Report of the Task Force to Study the Financial Impact of Retired Military Service Personnel on the Economy of the State

Annapolis
December 2003

1 December 2003

Governor Robert L. Ehrlich, Jr.
State of Maryland
State House
Annapolis, Maryland 21401

Dear Governor Ehrlich:

On behalf of the Task Force to Study the Financial Impact of Retired Military Service Personnel on the Economy of the State, I am pleased to submit the Task Force Report. The 13-member Task Force was established in the summer of 2003 in accordance with Senate Bill 480 and pursuant to Chapter 664 of the Laws of Maryland. It was charged to perform a detailed analysis of the potential benefits and impact of exempting military retirement pay from Maryland State and local income taxes. SB 480 directed the Task Force to seek answers to questions that are detailed in the report.

The report outlines the work of the Task Force during 2003 and identifies recommendations regarding policy options and the impact of those recommendations. The recommendations, if implemented, will enhance significantly Maryland's commitment to veterans and their economic value and contributions to the State of Maryland. The Task Force firmly believes passage of a legislation instituting exemption of military retirement pay now, will significantly increase the likelihood of veterans deciding to retire in Maryland rather than surrounding states, thus adding highly skilled and well paid workers to our state economy. It is the recommendation of the Task Force that action be taken on these recommendations during the 2004 Legislative Session.

I wish to express my deep appreciation to the Task Force members for the time and effort that they devoted to the work of the Task Force, as well as to the staff of the Maryland Department of Veterans Affairs and the Comptroller's Office, who provided outstanding support.

It has been an honor and a pleasure to participate in this most important endeavor. I look forward to continuing our work to ensure that veterans choose Maryland as their home after their retirement.

Sincerely,

Bruce D. Kahl

Bruce D. Kahl
Chairman
SB 480 Task Force

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Task Force to Study the Financial Impact of Retired Military Service Personnel on the Economy of the State

Membership Roster

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Senator Robert H. Kittleman	Member, Maryland General Assembly
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Executive Summary

The Task Force to Study the Financial Impact of Retired Military Service Personnel (RMSP) on the Economy of the State met on four occasions to research and discuss their corresponding results for the ten inquiries in Section 1, (f) of Senate Bill 480 enacted in May 2003 as Chapter 94 of the Annotated Code of Maryland. In addition, the Task Force conducted a Public Hearing on October 16, 2003, in Annapolis, MD to solicit comments from interested citizens. Approximately 20 individuals, representing more than 26 military and veterans' organizations and more than 500,000 veterans and their families in Maryland, presented their views. The central theme of those testifying was underscored by an active duty Air Force physician, who resides in Crofton and is currently serving at Bethesda Naval Hospital. His message was powerful and succinct, "I'd like to stay here but that is probably going to be a business decision!" In other words, if Maryland does not exempt military retirement pay from State and local income taxes, he and countless others will opt to move to military retiree-friendly states. Thus, Maryland will lose on two counts: the State will lose the skills of highly-qualified and expensively trained service personnel who are essential to Maryland's continued economic development; the State will also lose considerable tax revenue (sales taxes, real estate taxes, income taxes on second career employment) as RMSP migrate to tax-friendly states.

There are approximately 500,000 veterans in Maryland and approximately 42,577 RMSP. Although there is currently some State income tax relief exemption, the number of RMSP eligible to receive this benefit is unknown. Additionally, the Task Force was not able to establish any additional benefits specifically for RMSP individuals.

Military retirees total income was approximately $3 Billion in tax year 2000, paying approximately $168 Million in state and local income tax. Their median income was approximately $71,000 compared to the Maryland median income of approximately $42,000. RMSP households spent over $2.2 Billion on goods and services generating nearly $25 Million in sales tax and another $59 Million in real estate taxes. Time was not available to fully explore the economic impact of the increase in disposable income RMSP personnel would provide to businesses and employment.

A recent presentation by the Maryland Department of Legislative Services to the Senate Budget and Tax Committee in September 2003 showed Maryland has the fourth highest income tax burden in the country. Maryland's high income tax rate may be a significant reason why Maryland has lost retirees to surrounding states. A recent newspaper article in the Washington Post indicated that while Virginia gained nearly 7,000 retirees and Delaware gained over 2,500 retirees between 1995 and 2000, Maryland lost over 4,000 retirees.

