

Paul Sundell Testimony To Senate Budget and Taxation Committee on Senate Bill 486

Conclusion: Marylanders deserve to itemize on their state return because the legislature has failed to fully and fairly index the Maryland tax code to inflation. Maryland is already a very high tax state with some of the highest marginal tax rates in the country when state and local tax rates are combined. This creates a very unfriendly state to retirees and lower income taxpayers where inflation and the tax code erodes the real purchasing power of their income over time. The Maryland tax Code should be fully indexed to inflation like the federal tax code.

- A. Unless the tax code is indexed to inflation, tax payer's taxes will go up by more than inflation if their income only increases at the rate inflation which is the case for most retirees and lower income tax payers. The standard deduction, and other fixed deductions and tax brackets need to be indexed or adjusted to inflation to prevent a greater proportion of the tax payers income being subject to taxation or to higher tax brackets. Failure to fully index the tax code to inflation does the greatest harm to those that can least afford a loss in their real purchasing power: lower income Marylanders and retirees.
- B. Second best solutions is to have the politicians regularly adjust the tax code for inflation.
  - A. This has not been the case. Standard deduction was increased for single tax payers in 2018 tax year from \$2000 to \$2250 the first in over thirty years. Over that thirty year period inflation increased by 102.6 percent thus using the CPI-W index the standard deduction should have been raised to \$4052. Unknown the last time the personal exemption was raised from \$3200. My guess at least 20 years. Indexing \$100K which was passed for tax year 2013 would raise that to \$107.8K. Exemptions for retirement income were raised in 2018 tax year to \$30,600 from \$29,900. Search did not indicate when previous increase occurred but my guess is at least 10 years.
- C. I believe if politicians want to raise your real tax burdens for a given level of real income they should have to vote on it. This creates a back door to tax hikes over time that harm the most those that are least able to pay them.
- D. I did the numbers on my Maryland Tax return last year and my Maryland taxes were about \$250 higher because I could not itemize and I was not happy at all.
- E. Reform is long overdue and should not be held hostage by the states propensity to overspend to gain support and reward its political bases at the expense of the general taxpayer.

CPIAUCSL

Consumer Price Index for All Urban Consumers: All Items in U.S. City Average

Frequency: Annual

observation_date	CPIAUCSL	rate of inflation
1970-01-01	38.842	
1971-01-01	40.483	4.226560824
1972-01-01	41.808	3.272951832
1973-01-01	44.425	6.258720351
1974-01-01	49.317	11.01106734
1975-01-01	53.825	9.141601893
1976-01-01	56.933	5.774887754
1977-01-01	60.617	6.469555035
1978-01-01	65.242	7.629914765
1979-01-01	72.583	11.25303359
1980-01-01	82.383	13.50172216
1981-01-01	90.933	10.37831277
1982-01-01	96.533	6.158357771
1983-01-01	99.583	3.159530387
1984-01-01	103.933	4.368200837
1985-01-01	107.600	3.527902502
1986-01-01	109.692	1.943928129
1987-01-01	113.617	3.578211654
1988-01-01	118.275	4.100044008
1989-01-01	123.942	4.791094201
1990-01-01	130.658	5.419216029
1991-01-01	136.167	4.215830091
1992-01-01	140.308	3.041615667
1993-01-01	144.475	2.969650175
1994-01-01	148.225	2.595604776
1995-01-01	152.383	2.805419689
1996-01-01	156.858	2.936672864
1997-01-01	160.525	2.337565744
1998-01-01	163.008	1.547007216
1999-01-01	166.583	2.19313941
2000-01-01	172.192	3.366683342
2001-01-01	177.042	2.816628757
2002-01-01	179.867	1.595669569
2003-01-01	184.000	2.297998517
2004-01-01	188.908	2.667572464
2005-01-01	195.267	3.365829988
2006-01-01	201.558	3.22208945
2007-01-01	207.344	2.870550296
2008-01-01	215.254	3.814953399
2009-01-01	214.565	-0.320357593
2010-01-01	218.076	1.63656955
2011-01-01	224.923	3.139652277
2012-01-01	229.586	2.073190974
2013-01-01	232.952	1.465971551
2014-01-01	236.715	1.615463288
2015-01-01	236.998	0.119482641
2016-01-01	240.008	1.270018643
2017-01-01	245.134	2.135937971
2018-01-01	251.104	2.435401022

je, Index 1982-1984=100, Annual, Seasonally Adjusted

TOOL | November 2019

# State-by-State Guide to Taxes on Retirees

## State Compare List

Use the chart below to see how selected states stack up when it comes to taxes that affect retirees. Click the links for key details on any state taxation policy. Compare as many as five states at once.

