



JOINT VETERANS COMMITTEE OF MARYLAND, Inc.

TESTIMONY

HB0707 Income Tax – Subtraction Modification – Retirement Income

16 February 2026

House Hearing: Ways and Means 19 February 2026 1:00pm

The Maryland Joint Veterans Committee (JVC) **SUPPORTS** HB0707 Income Tax – Subtraction – Retirement Income following reasons:

HB 707 expands the retirement income subtraction for individuals age 65 and older, individuals with disabilities, or those with a disabled spouse. The bill phases in increased subtraction percentages over time—30% in the initial years, 60% in subsequent years, and ultimately up to 100% of qualified retirement income. This approach provides meaningful relief while allowing the state to manage fiscal impacts responsibly.

Benefits to Maryland Citizens

1. Immediate Financial Relief for Seniors and Disabled Residents

Maryland retirees often live on fixed incomes. Rising costs for healthcare, housing, utilities, and insurance continue to strain household budgets. HB 707 allows these residents to retain more of their retirement income.

Using conservative examples:

Retiree A – \$40,000 annual retirement income

- 30% subtraction → \$12,000 excluded → approximately \$300–\$690 in tax savings
- 60% subtraction → \$24,000 excluded → approximately \$600–\$1,380 in tax savings
- 100% subtraction → \$40,000 excluded → approximately \$1,000–\$2,300 in tax savings

Retiree B – \$60,000 annual retirement income

- 30% subtraction → \$18,000 excluded → approximately \$540–\$1,035 in tax savings
- 60% subtraction → \$36,000 excluded → approximately \$1,080–\$2,070 in tax savings
- 100% subtraction → \$60,000 excluded → approximately \$1,800–\$3,450 in tax savings

For many retirees, even a few hundred dollars annually can cover prescriptions, property tax increases, or utility bills. At full phase-in, the savings become substantial.

2. Encouraging Retirement Stability in Maryland

Maryland competes with surrounding states for retirees. When retirees relocate, the state loses:

- Property tax revenue; Sales tax revenue; Estate activity; Community investment; Volunteer civic engagement

By reducing the tax burden on retirement income, HB 707 strengthens Maryland’s ability to retain residents who have spent decades contributing to our communities.

3. Strengthening Financial Independence

Allowing retirees to keep more of their income reduces financial strain and helps maintain independence. Greater disposable income allows seniors to:

- Invest locally; Support small businesses; Fund home improvements; Avoid reliance on supplemental state programs

Economic independence reduces long-term fiscal pressure.

Benefits to the State Government

1. Broader and More Stable Economic Activity

When retirees retain more income:

- They spend locally; They invest locally; Banks receive increased deposits

Deposits strengthen financial institutions and support lending to small businesses, homebuyers, and entrepreneurs. Increased lending capacity fuels job creation and economic growth. Economic growth broadens the tax base. Even if tax rates decline for specific income streams, overall revenue can stabilize or grow through expanded activity.

2. Retention of the Tax Base

Outmigration is costly. When higher-income or property-owning residents leave, revenue declines faster than expenses.

Infrastructure, pension obligations, and public safety costs do not shrink proportionally.

HB 707 supports population stability, which protects long-term revenue streams.



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3. Reduced Long-Term Dependency Pressures

While tax reductions alone do not shrink government, increased private-sector strength can reduce reliance on certain public assistance programs over time. When citizens retain more income, invest more, and maintain financial independence, demand for income-based support programs can decline. HB 707 encourages self-sufficiency without destabilizing the state budget.

4. Phased Fiscal Responsibility

The structured phase-in—30%, then 60%, then 100%—demonstrates fiscal prudence. It allows Maryland to evaluate economic impact over time and adjust responsibly. This is not a sudden revenue shock; it is a deliberate reform.

Benefits to Elected Officials

Supporting HB 707 provides measurable political advantages:

1. Demonstrates Responsiveness

Voters consistently cite tax burden and retirement security as top concerns. Supporting this bill signals attentiveness to constituent needs.

2. Appeals Across Party Lines

Retirement tax relief is not a partisan issue. It benefits middle-class seniors, disabled residents, and long-term Maryland taxpayers.

3. Strengthens Constituency Retention

Retirees are high-turnout voters. Providing tangible, calculable savings enhances trust and goodwill.

4. Supports Economic Development Narrative

Legislators can credibly state they supported policies that:

- Strengthen economic growth; Retain residents; Encourage investment; Protect seniors

5. Positions Members as Pro-Growth and Pro-Stability

HB 707 balances citizen relief with fiscal responsibility. That balance is politically powerful.

Conclusion

HB 707 is a measured, responsible expansion of Maryland's retirement income subtraction. It provides meaningful relief to seniors and disabled residents, strengthens economic stability, protects the state's tax base, and encourages long-term financial independence.

The bill does not create fiscal recklessness. It creates phased, sustainable reform. For Maryland citizens, it means stability. For the state, it means retention and growth. For elected officials, it demonstrates leadership rooted in fairness and economic strength. For these reasons, I respectfully urge a favorable report on HB 707.

The JVC encourages a **FAVORABLE** vote.

The Joint Veterans Committee of Maryland, Inc. is a community of congressionally chartered veteran organizations in the State of Maryland drawn together by strong bonds of respect and mutual ideas and ideals to promote true patriotism, to pursue by legislation and other activities, to advance the welfare of all veterans, their widows, their orphans, and their dependents.

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