serve to mitigate the trend of the continuing loss in those service retirees under the age of 55 and serve to retain valuable and highly trained human capital to help the State's economy going forward.

A veteran is a veteran, regardless of age. We must remove this discriminatory age restriction, if we hope to retain retiring service members. The Maryland Military Coalition **Strongly supports HB 800 - Income Tax - Subtraction Modification for Military Retirement Income - Individuals Under the Age of 55** and asks for your **FAVORABLE** report.

The Maryland Military Coalition is a registered non-profit, non-partisan advocacy organization comprised of 22 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 Griffith for his on-going support of **ALL** of the uniformed services community in Maryland.

Respectfully,



Lynn A. Nash  
CAPT (R), U.S. Public Health Service  
Communications Director

**2 Attachments**

1. Member Organizations of the Maryland Military Coalition
2. States That Don't Tax Military Retired Pay



## Member Organizations of the 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 U.S. Public Health Service

Disabled American Veterans

Fleet Reserve Association of Annapolis

Jewish War Veterans of the U.S.A

Maryland Air National Guard Retirees' Association

Maryland Veterans Chamber of Commerce

Military Officers Association of America

Military Order of the Purple Heart

Military Order of the World Wars

Montford Point Marines of America

National Association of Black Veterans

National Association of Retired Federal Employees, Maryland Veterans

Naval Enlisted Reserve Association

NOAA Association of Commissioned Officers

Platoon 22

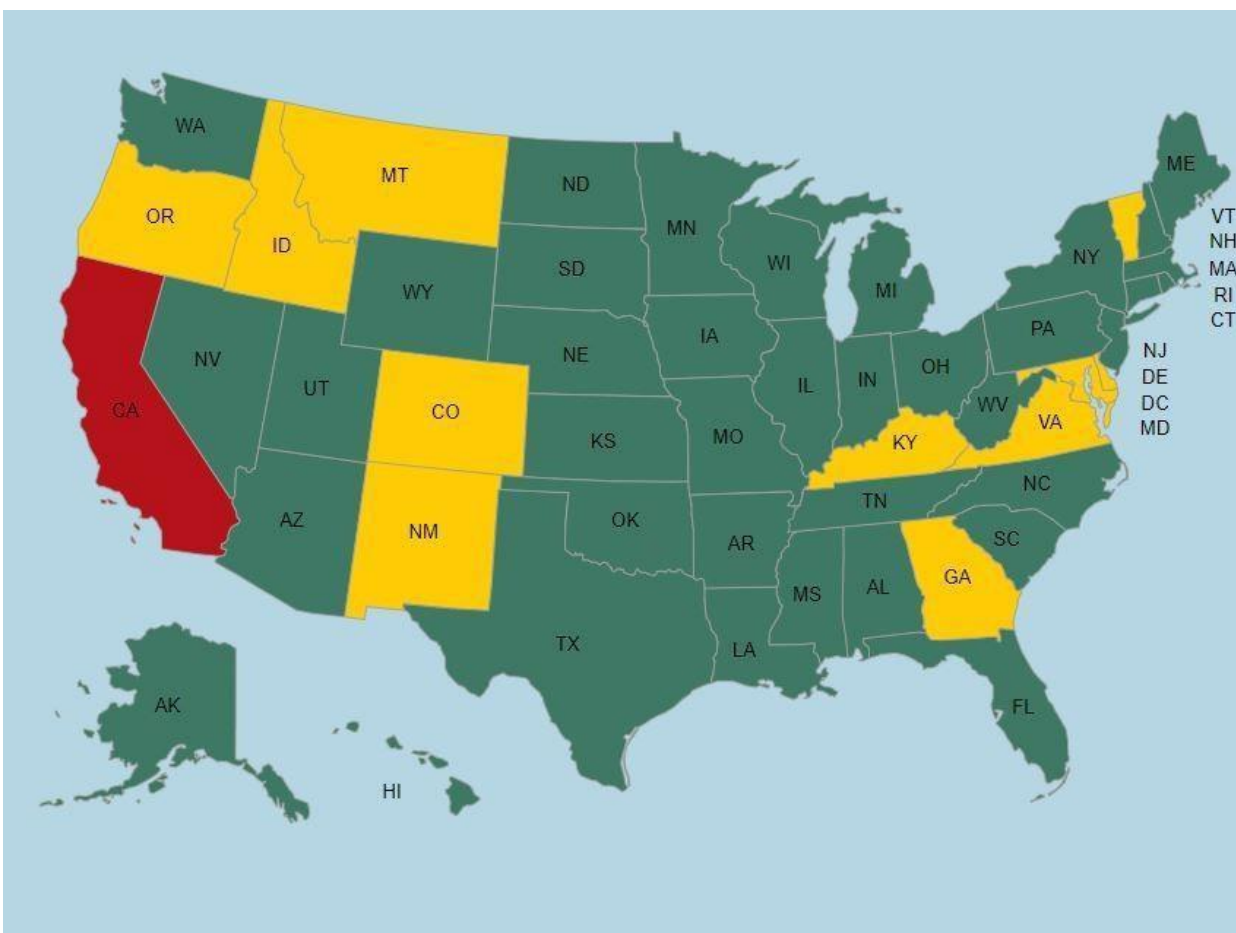
Reserve Organization of America

Society of Military Widows

Veterans of Foreign Wars

# States that ***DO NOT*** Tax Military Retired Pay

As of August 7, 2024



### 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

Map Source: MOAA Communications; updated May 17, 2024



