

Paul Sundell's Testimony To House Ways and Means Committee on House Bill 342 and Senate Bill 278. Paul Sundell is a retired federal government economist and a registered democrat.

Conclusion: Maryland is a very unfriendly state to retirees and lower income taxpayers.

- A. Maryland is among the worst states in the country from a tax stand point for retirees. Problems is on limited deductibility of retirement income, high marginal tax rates, and the non-indexing of the Maryland tax code to inflation. Maryland is the worst of its adjoining states for retirees. From a tax standpoint it is far worse than other southern states popular with retirees such as South Carolina and Florida.
Included Tables are from Kiplinger State by State Guide To Taxes on Retirees

<https://www.kiplinger.com/tool/retirement/T055-S001-state-by-state-guide-to-taxes-on-retirees/index.php>

B. Maryland Retirees Deserve A Tax Break

1. Vast majority spent prime working years In Maryland. Many desire to stay in Maryland for retirement.
 2. Consume Less State Resources on Average
 3. Children are out of school system
 4. Drive less thus less wear and tear on roads
- C. The vast majority of retirees take the standard deduction as most do not have enough deductions to make it advantageous to itemize on the federal return. In Maryland currently one must itemize on the federal return to itemize on the state tax return. The Maryland tax code does a very poor job of indexing is tax deductions, exemptions and tax brackets to inflation.

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 many 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.

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 the price level increased by 102.6 percent using the CPI-W index. Therefore to maintain purchasing power 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 tax bracket 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.

- D. Reform in making Maryland more tax friendly for its retirees should be a priority and is long overdue and should not be held hostage by other state priorities as in the past. I believe the main points of a Washington Post Editorial Board editorial are true that there are cost savings that can be done to the Kirwan bill that would not reduce its effectiveness significantly while reducing its cost to the tax payers significantly. This would free up funds for other state priorities. In addition, some other existing programs could be reduced to help pay for increased spending on education.
- E. I believe the efforts should be bipartisan and unlike in the Senate version of this bill no democratic party delegates have sponsored this bill. It is sad to me as a registered democrat that the record over the last five years at least is that the republican party is more interested and more supportive of tax reform benefiting Maryland retirees than my own party. I and other retirees in November will remember if this bill is rejected in committee with no amendments by the majority democratic party.

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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.

	REMOVE	REMOVE	REMOVE	REMOVE	REMOVE
	Delaware	Maryland	Pennsylvania	Virginia	West Virginia
The Bottom Line	Most Tax-Friendly	Not Tax Friendly	Not Tax Friendly	Tax-Friendly	Mixed tax picture
State Sales Tax	None	6.00%	6.34%	5.65% (groceries taxed)	6.40%
Income Tax Range	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%
Tax on Social Security	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

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

	REMOVE Delaware	REMOVE Florida	REMOVE Maryland	REMOVE South Carolina
Tax on Inheritances and Estates	No	No	Yes	No
State Profile Page	Go to State Profile	Go to State Profile	Go to State Profile	Go to State Profile

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Retirement Income Calculator ⓘ

Tra

Annual Income ⓘ
\$ 91,918

Current Savings ⓘ
\$ 25,000

Monthly Savings ⓘ
\$ 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 ⓘ 66



Calculate Mortgage Payments with Actual Lenders

The Washington Post

Democracy Dies in Darkness



Maryland still has no idea how to fix its public schools

By **Editorial Board**

March 9, 2019 at 5:21 p.m. EST

MARYLAND'S COMMISSION studying public education gets credit for courageously facing the truth about the quality of schools in the state. It punctured the illusion created by deceptive national rankings showing Maryland at or near the top, concluding that “when it comes to actual student learning, Maryland schools perform at a mediocre level in a country that performs at a mediocre level internationally.” Unfortunately, though, the commission was not nearly as daring when it came to remedies. Instead it opted to embrace the same old formula of more school spending, which has proved to be ineffective.

DA

Democratic leaders in the General Assembly this last week introduced legislation that would provide more than \$1 billion in new state education funding over the next two years, a down payment to implement preliminary recommendations of the Commission on Innovation and Excellence in Education established by the legislature in 2016. Chaired by the former chancellor of the University System of Maryland, William "Brit" Kirwan, the 25-member commission has mapped out a multipronged plan that includes expanded prekindergarten programs, increased learning standards, raises for teachers and new help for special education and low-income students. It is estimated the plan will cost nearly \$4 billion a year in a decade. But where the money will come from — and the politically charged issue of how it will be apportioned among the state's jurisdictions — must still be worked out.

There seems to have been a headlong rush to embrace the commission's recommendations, with most state politicians swearing fealty to them in last year's elections. That should give serious pause to Maryland taxpayers. It's not only that they will be footing the bill with higher taxes or cutbacks in other services. The state's previous experience also demonstrated the shortcomings, if not outright failure, of increased education expenditures to produce better outcomes.

AD

A previous educational commission, called the Thornton Commission, prompted a historic boost in school spending after 2002. Yet less than 40 percent of Maryland high school graduates can read at a 10th-grade level or pass an Algebra 1 exam. The achievement gap separating African American and Hispanic students from their white peers persists.

An analysis last year by the Maryland Public Policy Institute found that increased spending encouraged administrative bloat. It said there is scant evidence of the efficacy of some of the programs being promoted. Those advocating for the Kirwan initiatives argue the Thornton scheme failed because the formulas were never fully funded; they say this time it will be different because there would be a new state bureaucracy that will ensure accountability.

Color us skeptical. While there certainly are praiseworthy aspects to the commission's findings — notably its reimagining of high school with college and career-ready pathways and its emphasis on supporting teachers — it is disappointing there was no nod to providing choice to students trapped in failing schools or discussion of smarter ways to reward effective teachers. Rather than simply rubber-stamping a push for massive new school spending, lawmakers should be asking the hard questions of whether Maryland families and children will really be helped.

Read more:

[William E. Kirwan: How we can make Maryland schools top-tier](#)

[The Post's View: Maryland's new school report card is on the right track. But it still has shortcomings.](#)

[The Post's View: The University of Maryland's self-inflicted fiasco](#)

[Editorial Board: Don't blame Larry Hogan for Maryland's education woes](#)

The Post's View: Montgomery County's grade inflation should be a wake-up call

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Colours seeped. While there certainly are praiseworthy aspects to the commission's findings — notably its reimagining of high school with college and career-ready pathways and its emphasis on supporting teachers — it is disappointing there was no nod to providing choice to students trapped in failing schools or discussion of smarter ways to reward effective teachers. Rather than simply ribbing a push for massive new school spending, lawmakers should be asking the hard questions of whether Maryland facilities and children will really be helped.

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Editorial Board: Don't blame Larry Hogan for Maryland's education woes