NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEES

MARYLAND FEDERATION

Statement of the Paul Schwartz, National Vice President, National Active and Retired Federal Employees
House Bill 355
House Ways & Means Committee
January 30, 2025
Income Tax – Subtraction Modification – Retirement Income

Good Afternoon, Chairwoman Atterbeary and Members of the Ways and Means Committee. My name is Paul Schwartz, and I am the National Region II Vice President of NARFE, the National Active and Retired Federal Employees Association. We represent approximately 300,000 Federal employees and annuitants living in Maryland.

As you all are abundantly aware, Maryland faces a budget shortfall of some $300 million. According to our Comptroller, Brooke Lierman, a significant portion of the decline in revenue can be attributed to a decline in population. A significant contributing factor to that decline is retirees moving to more tax-friendly states such as Delaware and Pennsylvania and taking their tax money including income tax, sales tax, property tax, fuel tax and, as well, spending power, with them.

HB 355 is an attempt to stem the tide of that senior migration out of our state.

There is not an individual in this room who is not aware of the ongoing problem of senior migration to tax friendly states and the impact of losing our retirees on Maryland's economy.

This bill, HB 355, which serves to expand the number of retirement plans subject to income subtraction modification as well as alters the maximum amount of the subtraction modification and thereby apply it to the retirement income of more seniors 65 years of age or older is a major step in stemming the tide of senior migration.

Last year's passage of the Retirement Tax Elimination Act of 2022 was a major step in the right direction. It clearly helped move Maryland out of last place on Bankrate's survey, jumping all the way to number 44, even though it only impacted a very small number of seniors.

Accordingly, we must do better and HB 355 can actually have a significant impact on stemming that tide of senior migration.

It is inexcusable that a military couple shared with me that both had a military pension plus social security and was able to save more than $24,000 in state taxes by moving from Waldorf, Maryland to Gettysburg, Pennsylvania, still close enough to visit the grandkids.

As you well know when retirees migrate to more tax friendly states they take their tax money, their buying power and their community service with them.

Clearly, Pennsylvania is not doing this in the name of charity. They are doing this because attracting retirees from such states as Maryland has a positive impact on their economy. States such as Texas, Nevada, Delaware, North Carolina, Florida and South Carolina do not tax pensions for the same reason.

Accordingly, we fully support passage of HB 355 and advocate the use of dynamic scoring to calculate the long-term benefit of this legislation on the economy of Maryland and not be limited by the short term impact on revenue per the fiscal note.