



## MARYLAND COUNCIL OF CHAPTERS

UPDATED FOR USE BY THE MARYLAND MILITARY COALITION (MMC) DURING CY 2021

### The 50 States and Uniformed Services Retired Pay

#### A FACT SHEET OF THE MILITARY OFFICERS ASSOCIATION OF AMERICA (MOAA)

As of the end of Calendar Year 2020, 31 of the 50 states did not tax military retirement pay, and that figure includes the 9 states, marked with asterisks below (\*), without any personal income tax:

Alabama	Mississippi
Alaska *	Missouri
Arkansas	Nevada *
Connecticut	New Hampshire *
Florida *	New Jersey
Hawaii	New York
Illinois	North Dakota
Iowa	Ohio
Indiana	Pennsylvania
Kansas	South Dakota *
Louisiana	Tennessee *
Maine	Texas *
Massachusetts	West Virginia
Michigan	Washington *
Minnesota	Wisconsin and Wyoming *

**12 states currently tax a substantial portion of a retiree's annual Uniformed Services Retired Pay** and, in the interest of brevity, only a short explanation of key special provisions is included here (consult individual state tax codes for full details):

Arizona – Some small exclusions apply.

Colorado – Adjustments vary by age of retiree, up to a \$24,000 exemption.

Delaware – Some age-based exclusions apply.

Georgia – Income is adjusted up to \$35,000 over age 62 and \$65,000 at age 65.

Idaho – Maximum deductions vary annually, based on age.

Kentucky – Retirees prior to 1997 are 100% exempt; later retirees have an exemption up to \$41,000.

**Maryland: Current Status** – It is noted that the Subtraction from Maryland Income is **NOT** a tax exemption; it is limited to \$5,000 below age 55, and then \$15,000 for retirees over the age of 55. Family economic considerations also reveal that the Maryland Pension Exclusion, \$33,100 for the most recent tax return (i.e., for CY 2020), severely limits the financial attractiveness of the State long-term for many retirees evaluating second career location options in Maryland. ***These factors often encourage them to work in Maryland during their second career employment but live outside the State*** while commuting to attractive high-paying jobs in nearby Maryland. For a substantive and comprehensive explanation, consult the Oct. 7, 2019 Towson University Regional Economic Studies Institute [RESI] document: [A Study of Employment in the State's Defense Industry](#). This study was authorized and paid for by the General Assembly via House Bill 1542, which directed the Department of Commerce, the Department of Veteran Affairs and the Department of Labor to contract for a study of Maryland's defense industry. Among other things, the study found that when compared to other states with a significant defense presence, **Maryland has the second-highest cost of living.**

Nebraska – Two Options: 7 years exemption at 40% or retired pay 15% lifetime exemption at age 67.

North Carolina – The year retired is the basis for State range: \$0 to \$4,000 (\$8,000 for joint returns).

Oklahoma – Exemption is the greater of: 75% or \$10,000.

Oregon – “Federal Pension Subtraction” applies, except for “special case” residents of the state.

South Carolina – Exemption is \$3,000 and it increases to \$10,000 over the age of 65.

**Only the following 7 states fully tax Uniformed Services Retired Pay:**

California, Montana, New Mexico, Rhode Island, Utah, Vermont, and Virginia\*.

\*Worthy of note is the fact that in neighboring Virginia income tax % rates across wage brackets are consistently and substantially lower than in Maryland.

**The details of tax codes vary substantially among the states, and are subject to change. Taxpayers are urged to consult with tax professionals, as appropriate.**

*[This Document is Based on Data Available in December 2020; Release Date: 27 January 2021]*