Introduction

During the 2003 session of the Maryland Legislature, two bipartisan bills were introduced to increase the State income tax base by attracting more retired military service members to reside in Maryland. This was to be accomplished by exempting military retirement pay from Maryland State and local income taxes, effective January 1, 2004. Over 26 Veterans organizations supported legislation to phase in the tax exemption over a five-year period to enhance the potential economic impact and permit favorable tax treatment of military retirees to increase the number of military retirees who will select Maryland as a permanent retirement location. This legislation would have begun the phase-in on January 1, 2004 with a 20 percent exemption, followed by an additional 20 percent each year until all military retirement pay would be fully exempt in 2008. However, Maryland's current budget deficit caused the Governor and the General Assembly to enact legislation for a State-sanctioned Task Force to perform a detailed analysis of the potential benefits and impact of exempting military retirement pay from Maryland State and local income taxes.

Statement of Purpose

SB 480 **(**Attachment 1)**,** which was subsequently enacted as Chapter 94 of the Annotated Code of Maryland, directed that a Task Force be formed to "Study the Financial Impact of Retired Military Service Personnel on the Economy of the State."

Task Force Report

SB 480 directed the Task Force to answer 10 questions. However, before identifying these questions and their answers, the Task Force considered it important to define military retirees (hereafter referred to as a Retired Military Service Personnel or RMSP).

> **<u>RMSP</u>** – An individual who has served in one or more of the uniformed services for a sufficient length of time to meet the eligibility requirements for non-disability military retirement pay. A service member is required to serve a minimum of 20 years on active duty or complete a minimum of 20 years of combined active duty and Reserve service to qualify for and receive non-disability retirement pay. (For a short time in the 1990s during the massive draw down, 15-year retirements were offered.)

Questions Required by SB 480

1. Determine the number of RMSP in the State of Maryland.

There are 42,577 persons with Maryland addresses who received retirement pay in 2000 from the Defense Financial and Accounting Service office in Cleveland, Ohio that pays all military retirement benefits. (Office of the Comptroller)

2. Determine the number of RMSP engaged in a second career or secondary employment of any kind.

The Comptroller's Office collected the following data from 36,385 tax year 2000 federal income tax returns with Maryland addresses matched to the 42,577 individuals (note that the number of federal returns with Maryland addresses is smaller than the number of individuals receiving military retirement pay for several reasons, including that military retirees could be married to each other and therefore only file one return, that retirees could move out of the State, and therefore receive a 1099 form with a Maryland address but file a federal tax return from another state, and that retirees could have income that does not meet the federal filing requirement).

- There were 11,640 RMSP who received a W-2 form (for wage and salary income).

- There were 26,293 tax returns claiming wage and salary income (this could have been for the RMSP, or his or her spouse or dependent; this figure is inclusive of the 11,640 individuals who received a W-2 form).
- There are 3,174 returns with Schedule C (self-employment) income or loss but no wage or salary income.
- There are 2,219 returns with partnership income or loss, but no Schedule C or wage or salary income.

Thus, the total number of RMSP with a second career or secondary employment is a maximum of 43,326, and is lower to the extent that income reported on the returns is earned solely by the retirees' spouses or other dependents. More directly, there are 43,326 households in the State with a military retiree and with an employed individual, who may or may not be the retiree.

There are a number of reasons for the discrepancy between the number of W-2 forms for military retirees and the number of returns with wage and salary income. In many cases the reason would be that the RMSP's spouse earned the income (the Comptroller's Office cannot easily distinguish between the two). There also may be some data problems, including incomplete W-2 information and misreporting of self-employment income as wage or salary income. This last issue is not uncommon, particularly with contract employees, and RMSP are likely to be disproportionately contract employees**.** (Office of the Comptroller)

3. Average total income of RMSP, including any secondary employment income or secondary career income, military retirement income or other retirement income.

