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**HB 913 – Income Tax Standard Deduction – Alteration and Cost of Living**

Dear Colleagues:

Due to the federal government having passed tax reforms and increased the federal standard deduction, Maryland has seen an unexpected increase of funds as our tax laws are coupled with the federal government. This means that many Marylanders are seeing an unintentional increase in taxes. This bill would increase the Maryland standard deduction for every individual and give our constituents back the money they earned.

This bill would increase the value of the State standard deduction.

**Individuals:**

- Current law: minimum \$1,500, maximum \$2,250
- Proposed: minimum \$4,500, maximum \$6,000
- Virginia recently raised their standard deduction to \$4,500

**Head of Household:**

- Current law: minimum \$3,000, maximum \$4,500
- Proposed: minimum \$8,000, maximum \$12,000

**Spouses on joint return:**

- Current law: minimum \$3,000, maximum \$4,500
- Proposed: minimum \$8,000, maximum \$12,000
- Virginia recently raised their standard joint filer deduction to \$9,000

## Overview:

### Standard Deduction

- Maryland's standard deduction amounts and brackets have remained unchanged since 1992
- Automatic increases to the federal standard deduction have steadily widened the difference between the state and federal standard deduction, even before the passage of the TCJA
  - o In 1992, the difference between federal and state standard deduction for married couples filing jointly was \$2,000
  - o In 2017, the difference between federal and state standard deduction for married couples filing jointly has grown to \$8,700
  - o The TCJA will widen the difference between federal and state standard deduction for married couples filing jointly to \$20,000 in 2018
- Maryland's standard deduction lags behind the growth of itemized deductions, greatly altering the benefits of deductions for certain taxpayers
  - o For Marylanders making \$50K-\$100K taking the standard deduction in 2015, the share of the deduction to income was under 5% while the share of deductions to income for Marylanders in the same income ranges itemizing their deductions was nearly 25%
  - o In the \$50K-\$100K income range, the average standard deduction amount was \$3,078 while the average itemized deductions were \$17,447

Marylanders should not have to pay a state tax increase from an unintended consequence of the federal tax reforms. We need to make sure that our constituents are getting the tax breaks that they have voted for and deserve.

### Impact:

- Federal tax reform has saved Marylanders \$2.8 billion dollars in federal taxes by simplifying and reducing taxes
- In FY 2019, Marylanders are estimated to have paid an increase of \$658.9 million and will pay an estimated increase of \$514.9 million dollars in State taxes in FY 2020.
- If this bill passes, Marylanders will save an expected \$407.1 million and \$264.8 million in taxes for FY 2020 paid to the State and Local government, respectively.
- This bill would insure that Marylanders actually receive the tax break they deserve.

I would ask for a favorable report on HB 913.