

HB420/SB405 Retirement Tax Elimination Act of 2022

The MRSPA Legislative Committee has voted to take No Position on these bills. We are monitoring these and similar bills that are before the General Assembly.

The primary concern of the Committee is the cost of this legislation. It proposes a reduction in taxes for retirees of \$10,000 in 2023 and an additional \$10,000 each year until 2026 when it will include all taxes for the retirees over 65 and drawing Social Security benefits. The projected cost by the time of full implementation in 2026 is about \$900 million per year.

The Governors Budget for FY2023 is based on a surplus of about \$4 billion. This is due to increased funding from the federal government for costs related to the pandemic. These funds will not be available in the years beyond 2023.

The Committee believes that such a surplus should be used for one-time expenses since this is a one time surplus. Our recommendation is to add some money to the State Retirement and Pension System to help us get closer to our goal of 80% funding.

We are also concerned that this reduction in state tax income will result in significant reductions in money to the counties and Baltimore City. The local subdivisions cannot afford a further reduction in their income. Our greatest concern is that this loss of funding may impact our health care benefits.

The Governor's Budget includes significant reductions in money to programs that MRSPA supports, particularly the Blueprint for Maryland, a program that will make significant improvements in education throughout Maryland.

The Committee appreciates that many members would benefit from a tax cut in the short-term. Our concern is that the benefits would be outweighed by the potential costs in the long-term. Maryland currently gives seniors some significant tax breaks. The first \$30,000 of income from pensions and retirement accounts is not taxed by Maryland. And Maryland does not tax most Social Security income.