

Retiring in Maryland: Maximize Your Savings with Tax Breaks

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Maryland's tax-friendly policies can help you maximize your retirement savings and enjoy a more comfortable lifestyle.

This article is a part of the 50 states retirement tax-planning series. [View the series here.](#)

By Jeff Wilson, II

As retirees consider their next chapter in Maryland, understanding the tax landscape is crucial. Maryland offers several tax benefits that can significantly impact financial planning, allowing seniors to keep more of their hard-earned income.

Social Security, Medicare and Long-Term Care Insurance

Maryland does not tax Social Security benefits, representing a major benefit for seniors in the state. For those who itemize deductions on both federal and Maryland state taxes, you may be eligible to deduct Medicare premiums as a medical expense, if medical expenses exceed 7.5% of your AGI (adjusted gross income).

If you carry a long-term care insurance policy for yourself or some resident family members, you may also be eligible for an additional tax credit.

Pension Exclusion

For calendar year 2024, Maryland allows retirees to exclude a maximum of \$39,500 from their taxable income for qualifying pension and retirement annuities. This exclusion is a substantial benefit for retirees relying on their pensions. Qualified pensions include defined benefit and defined contribution pension plans, 401(a) plans, 401(k) plans, 403(b) plans and 457(b) plans. Traditional and Roth IRAs, SEPs and Keogh plans do not qualify for the exclusion.

Example: Jane, a 66-year-old retiree, receives a pension of \$50,000 annually. Thanks to

Maryland's pension exclusion, she can deduct \$39,500 from her taxable income. Thus, her taxable income would be only \$10,500, significantly reducing her tax liability.

Higher Income Allowance Before Filing

Seniors enjoy a higher income allowance before they are required to file a Maryland income tax return. If your gross income falls below a certain threshold, you may not need to file.

Example: John and his wife, both age 65, earned a combined income of \$30,000 in 2023. Since their gross income is below the threshold of \$30,700 for joint filers aged 65 and older, they do not need to file a Maryland return. This not only saves them the hassle of filing but also keeps their personal information private. (Referencing a 2023 threshold / 2024 not issued at the time of this article)

Personal Exemptions for Seniors

For those with a federal adjusted gross income of up to \$100,000 (or \$150,000 if filing jointly), taxpayers are entitled to a \$3,200 personal exemption, which also applies to each additional qualified dependent. In addition to regular exemptions, Maryland allows seniors aged 65 or older to claim an extra \$1,000 exemption on their tax return.

Example: Mary, a 70-year-old retiree, files her taxes and qualifies for the additional \$1,000 exemption. Because Mary is over the age of 65 and lives in Maryland, she is entitled to not only the baseline exemption of \$3,200 for being a Maryland resident, but also an additional \$1,000 exemption on her tax return due to her age. This means Mary can claim a total of \$4,200 in exemptions, significantly reducing her taxable income.

Tax Benefits for Married Seniors

Married couples who both receive taxable income can subtract up to \$1,200 from their combined income or the income of the spouse, whichever is less. This provision can provide significant relief for two-income households.

Example: Steve and Laura, both age 67, receive income from pensions and interest that totals \$60,000. They can subtract \$1,200 from their taxable income, lowering their taxable income to \$58,800, which helps in reducing their overall tax liability.

Maryland Homeowners' Property Tax Credit Program

The State of Maryland offers an incredible opportunity for homeowners to significantly

reduce their property tax burden through the Homeowners' Property Tax Credit Program. This program ensures that property taxes do not exceed a fixed percentage of the homeowner's gross income, effectively capping the amount they must pay based on their earnings

Example: Imagine John, a 70-year-old retiree living in Maryland, with a combined household income of \$50,000 and a property valued at \$300,000. Thanks to the Maryland Homeowners' Property Tax Credit Program, John can significantly reduce his property tax bill. Instead of paying the full \$4,500, he receives a substantial credit that lowers his tax burden to a more manageable amount. This financial relief allows John to enjoy his retirement with greater peace of mind, knowing that his property taxes are kept in check.

Senior Property Tax Credit

In many counties, homeowners aged 65 and older can apply for a Senior Property Tax Credit. To qualify, they must use the home as their principal residence and meet specific income criteria.

Example: Linda, a 68-year-old homeowner in Prince George's County, applies for the Senior Property Tax Credit. She has lived in her home for over 10 years, uses it as her principal residence and meets the income requirements. Linda qualifies for up to a 20% credit on the County portion of her property tax bill, including any Homeowners and Homestead Credit, for up to 5 years. This significant reduction in her property taxes provides Linda with financial relief and peace of mind as she enjoys her retirement.

Military Retirement Income Tax Benefits

For retirees who served in the military, Maryland offers additional tax benefits. Military retirees can subtract up to \$5,000 of their retirement income or \$15,000 if they are 55 or older.

Example: Mark, a 56-year-old military retiree, receives \$50,000 in military retirement income. He can subtract \$15,000 from his federal adjusted gross income before determining his Maryland tax, reducing his taxable income and overall tax liability significantly.

Subtraction for Public Safety Retirement Income

Maryland allows public safety professionals to benefit from both the standard pension

exclusion and an additional subtraction specifically for retired correctional officers, law enforcement officers, and fire, rescue or emergency services personnel. To claim this subtraction, taxpayers use code letter v on Form 502SU.

Example: Susan, a retired law enforcement officer, has a pension of \$40,000. She can claim the standard pension exclusion of \$39,500 and also qualify for the subtraction for her public safety retirement income. This allows her to exclude an additional amount from her taxable income, enhancing her overall tax benefits.

Conclusion

Maryland provides a variety of tax benefits and exemptions designed to ease the financial burden on retirees. From pension exclusions to property tax credits, understanding these advantages can help retirees in Maryland make informed financial decisions. By taking full advantage of these benefits, retirees can enhance their financial stability and enjoy a comfortable retirement in the Crab Cake Capital.

Planning for retirement is a complex process. Having a financial professional in your corner is a great way to make sure you are on the right track no matter where you are in the process. Nationally, you can find a licensed professional [here](#).

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