Total income of $3,035,816,399 was reported on 36,385 income tax returns for tax year 2000 where one or more people had military retirement income**. [Average household income $83,435]** The number of returns is smaller than the number of 1099s issued by DFAS because some individuals may not have met filing requirements (mostly due to low income), some may report a different state of record for tax purposes, and some RMSP may be married to each other and thus filing joint returns.

The median household income was $71,484. For comparison purposes, the Census Bureau estimate of median household income for all Maryland households in 2000 was $42,151.

In tax year 2000, RMSP paid $163,882,098 in State and local income taxes ($104,364,455 State; $59,517,643 local). For comparison, the average State income tax paid by RMSP was $2,342 and for all Marylanders that owed State tax, the average was $2,300. RMSP taxpayers that owed local income tax paid an average of $1,791 in local income tax, and for all Marylanders that owed local income tax the average was $1,589.(Office of the Comptroller)

4. The value of any additional benefits or programs available to Retired Military Service Personnel.

After extensive research, the Task Force determined there was no data available to quantify the benefit.

5. The average expenditures by RMSP on an annual basis for goods and services and the estimated sales tax generated by RMSP in the State.

Based on expenditure patterns of various income classes in the Consumer Expenditure Survey, RMSP households spent an estimated $2,239,884,788 in 2000. Of that amount, an estimated $495,983,641 was spent on taxable goods, generating $24,799,182 in sales tax revenue. (Office of the Comptroller)

6. Average expenditures in the form of state, county and local government services provided to Retired Military Service Personnel and their families.

See response to Question 4.

7. The cost of health care services provided by the State to Retired Military Service Personnel and their families.

The health care costs paid by the State to Retired Military Service Personnel (RMSP) are negligible (except possibly for those employed by the State, who take advantage of coverage provided to them as employees). The only direct payment the State might be liable for is if a uniformed services beneficiary became Medicaid-eligible. This would be rare because RMSP receive military retirement pay.

The Department of Defense TRICARE program or the U.S. Department of Veterans Affairs covers the vast majority of retirees under 65 and their families. TRICARE offers these beneficiaries three health care options that, except for a deductible and co-payments, are virtually fully funded. The options are TRICARE

Prime (an HMO-like program), TRICARE Extra (employs a preferred-provider network with reduced co-payments) and TRICARE Standard with a 25% co-payment. After a $3,000 family catastrophic cap is met, there is no further liability for co-payments. TRICARE supplemental insurance policies are available through more than 30 military associations.

Retirees over 65 and their families are entitled to Medicare coverage as first payer. (In this regard, by law, service personnel have been participating in Medicare since 1966, and with few exceptions – some WW I and older WW II veterans - are fully covered. In addition, due to legislation enacted by the U.S. Congress in 2000, retirees 65 and older and their families are entitled to TRICARE–for-Life, which serves as second payer to Medicare and covers 100% of the co-payments and deductibles for services that are covered by both Medicare and TRICARE.

Conversely, because TRICARE relies heavily on the services of private sector physicians, laboratories, drug stores and hospitals, retirees generate hundreds of millions of dollars in revenue for Maryland health care providers. As an example, in Fiscal Year 2002, the Defense Department contracted with and paid the Johns Hopkins University, Uniformed Services Family Health Plan, **more than $89 million** to provide health care to the families of active duty service members, Retired Military Service Personnel and their families and survivors. Data on similar Department of Defense expenditures for RMSP under the various

TRICARE programs was not available, but is estimated to be in the hundreds of millions of dollars. **(**Department of Defense TRICARE Management Activity**)**

8. Determine the average State, county, and local real estate taxes paid by RMSP on an annual basis.

On tax year 2000 federal tax returns, 24,675 RMSP taxpayers in Maryland claimed $59,119,277 in real estate taxes paid, an average of $2,396. For comparison, the average for all Maryland taxpayers was $2,370. There is no way to determine how much of that amount was paid on Maryland property. Assuming the full amount was paid on Maryland property, and using weighted average tax rates, the distribution would be:

County:	84.5%	$49,955,746
Municipal:	8.0%	5,025,135
State:	7.0%	4,138,346
Total:	100.0%	$59,119,227(Office of the Comptroller)

9. Review a comparison of the total tax burden in the State for military retirees as compared to other states.

The Comptroller's Office provided the Task Force an extract from the " 2003 Retired Military Almanac" that details the income tax practices of the 50 States, Puerto Rico and the District of Columbia **(**Attachment 2**).**

According to the Almanac, 23 states do not tax military retirement pay (9 states have no personal income taxes and 14 others exempt all military retirement pay).

