



## MARYLAND MILITARY COALITION

*Serving Veterans through Legislative Advocacy*

February 17, 2026

The Honorable Jheanelle Wilkins  
Chair, Ways and Means Committee  
130 Taylor House Office Building  
Annapolis, MD 21401

Subject: Request for **FAVORABLE Report** – HB0761 – Income Tax – Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act)

Dear Chair Wilkins and distinguished members of the Ways and Means Committee,

On behalf of the members of the Maryland Military Coalition<sup>1</sup> (MMC), I write to recommend a **FAVORABLE report** by the Committee on **HB0761, Income Tax – Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act)**, sponsored by Delegates Mike Griffith and Mike Rogers. This bill will, over the next two years, raise the amount of military retirement income received by individuals that can be exempted from the Maryland State Income Tax regardless of age.

HB0761 will **help make Maryland more competitive** with three of the four contiguous states that have no age restriction on exempting this income from their state income tax and either exempt 100 percent (Pennsylvania and West Virginia) or exempt more than Maryland currently does (Virginia exempts \$40,000 of military retirement income). Eliminating the age restriction and raising the amount of military retirement income changes the current lack of incentives in the Maryland tax structure that causes individuals under the age of 55 who are retiring from active duty to move to other states where this income is tax-exempt.

The MMC strongly supports this bill for the following reasons:

- Passing this bill will **help address three interrelated economic issues impacting Maryland's economy**: 1) slow employment and wage growth, 2) a decline in the labor participation rate, and 3) domestic migration away from Maryland to states that have a lower cost of living. All of these factors have been pointed out in the Comptroller of Maryland's State of the Economy Report series. They continue to persist. **Retaining valuable human capital, represented by military retirees, is an important and positive step in helping to increase the growth rate of Maryland's economy**, a goal of the Moore Administration and the Legislature.

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<sup>1</sup> See attached list of member organizations.

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- Most military retirees range in age from their early 40s to 50s, depending upon the number of years of service. Many will work in civilian jobs for up to 25 years—second careers with income that would be **fully taxable**. By passing this bill and retaining military retirees in the state and increasing the exemption of their military retirement income, **the state can gain tax revenue from their civilian jobs, offsetting the cost of full exemption of military retired pay**. When a military retiree and his or her family leaves Maryland for a state where that income is tax-exempt (see Attachment), however, not only does our state lose the opportunity for tax revenue from the retiree’s second career civilian job but also that of a working spouse plus what that household will pay in sales and use, excise, and property taxes for up to 25 years.
- There are currently 7,093 openings for jobs in Maryland that require any type of security clearance.<sup>2</sup> **Many military retirees hold clearances that can be transferred to federal contractors** that have these openings if that individual has an incentive to stay after retiring from active duty. Passing this bill will help address this issue.
- Per the Comptroller of Maryland, domestic outmigration “is a downward drag on our labor market, economic output, and state and local revenues.”<sup>3</sup> Military retirees are part of this outmigration. Per data provided to the MMC by the Comptroller of Maryland, **the number of military retirees under the age of 55 who claimed the subtraction allowed by law declined from 7,233 in 2021 to 6,535 in 2023, a 9.7 percent reduction; for those retirees 55 and older, the number declined from 22,107 in 2021 to 21,420 in 2023, a 3.1 percent decline.**<sup>4</sup> As early as 2019, it was pointed out to Maryland officials that a major part of a military retiree’s decision of whether to remain in Maryland “is the amount to which their military pension will be taxes.”<sup>5</sup>

The fundamental issue continues to be whether the State of Maryland **wants to retain this valuable human capital or continue to let this valuable resource continue to leave the State**. HB0761, if passed and signed into law, will serve to mitigate the trend of the continuing loss of military retirees and serve to retain human capital to help the State’s economy going forward.

The Maryland Military Coalition **strongly supports** HB0761 and asks for a **FAVORABLE** report from the Ways and Means Committee. Raising the exemption of military retirement income from the state income tax to \$40,000 over the next two years, regardless of age, recognizes the value of the contributions military retirees can and will make to this state’s future growth.

