



## House Bill 738

*Income Tax – Subtraction Modification – Military Retirement Income –  
Individuals at Least 65 Years Old*

MACo Position: **SUPPORT**  
**WITH AMENDMENTS**

Date: March 1, 2016

To: Ways and Means Committee

From: Andrea E. Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** HB 738 **WITH AMENDMENTS**.

This bill would further expand an existing military retirement income tax subtraction modification from \$10,000 to \$15,000 for military retirees at least 65 years of age.

Legislation, which passed last year (SB 592, Chapter 125, Acts of 2015), expanded the military retirement income tax subtraction modification from \$5,000 to \$10,000 for retirees at least 65 years of age. Recognizing the benefit this legislation would provide for our military retirees, MACo did not take a position on the bill. However, the incremental effect of these bills not only depletes state revenues, but also reduces county income taxes – without any local action or input. Counties believe that incentives and reductions in local tax rates or bases should be a local decision, and would urge the Committee to resist proposals that automatically effect such changes across each county.

To minimize the local effect, MACo suggests amending the bill to instead be a credit against the state income tax. Consideration could then be given to exploring whether a local option income tax credit is feasible. This approach, if considered for this bill and other similar legislation, would preserve local autonomy to determine the best way to provide these incentives, rather than mandate reductions in local revenue sources.

Accordingly, MACo urges the Committee to vote HB 738 **FAVORABLE WITH AMENDMENTS** to provide a credit against the state income tax for military retirees and explore the feasibility of a local option income tax credit.