Another perspective is to examine the policies of the Mid-Atlantic States. Most of the Mid-Atlantic States provide better tax relief to RMSP than Maryland. Note, while existing Maryland law purports to provide an income deduction for enlisted retirees age 55 and older, the deduction is reduced for Adjusted Gross Income (AGI) in excess of $17,500 and eliminated when AGI reaches or exceeds $22,500.

Maryland had the fourth highest income tax burden in the country, measured as a percentage of personal income. The income tax burden, therefore, is likely to be higher on military retirees in Maryland than in other states (although the sales tax burden in Maryland is 45th highest, and property tax burden is 33rd highest). [Department of Legislative Services presentation to the Senate Budget and Taxation Committee, September 10, 2003] This disparity is exacerbated by the fact that fourteen states exempt all military retirement pay, and additional states provide a deduction for some portion of military retirement pay that is much broader than Maryland's existing benefit. Thus, the relative income tax burden on military retirees is even greater than the general statistics indicate. (Office of the Comptroller)

10. Review a comparison of the total tax burden in the State including provisions of state law exempting retirement income and military income from taxation and any other property tax or other tax benefits for military retirees as compared to other states.

The International Association of Assessing Officers surveys every state periodically on property assessment practices and policies. According to the latest version of the "IAAO Assessment Administration Practice Survey," three states grant property tax exemptions to retired military service personnel without regard to disability status:

1. California exempts up to $4,000 of property value for non-disabled veterans, and up to $450,000 for disabled veterans. About 9,000 veterans claim exemptions totaling $521 million (given the low number of claimants, one may reasonably assume they must be retired to receive the exemption). Assuming a 2% average effective property tax rate, the lost revenue is about $10.4 million (about $600,000 excluding the disabled veterans).

2. Idaho has exemptions for low-income homeowners, seniors, widows, veterans, and disabled veterans. All together 21,000 exemptions are claimed, abating tax on $4.2 million of property. Again, it is unclear how retirement status affects eligibility.

3. New Hampshire gives veterans a tax credit of $50 to $100 ($700 if disabled). There were 73,491 veteran's tax credits (presumably, this includes all veterans, not just retired veterans), which result in an estimated revenue loss of approximately $6 million.

Maryland had the 33rd highest state and local property tax burden in the country, measured as a percentage of personal income. The tax benefits for veterans provided by these three states would not appreciably change the property tax burden in those states relative to Maryland, and would have a marginal impact when considering the circumstances of individual military retirees. **(**Office of the Comptroller)

Findings

- There are approximately 500,000 veterans in Maryland of which 42,577 are RMSP. Enlisted retirees comprise 71% of RMSP; officers comprise the rest.

- The State income tax base and tax revenues will be enhanced if legislation is enacted to exempt military retirement pay from State and local income taxes, thereby attracting more RMSP to reside in Maryland.

- At a Public Hearing on October 16, 2003, approximately 20 individuals, representing 26 military and Veterans organizations and more than 500,000 veterans and their families in Maryland, presented their views. The central theme of those testifying was that the decision to retire in Maryland or elsewhere will likely be a financial decision, based in large measure on the taxation of military retirement pay.

- In tax year 2000, the average income reported by RMSP was $83,435, of which $18,266 was attributable to military retirement pay. The remaining $64,869 was derived from second career employment, and other sources of income.

- RMSP health care costs to the State are negligible because the Department of Defense TRICARE program covers the vast majority of RMSP. Those under 65 are liable for a deductible and co-payments. However, after a $3,000 annual family catastrophic cap is met, there is no further liability for co-payments. Those 65 and older are entitled to Medicare as first payer, after which TRICARE-for-Life covers 100% of the co-payments and deductibles for services that are covered by both Medicare and TRICARE.

