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HB 355 Income Tax Subtraction – Modification - Retirement Income
Maryland House Ways and Means Committee
January 30, 2025

Good afternoon, Chair Atterbeary and Members of the Ways and Means Committee. On behalf of AARP Maryland and our nearly 900,000 members across the state, we are pleased to offer our strong support for House Bill 355, which provides much-needed tax relief for older adults and individuals with disabilities by modifying the subtraction allowance on income derived from retirement plans. This legislation represents an important step toward fostering financial security for Marylanders as they age.

Background and Importance

Maryland's retirees and individuals living with disabilities face significant financial challenges, including rising healthcare costs, housing expenses, and everyday living costs. Many live on fixed incomes, heavily reliant on Social Security, pensions, or other retirement savings to make ends meet. Unfortunately, current income tax policies often do not reflect the economic realities of these populations. HB 355 addresses this issue by:

1. Expanding the subtraction modification for individuals who are at least 65 years old or who are disabled (or whose spouse is disabled);
2. Increasing the maximum amount of the subtraction modification for certain taxable years; and
3. Eliminating outdated limitations on the maximum amount of the subtraction modification.

By applying these changes to all taxable years beginning after December 31, 2024, HB 355 ensures that retirees and disabled individuals will see immediate and tangible benefits, helping them to maintain their quality of life and financial independence.

Why HB 355 Matters

1. **Enhancing Retirement Security:** Nearly half of Maryland households headed by individuals aged 65 or older rely on Social Security for 50% or more of their income. Yet, Social Security benefits alone are not sufficient to cover the full cost of living in Maryland, one of the most expensive states in the nation. By allowing retirees to keep more of their retirement income, HB 355 directly supports their ability to meet essential needs.
2. **Helping Individuals with Disabilities:** Marylanders with disabilities—and their families—often face higher costs related to medical care, specialized equipment, and

accessibility needs. Expanding the tax subtraction modification for this group provides critical relief, helping them to manage these additional expenses.

3. **Boosting Maryland's Economic Competitiveness:** Maryland's current tax policies for retirees are less favorable than those of neighboring states, which incentivizes many retirees to relocate. By improving the tax treatment of retirement income, HB 355 helps retain older residents, who contribute significantly to the state's economy through spending, volunteering, and civic engagement.

Conclusion

HB 355 reflects a commonsense and compassionate approach to tax policy, prioritizing the financial security of Maryland's retirees and disabled individuals. AARP Maryland urges the committee to issue a favorable report on this bill to ensure our aging population can live with dignity and security.

We thank Delegate Grammer for championing this important legislation and stand ready to work with the General Assembly to ensure its swift passage. Please do not hesitate to reach out to AARP Maryland for additional information or assistance. I can be reached at tbresnahan@aarp.org or by calling 410-302-8451.