Go back to the [Retiree Tax Map](#) to select different states to compare.

	<a href="#">REMOVE</a> Delaware	<a href="#">REMOVE</a> Maryland	<a href="#">REMOVE</a> Pennsylvania	<a href="#">REMOVE</a> Virginia	<a href="#">REMOVE</a> West Virginia
<b>The Bottom Line</b>	<b>Most Tax-Friendly</b>	<b>Not Tax Friendly</b>	<b>Not Tax Friendly</b>	<b>Tax-Friendly</b>	<b>Mixed tax picture</b>
<b>State Sales Tax</b>	None	6.00%	6.34%	5.65% (groceries taxed)	6.40%
<b>Income Tax Range</b>	Low: 2.2% High: 6.6%	Low: 2% (local taxes additional) High: 5.75% (local taxes additional)	Flat 3.07% (Localities add to this)	Low: 2% High: 5.75%	Low: 3% High: 6.5%
<b>Tax on Social Security</b>	No	No	No	No	No

REMOVE

REMOVE

REMOVE

REMOVE

REMOVE

**Delaware**

**Maryland**

**Pennsylvania**

**Virginia**

**West Virginia**

**Special Treatment for Other Retirement Income**

Yes

Yes

Yes

Yes

Yes

**Property Tax Breaks for Seniors**

Yes

Yes

Yes

Yes

Yes

**Tax on Inheritances and Estates**

No

Yes

Yes

No

No

**State Profile Page**

**Go to State Profile**

**Go to State Profile**

**Go to State Profile**

**Go to State Profile**

**Go to State Profile**



**Sponsored Financial Content**

State	State Sales Tax	Income Tax Range	Tax on Social Security
Delaware	None	Low: 2.5% High: 6.0%	No
Maryland	0.00%	High: 5.75% (local taxes additional)	No
Pennsylvania	0.34%	Low: 3.07% (local taxes additional)	No
Virginia	(provides tax relief)	Low: 2% High: 7.75%	No
West Virginia	6.40%	Low: 3% High: 6.5%	No

TOOL | November 2019

# State-by-State Guide to Taxes on Retirees

## State Compare List

Use the chart below to see how selected states stack up when it comes to taxes that affect retirees. Click the links for key details on any state taxation policy. Compare as many as five states at once.

Go back to the [Retiree Tax Map](#) to select different states to compare.

	<a href="#">REMOVE</a>	<a href="#">REMOVE</a>	<a href="#">REMOVE</a>	<a href="#">REMOVE</a>
	<b>Delaware</b>	<b>Florida</b>	<b>Maryland</b>	<b>South Carolina</b>
<b>The Bottom Line</b>	<b>Most Tax-Friendly</b>	<b>Most Tax-Friendly</b>	<b>Not Tax Friendly</b>	<b>Most Tax-Friendly</b>
<b>State Sales Tax</b>	<b>None</b>	<b>7.05%</b>	<b>6.00%</b>	<b>7.46%</b>
<b>Income Tax Range</b>	<b>Low: 2.2% High: 6.6%</b>	<b>None</b>	<b>Low: 2% (local taxes additional) High: 5.75% (local taxes additional)</b>	<b>Low: 3% High: 7%</b>
<b>Tax on Social Security</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>No</b>
<b>Special Treatment for Other Retirement Income</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
<b>Property Tax Breaks for Seniors</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

	REMOVE <b>Delaware</b>	REMOVE <b>Florida</b>	REMOVE <b>Maryland</b>	REMOVE <b>South Carolina</b>
<b>Tax on Inheritances and Estates</b>	No	No	Yes	No
<b>State Profile Page</b>	<a href="#">Go to State Profile</a>	<a href="#">Go to State Profile</a>	<a href="#">Go to State Profile</a>	<a href="#">Go to State Profile</a>

### Sponsored Financial Content

## Retirement Income Calculator <sup>1</sup>

Tra

Annual Income <sup>1</sup>

\$ 91,918

Current Savings <sup>1</sup>

\$ 25,000

Monthly Savings <sup>1</sup>

\$ 459

6% of income

Birth Year

1985

We recommend saving **\$1,380,366** at retirement. This will cover **\$131,234** per year in retirement income. *Follow this link to see your 3 financial advisor matches*

Retirement Age <sup>1</sup> 66



Calculate Mortgage Payments with Actual Lenders