The Maryland Military Coalition is a registered non-profit, non-partisan advocacy organization comprised of 21 prominent Maryland-based veteran and military groups. It represents over

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<sup>2</sup> <https://www.clearancejobs.com/jobs/maryland>

<sup>3</sup> <https://www.marylandcomptroller.gov/content/dam/mdcomp/md/reports/research/housing-economy-print.pdf>, Comptroller of Maryland, State of the Economy Series: Housing & the Economy, October 2025

<sup>4</sup> Comptroller of Maryland, letter to the Maryland Military Coalition, dated February 3, 2026, Re: Maryland Public Information Act Request dated December 16, 2025

<sup>5</sup> <https://commerce.maryland.gov/Documents/ResearchDocument/employment-in-maryland-defense-study-HB-1542-2019.pdf>, *A Study of Employment in the State’s Defense Industry*, October 7, 2019, Towson University, Regional Economic Studies Institute, page 32.

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150,000 service-connected individuals, including those currently serving, veterans, retirees and their families, caregivers and survivors. For further information, visit our website at <https://mdmilcoalition.org/>.

We want to thank Delegates Mike Griffith and Mike Rogers for sponsoring this legislation and supporting the uniformed service community in Maryland.

Respectfully,

A handwritten signature in cursive script that reads "David L. Dragics".

David L. Dragics  
COL USA (Ret)  
Legislative Director

Attachment



## **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

National Active and Retired Federal Employees, Maryland Veterans

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 Active and Retired Federal Employees, Maryland Veterans