- RMSP generate numerous jobs for physicians, hospitals and other health care providers.

- In addition to income taxes on non-military income, RMSP pay significant taxes on real estate, purchases of taxable goods, gasoline, etc. For example, in tax year 2000, RMSP paid $59,119,277 in real estate taxes and more than $24,799,182 in sales tax revenue.

- RMSP place minimal demands on K-12 schools and the social infrastructure, although they may derive some very limited benefits from educational subsidies for students, in-state college tuition rates and, if impoverished, Medicaid coverage.

- 23 States exempt all military retirement pay from income taxes, including the nine that have no personal income tax.

- Most of the Mid-Atlantic States provide greater tax relief to RMSP than Maryland.

- While the current law in Maryland law provides an income deduction for enlisted retirees age 55 and older, the deduction is reduced for Adjusted Gross Income (AGI) in excess of $17,500 and eliminated when AGI reaches or exceeds $22,500.

- The RMSP population will peak in 2010, after which the population will continue to decline for the foreseeable future.

- Without providing better incentives, Maryland will not attract its fair share of RMSP.

Recommendations

To increase the State income tax base through the attraction of more RMSP to Maryland, the Task Force recommends that the current law be amended to exempt military retirement pay from State and local income taxes.

The Task Force further recommends that this be accomplished by phasing in the exemption at the rate of 20 percent per year for a period of five years beginning on January 1, 2005.

Additional Information

The dollar amount of military retirement income reported on the 42,577 federal Form 1099s reported by DFAS was $777,692,424, or an average of $18,266. About 15% of these 1099 forms were sent to RMSP that did not file a federal tax return with a Maryland address. Assuming these RMSP were not actually Maryland residents, the total distributions to Maryland residents would have been about $664,592,124.

Additionally, Maryland has over 16,000 Disabled Veterans who received approximately $11 Million of non-taxable disability payments annually. Congress has recently passed, and the President has signed into law, the 2004 Defense Budget. Included in the Budget is language authorizing many Disabled Veterans retirement income that was denied under concurrent receipt. The amount of additional income is unknown at this time.

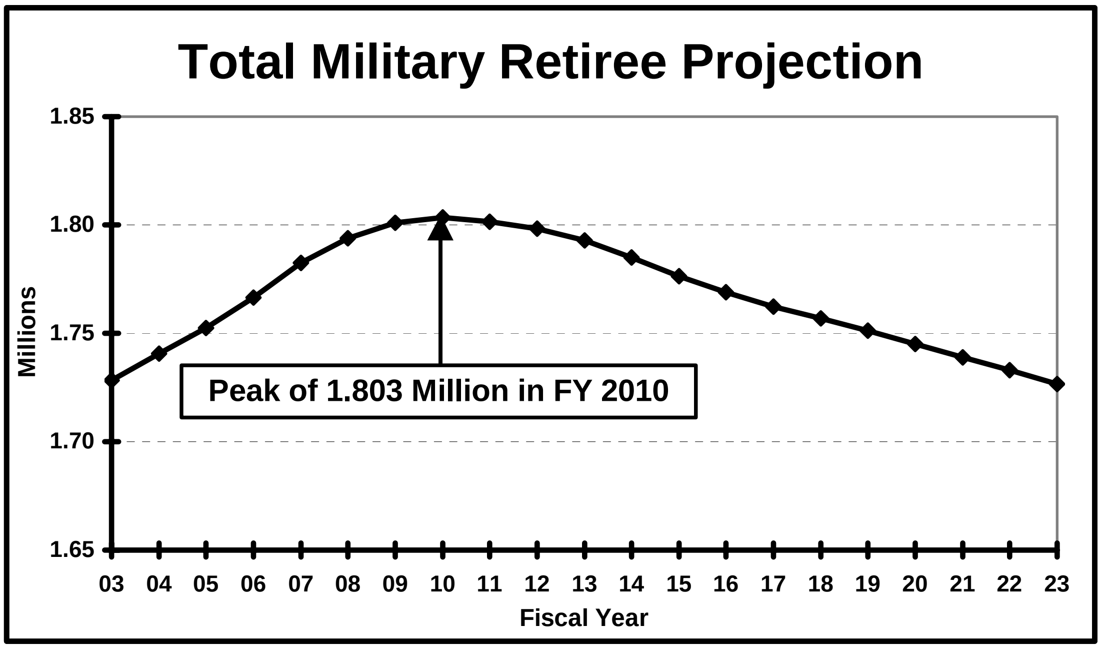
In tax year 2000, there were 13,031 returns (35.8%) from RMSP where at least one of the taxpayers was age 65 or older.

