

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 713
 Ways and Means

(Delegate Griffith, *et al.*)

**Income Tax - Subtraction Modification for Military Retirement Income -
 Individuals Under the Age of 55**

This bill increases the value of the military retirement income tax subtraction modification for individuals younger than age 55 from \$12,500 to \$20,000, consistent with the existing value of the subtraction modification for individuals age 55 and older. **The bill takes effect July 1, 2024, and applies to tax year 2024 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$3.0 million annually beginning in FY 2025. The Comptroller’s Office can implement the bill’s changes with existing budgeted resources.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)
Expenditure	0	0	0	0	0
Net Effect	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local revenues decrease by \$1.9 million annually beginning in FY 2025. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: An individual may exclude from Maryland adjusted gross income certain military retirement income, including death benefits, received as a result of (1) induction

into the U.S. Armed Forces for training and service under the Selective Training and Service Act of 1940 or a similar subsequent act; (2) membership in an active or reserve component of the U.S. Armed Forces; (3) membership in the Maryland National Guard; or (4) active duty with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey.

Chapters 613 and 614 of 2023 increased the maximum value of the subtraction modification from \$5,000 to \$12,500 for individuals younger than age 55 and from \$15,000 to \$20,000 for individuals age 55 and older beginning in tax year 2023. An individual who is at least age 65, is totally disabled, or whose spouse is totally disabled may qualify for and claim the standard State pension exclusion for retirement income that is not excluded under the military retirement income subtraction.

State/Local Revenues: As noted above, State general fund revenues decrease by an estimated \$3.0 million annually beginning in fiscal 2025, and local income tax revenues decrease by an estimated \$1.9 million annually beginning in fiscal 2025 due to increases in the value of subtraction modifications claimed against the personal income tax.

This estimate is based on an analysis of military retirement system beneficiary and payment data published by the U.S. Department of Defense for federal fiscal years 2018 to 2022, as well as an analysis by the Comptroller's Office of tax year 2020 claims for the existing subtraction modification. This estimate assumes that the number of taxpayers who are eligible for and claim the subtraction modification at the increased value remains relatively constant throughout the estimate period.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; U.S. Department of Defense; Moody's Analytics; Department of Legislative Services

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js/hlb

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