



**Statement of the Maryland Federation of
National Active and Retired Federal Employees
House Ways and Means Committee Hearing, February 18, 2026
On HB 761 – Income Tax – Subtraction Modification for Military Retirement
Income (Keep Our Heroes Home Act)**

(Position – FAV)

To: Chair Jheanelle Wilkins
Vice-Chair Jessica Feldmark
House Ways and Means Committee

From: Robert M. Doyle, Chair
State Legislative Committee
MD Federation National Active and Retired Federal Employees

I am pleased to submit today this statement on behalf of the State Legislative Committee of the Maryland National Active and Retired Federal Employees Association (NARFE), representing approximately 317,000 federal annuitants and employees in Maryland. For the continuing protection and benefit of retired Maryland veterans – many of whom are members of NARFE -- we support and ask you for a favorable report on – HB 761, Income Tax – Subtraction Modification for Military Retirement Income (Keep Our Heroes Home Act), which will provide significant tax relief to our MD retired veterans.

Under current Maryland law, military veterans can subtract from their Maryland Adjusted Gross Income \$12,500 if they are under 55, and \$20,000 for veterans 55 and older. If enacted, HB 761 will increase the military retirement income tax subtraction modification by increasing the amount to \$25,000 for tax year 2026 and \$40,000 for tax year 2027 and beyond, the maximum amount of military retirement income received by an individual that may be subtracted from federal adjusted gross income, regardless of the individual's age.

This would be a big incentive for Maryland military retirees to stay home, rather than moving to states near to Maryland with much better state income tax situations. This includes West Virginia and Pennsylvania – two of 38 states which don't tax military retirement income -- and Virginia which has a higher exempted amount than Maryland.

The Maryland Military Coalition (MMC), of which the MD NARFE Federation is a member, has been in the forefront of efforts to help MD veterans with state tax relief. The MMC has highlighted data and information supporting tax relief for MD veterans. For example, a 2019 Towson University study on Maryland's defense industry confirmed that taxation of military retirement pay is a factor driving military retirees to consider living and working in other states.¹ Additionally, there is significant migration out of Maryland of older persons, presumably mostly retirees. The 2023 State of the Economy report by the Office of the Maryland Comptroller showed that of the average 8000 people who left the state each year for the 10 year period 2012-

¹ From *A Study of Employment in the State's Defense Industry*, prepared for the Maryland Departments of Commerce, Labor, and Veterans Affairs, October 7, 2019, Towson University Regional Economic Studies Institute.

2022, 37% were persons between the ages of 55 and 64² -- presumably a lot of both military and non-military retirees.

MMC has also noted the important point that reducing or eliminating the taxing of military retirement income will be significantly offset, if not net neutral, by tax receipts from second career, civilian salaries from not only the military retiree but also a working spouse, and additional sales, excise, and property taxes generated. MMC concludes “in short, passing legislation that eliminates the age restriction and raises the exemption to \$40,000, or eliminates the age restriction and phases in a 100% exemption (like many other states have done) will not only help retain veterans but also attract retirees of the uniformed services and their families, especially those under the age of 55, to remain in Maryland after retiring from active duty and help improve the growth of Maryland’s economy.”³ We agree.

Passing HB 761 will help Maryland become more financially friendly for military retirees. You hear many people say to Veterans “thank you for your service.” This bill is a chance to do more than just that by passing meaningful legislation like HB 761 as sincere and concrete thanks for our veterans’ service.

We respectfully ask that you give a favorable report to HB 761. Thank you.

Robert M. Doyle, Co-Chair
Maryland Federation – NARFE

² Inaugural State of the Economy Report, Office of the Comptroller of Maryland, 2023, found at www.marylandtaxes.gov/static-files/SOTE.

³ Maryland Military Coalition – Summary of 2026 Legislative Goals, found at <https://www.mdmilcoalition.org/Advocacy>

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