In tax year 2000, there were 15,393 1099-SSA forms issued by the Social Security Administration to RMSP with Maryland addresses. The Social Security payments totaled $151,534,058. To the extent that married RMSP have earned Social Security benefits independent of each other and were issued separate 1099-SSA forms, the number of returns involved is likely to be overstated.

An article, "Virginia Popular Spot for Retirees State in Top 10" carried in The Washington Post on August 6, 2003, suggests that there is more than one side of the coin to consider, retention. (Attachment 3**)**

As indicated in the article, based on data from the U.S. Census Bureau, " a broad reshuffling of the top retirement destinations means that a growing number of older people are moving to the Southwest and a swath of mild-weather Atlantic Coast states that include Virginia and Delaware." A table in the article shows that between 1995 and 2000 Virginia (ranked 9th) gained 6,937 elderly; Delaware (ranked 12th) gained 2,679 elderly; and Maryland (**ranked 38th) lost 4,388** elderly. It goes on to stipulate that state officials and others are studying the shifts closely, hoping for clues to what the post-World War II baby boomer generation will do as it ages (the oldest baby boomers will turn 62 in five years).

Another vital consideration is the impending decline of the RMSP population, which as indicated in the chart below, will peak in 2010. After that, as the deaths of our aging World War I, World War II and Korean War Veterans exceed the numbers of new RMSP on the rolls, the population will continue to decline for the foreseeable future. The message here is clear. There will not be increased numbers of RMSP to sustain Maryland's economic development. Therefore, unless Maryland does something to attract more RMSP to the State, the highly skilled and expensively trained military personnel needed to help sustain our economic growth will not be available.



Source DoD Actuary Sep 30, 2002 Valuation Data

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Virginia Popular Spot for Retirees State in Top 10

By D'Vera Cohn
The Washington Post, August 6, 2003

Virginia became one of the most popular places in the nation for the elderly to move in the 1990s, and Florida attracted fewer retirees for the first time in decades, according to a Census Bureau report to be released today.

A broad reshuffling of the top retirement destinations means that a growing number of older people are moving to the Southwest and a swath of mild-weather Atlantic Coast states that include Virginia and Delaware. Florida still gained far more new elderly residents than any other state, but it drew fewer in the late 1990s than in the late 1980s. So did Oregon and Washington state, which were 1980s hot spots.

State officials, political analysts and businesses are studying the shifts closely, hoping for clues to what the post-World War II baby boom generation will do as it ages. In five years, the oldest baby boomers will turn 62, the leading edge of the biggest retirement generation ever.

Today's retirees are becoming less predictable, the numbers show, with more choosing places like Loudoun County, for example, and fewer moving to California. They are moving to a wider array of states, so they are not as concentrated in traditional destinations. And the choices of the "young old" are different from those of the "old old" -- for example, a rising number of people older than 85 are leaving retirement communities and moving to snowy states to be near family or better health care.

"The states that have gotten the big proportions [of retirees] are beginning to lose that," said Charles F. Longino Jr., a Wake Forest University demographer and leading expert on the movement of retirees. "The biggies are beginning to lose a bit of their market share to newcomers."

That is roiling the retirement scene so much that Florida Gov. Jeb Bush (R) named a commission last year to recommend ways the state could attract more retirees. The panel, which issued its report in February, recommended a formal marketing program and other steps to increase the state's appeal, such as improving transportation for disabled people. The report noted that Florida's older residents paid $2.8 billion more in taxes in 2000 than they received in state and local services, an economic boon that explains why so many states are chasing the elderly market.