## MARYLAND MILITARY COALITION

### Updated – State Treatment of Military Retired Pay – As of October 22, 2024

#### The 38 States that Exempt Uniformed Services Retired Pay

As of October 3, 2023, **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 ‡ <sup>SS</sup>	20. Nevada *
2. Alaska *	21. New Hampshire *
3. Arizona ☒ ‡ <sup>SS</sup>	22. New Jersey ‡ <sup>SS</sup> (+\$6K Vet deduction)
4. Arkansas ☒ ‡ <sup>SS</sup>	23. New York ‡ <sup>SS</sup>
5. Connecticut ‡ <b>Military</b> retired pay only	24. North Carolina ‡ <sup>SS</sup> <b>2022 (+ USPHS/NOAA)</b>
6. Florida *	25. North Dakota ‡ <sup>SS</sup> <b>Military</b> retired pay only
7. Hawaii ‡ <sup>SS</sup>	26. Ohio ‡ <sup>SS</sup>
8. Illinois ☒ ‡ » <sup>SS</sup>	27. Oklahoma ☒ <sup>SS</sup> <b>Military</b> retired pay only
9. Indiana ‡ <sup>SS</sup> <b>Military</b> retired pay only	28. Pennsylvania ‡ » <sup>SS</sup>
10. Iowa ☒ ‡ <sup>SS</sup> 2023 ALL Retirement > 55 y.o./Dis.	29. Rhode Island <b>Military</b> retired pay only
11. Kansas ‡ <sup>SS</sup>	30. South Carolina ‡ <sup>SS</sup> <b>Military</b> retired pay only
12. Louisiana ‡ <sup>SS</sup>	31. South Dakota *
13. Maine ‡ <sup>SS</sup> <b>Military</b> retired pay only	32. Tennessee*
14. Massachusetts ‡ <sup>SS</sup>	33. Texas*
15. Michigan ☒ ‡ <sup>SS</sup> <b>Military</b> retired pay only	34. Utah ‡ <b>Military</b> retired pay only
16. Minnesota ☒ ‡	35. Washington*
17. Mississippi ‡ » <sup>SS</sup>	36. West Virginia ‡ <b>Military</b> retired pay only
18. Missouri ☒	37. Wisconsin ‡ <sup>SS</sup> <b>Military</b> retired pay only
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

<sup>SS</sup> 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):

**NEW Colorado** – Adjustments vary by age of retiree. **\$15,000 of retirement income can be excluded if under 55. Ages 55-64 up to \$20,000; 65+ up to a \$24,000, exemption**, includes SBP. Legislation extended the under-55 exemption until 2028.