Naval Enlisted Reserve Association

NOAA Association of Commissioned Officers

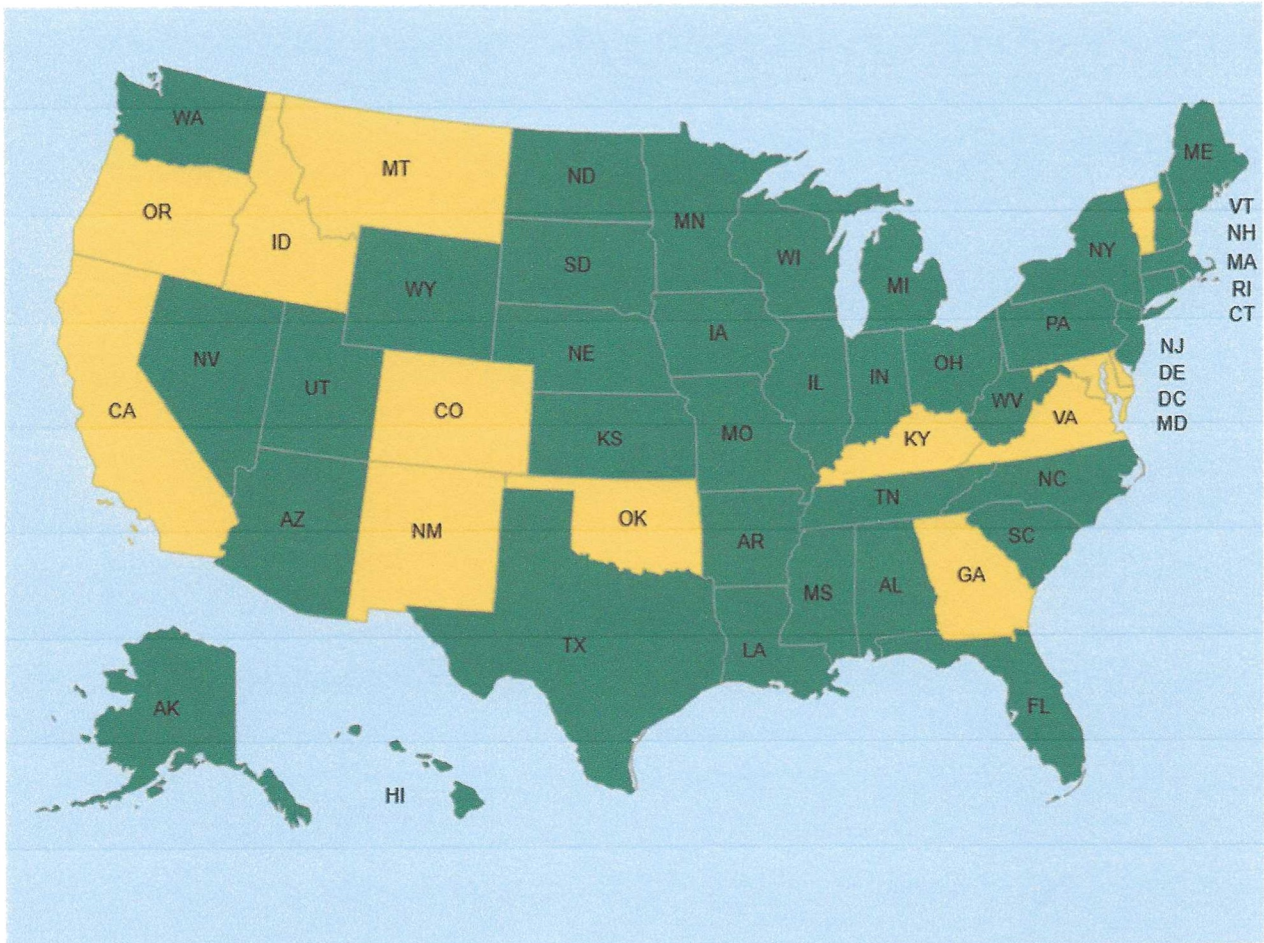
Reserve Organization of America

Society of Military Widows

Veterans of Foreign Wars

# States that *DO NOT* Tax Military Retired Pay

As of December 29, 2025



## 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

Map Source: MOAA Communications; updated July 8, 2025



## MARYLAND MILITARY COALITION

Updated – State Treatment of Military Retired Pay – As of December 29, 2025

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

As of July 1, 2025, **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) ‡ <i>Military Ret.</i> Only (+\$6K Vet
4. Arkansas ☒ ‡ <sup>SS</sup>	23. New York ‡ <sup>SS</sup>
5. Connecticut ‡ <i>Military</i> retired pay only	24. North Carolina ‡ <sup>SS</sup>
6. Florida *	25. (North Dakota) ‡ <sup>SS</sup> <i>Military</i> retired pay only
7. Hawaii ‡ <sup>SS</sup>	26. Ohio ‡ <sup>SS</sup>
8. Illinois ☒ ‡ » <sup>SS</sup>	27. Oklahoma ☒ <sup>SS</sup>
9. Indiana ☒ ‡ <sup>SS</sup> <i>NEW Uniformed services TY 25</i>	28. Pennsylvania ‡ » <sup>SS</sup>
10. Iowa ☒ ‡ <sup>SS</sup> ALL Retirement exempt > 55 /Dis.	29. (Rhode Island) <i>Military</i> retired pay only
11. Kansas ‡ <sup>SS</sup>	30. (South Carolina) ‡ <sup>SS</sup> <i>Military</i> retired pay
12. Louisiana ‡ <sup>SS</sup>	31. South Dakota*
13. Maine ‡ <sup>SS</sup> <i>NEW Uniformed Services TY 25</i>	32. Tennessee*
14. Massachusetts ‡ <sup>SS</sup> <i>NEW Uniformed Services 2025</i>	33. Texas*
15. (Michigan) ☒ ‡ <sup>SS</sup> <i>Military</i> retired pay only	34. (Utah) ‡ <i>Military</i> retired pay only
16. Minnesota ☒ ‡	35. Washington*
17. Mississippi ‡ » <sup>SS</sup>	36. West Virginia ‡
18. Missouri) ☒ <i>Military</i> retired pay only	37. Wisconsin ‡ <sup>SS</sup>
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)

**Twelve (12) states and the District of Columbia** currently tax a portion of a retiree's annual Retired Pay: CA, CO, DE, GA, ID, KY, MD, NM, OK, OR, VA, VT and DC