In the Washington region, Virginia has ascended the ranks of states in attracting people 65 and older each decade since at least 1970. In 2000, it ranked in the top 10 states for the first time in its net gain of retirees from other states, according to an analysis by Brookings Institution demographer William H. Frey.

According to census figures, Virginia's Northern Neck, Charlottesville, Williamsburg and Loudoun County ranked among the areas in the nation with the sharpest increase in new older residents in the 1990s. On the Eastern Shore and communities near the Chesapeake Bay, one in five new arrivals is older than 60, according to demographer Kevin Byrnes of Virginia's Department of Aging.

Net gain of elderly, 1995-2000

1. Florida	[illegible]
2. Arizona	53,241
3. Nevada	22,189
4. North Carolina	20,922
5. Texas	17,957
6. South Carolina	15,760
7. Georgia	13,926
8. Tennessee	10,499
9. Virginia	**6,937**
10. Alabama	3,031
12. Delaware	2,679
38. Maryland	**-4,388**
40. District	**-5,187**

SOURCE: U.S. Census Bureau THE WASHINGTON POST

Delaware, where beach and rural retirement areas are drawing more older people, also became one of the most popular states. Maryland has lost elderly people to other states since the 1970s, but that trend has slowed. Most of the growth in retirement areas such as Worcester County is fed by relocations from elsewhere in Maryland.

In the District, where the general population has declined for decades, older people are also leaving and have been since at least the 1960s. The new numbers come from the 2000 Census question that asked people where they lived five years earlier.

In Virginia, Byrnes said he receives a growing number of calls from local aging agency directors trying to learn who is moving into their regions. "They are seeing a growing number of out-of-state license plates," he said.

Frey and Longino said Virginia benefits from a variety of factors. It is part of the "new Sunbelt" that also includes Georgia and the Carolinas, with relatively mild climates and affordable housing in some areas. The state also gets elderly people moving out of the District. And because the state has so many younger families, it also acquires older people who want to be near their children.

Alexander Rusanowsky, 80, moved in May with his wife, Jane, to the Summerville assisted-living community in Woodbridge to be near one of their daughters. They had lived near Cape Canaveral, Fla., for 26 years, but his wife needed more medical care than was available there and they were ready for a smaller residence. They knew the Washington area because they had lived here when he was stationed at the Pentagon during his Army career.

"I wanted to be near somebody other than strangers," Rusanowsky said. "Florida is too far away from everybody."

A growing number of developers also are marketing to well-off retirees by building single-family or condominium residences. Leisure World in Loudoun County, where nearly a third of the buyers are from out of state, plans to house 3,000 residents 55 and older. The new Census Bureau report shows that people 85 and older are more likely to move than the younger elderly and that they make different choices about where to move. In the late 1990s, more of the older group left Florida than moved in. But the opposite was true in Maine, Minnesota and Maryland. Longino calls this "counter-stream migration" and said many of these older retirees are less prosperous than younger ones.

One overriding theme of America's changing retirement patterns, experts say, is that older people are leaving costly and crowded areas for those that are cheaper and quieter. Nevada got half its retiree gains from California. Florida exported more older people to the Carolinas, Georgia and Nevada than it gained.

Frey said retirees who left California, for example, "are basically cashing in their equity during the '90s, the good times, and trading it for an area with better amenities, a lower cost of living and lower density."

Exemption of RMSP by Mid-Atlantic States

New York	**All Military Retired Pay (MILRET Pay) Exempt**	**Exemption effective 01/01/89**
New Jersey	**All MILRET Pay Exempt**	**Military Survivor Benefits also exempt.**
Pennsylvania	**All MILRET Pay Exempt**	**Military Survivor Benefits also exempt**
Delaware	**First $2,000 MILRET Pay exempt if under 60; $12,500 for those 60 and older.**	
Maryland	Enlisted retirees who are at least 55 may subtract up to $2,500.	However, **the deduction is reduced for AGI in excess of $17,500 and eliminated when AGI reaches or exceeds $22,500**
Virginia	**$6,000 subtraction from** AGI for those **62-64; $12,000 for taxpayers 65 and older**	
West Virginia	**Every RMSP is entitled to a $2,000 exclusion and may also exclude the product of number of years of service times two percent times MILRET Pay up to a maximum of $30,000**	