**Delaware** – **\$12,500** pension exclusion for military retirees of all ages “*providing an incentive for military retirees under age 60 to locate in Delaware*.” [SB 201](#), which would expand the current exemption and include Coast Guard, USPHS and NOAA and survivor benefits over a three-year span to \$25,000 has not emerged from the Senate Executive Committee.

**District of Columbia** – Exemption of up to \$3,000 available if 62 and older.

**Georgia** – Under age 62 - \$17,500 of military retirement benefits (armed forces) exempted and an additional \$17,500 of such income if individual has Georgia-earned income > \$17,500; Up to \$35,000 of other retirement income is excluded for taxpayers between 62 and 64 years or disabled; and, **Over 65 - \$65,000 exempted**.

**Idaho** – Tax-free for retirees 65 and older, or disabled retirees 62 or older.

**Kentucky** – Retirees prior to 1997 are 100% exempt; **After 1997, \$31,110 of retirement and annuity is exempt**. Additional exclusions may be available.

**Maryland: Current Status**– The Subtraction from Maryland Income is NOT a tax exemption; it is limited to \$12,500 below age 55, and \$20,000 for retirees over the age of 55 beginning **January 1, 2023**. These factors often *encourage retirees from other states to COMMUTE INTO Maryland to work in attractive high-pay in jobs during their second career employment but LIVE OUTSIDE the State*—(See [A Study of Employment in the State’s Defense Industry](#)). In addition, **Colorado, Georgia, Kentucky, Montana, New Mexico and Virginia currently exclude MORE military retirement**.

**NEW Montana** – On **May 19, 2023**, Montana Governor Greg Gianforte signed into law legislation exempting tax on **50% of retirement income** for retired members of the armed forces of the United States, the Montana or other states army or air national guard, and reserve components of the U.S. armed forces regardless of age, as well as surviving spouses, beginning January 1, 2024. Retirement income of up to \$5,060 may be exempt if federal AGI less than \$42, 140 (\$43,000 married filing jointly). Federal income tax deductible (limited to \$5,000). \$5,500 subtraction from federal taxable income if 65 or older

**NEW New Mexico** – All retired Armed Forces and SBP **\$30K exempt for tax year 2024 and beyond (HB 252)**. Work underway to make sunset permanent and include U.S. Public Health Service & NOAA. All retirement income exemption of \$8,000 is available, subject to income restrictions, for taxpayers 65 and over.

**Oregon** – Oregon is considering legislation that would fully exempt military retirement income starting in tax year 2024. Currently, the “Federal Pension Subtraction” applies based on when service occurred (e.g. all before Oct. 1, 1991 = 100% subtraction. If no months worked before Oct. ’91, you cannot subtract any federal pension). See [2016 Oregon Publication OR-17](#).

**Vermont** – Currently exempts the first \$10,000, subject to an Annual Gross Income cap of \$50,000 (single) and \$65,000 (joint). Exemption is phased out over the next \$10,000 in additional retirement income.

**Virginia** – September 14, 2023. Governor Youngkin signed the budget that includes eliminating the age restriction for military tax exemption. Current exemption for military retirees: \$30K (2024); \$40K (2025 and beyond). Virginia income tax % rates across wage brackets are consistently and substantially lower than in Maryland. Retirees from U.S. Public Health and NOAA are not eligible.

**Only California fully taxes Uniformed Services Retired Pay.** [AB46](#), which would exempt uniformed services retirement pay, to include the Coast Guard, U.S. Public Health Service and NOAA recipients and survivor benefits from state tax was placed in the suspense file in August 2023, and has not come up for passage, needed by August 31, 2024. Over growing concerns over the state budget, the path forward appears unlikely.

**The details of tax codes vary substantially among the states, and are subject to change. Taxpayers are urged to consult with tax professionals, as appropriate.**

[Update based on [Military State Report Card & Tax Guide](#), [MOAA Tax Roundup](#) June 26, 2024, [Military.com AARP](#), [IA HF2317](#), [NARFE Apr 2021 pp. 30-35](#)]