Title: Disposable Non Taxed Income Generated by Disabled Retired Veterans

Prepared for: Governors Special Task Force

Sources: http://www.va.gov/vetdata/ Reviewed/Updated: November 5, 2002. Disability Compensation Basic Rates tables PL 107-247 Effective 01 December 2002.
Veterans Benefits Administration Data and Information Services 03 October 2003 Affairs Address: 810 Vermont Avenue, NW City: Washington, State: DC Zip Code: 20420
Office of Policy and Planning (008) Organization: Department of Veterans Affairs Address: 810 Vermont Avenue, NW City: Washington, State: DC Zip Code: 20420

Veterans with Disabilities generate non taxed Federal VA disability offsets to their Military Retired Pay. This is income spent and saved in Maryland that generates sales tax and other taxes that are a benefit to the state.

The table below indicates the amount of income from disabilities spent and saved in Maryland. This table was issued 03 October 2003. The basis for these calculations are made from the document entitled *Defining the Maryland Retired Veteran.*

Combined Rating Disability	Veterans Receiving Comp	Basic Rate of Compensation	Disposable Income Available to MD
000	42	0.00	0.00
010	3676	104.00	382,304.00
020	2619	201.00	526,419.00
030	2417	512.00	1,237,504.00
040	2163	669.00	1,447,047.00
050	1062	878.00	932,436.00
060	1189	1068.00	1,269,852.00
070	700	1296.00	907,200.00
080	490	1481.00	685.860.00
090	306	1648.00	504,288.00
100	1378	2546.00	3,508,388.00
totals	16042		11,404,298.00

The 1378 100% Disabled Veterans receive Chapter 35 benefits which entitle their children and their spouses a college education at the school of their choice and this benefit could not be accurately documented.

There are several special monthly compensations for veterans with the loss of use of limbs and organs as well as special compensation for 100% for a single disability plus other disabilities that are rated at 60% or more. These benefits could not be accurately calculated either.

Some of the Veterans receive additional payments for Vocational Rehabilitation. This benefit could not be accurately calculated.

All of these entitlements increase the total disposable income above

Title: VA Healthcare and Spending for Veterans in the State of Maryland

Prepared for: Governors Special Task Force

Sources: http://www.va.gov/vetdata/ Reviewed/Updated: November 5, 2002 Disability Compensation Basic Rates tables PL 107-247 Effective 01 December 2002. Veterans Benefits Administration Data and Information Services 03 October 2003 Affairs Address: 810 Vermont Avenue, NW City: Washington, State: DC Zip Code: 20420
Office of Policy and Planning (008) Organization: Department of Veterans Affairs Address: 810 Vermont Avenue, NW City: Washington, State: DC Zip Code: 20420

Not only have retired veterans provided for their own health care, they also help bring into the State of Maryland federal dollars for military hospitals and VA facilities. While we are addressing only retirees, it still needs to be noted that the VA spent the dollars noted below to make sure those disabled military retirees have access to VA Healthcare. The Table below was generated in 1998. The first row shows total Federal dollars spent by the Veterans Administration. The second row shows the dollars spent for all retired veterans in the state. The third row shows the dollars spent for disabled veterans in relationship to all veterans. The figures for today will be larger.

Veteran Population	Compensation & Pension	Vocational Rehabilitation	Insurance	Construction	Medical Services	Total Expenditures
512,593	326,125,560	27,169,402	43,888,046	1,708,203	253,338,618	652,229,829
42,577	27,088,641	2,256,744	3,645,428	141,886	21,042,811	54,175,513
16,042	10,206,327	850,402	1,373,695	53,466	7,929,498	20,414,793

Last, but not least, we must consider what will occur when and if concurrent receipt comes into play. The retired military veteran would be entitled to both retired pay and VA disability pay, bringing millions of dollars into the economy of the state of Maryland as disposable income spent and saved and therefore taxed by the state. Now that the Congress has granted Concurrent Receipt, the dollars spent in Maryland will increase greatly. This single Federal benefit makes the retired, and especially the disabled retired, veteran a valuable commodity and financial resource.