MD Catholic Conference_SB 498_FAV.pdf
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Position: FAV

MARYLAND CATHOLIC CONFERENCE

January 31, 2024

SB 498
Income Tax – Senior Credit – Alterations

Senate Budget & Taxation Committee

Position: FAVORABLE

The Maryland Catholic Conference offers this testimony in support of Senate Bill 498. The Catholic Conference is the public policy representative of the three (arch)dioceses serving Maryland, which together encompass over one million Marylanders. Statewide, their parishes, schools, hospitals and numerous charities combine to form our state's second largest social service provider network, behind only our state government.

Senate Bill 498 would increase the senior tax credit for those over the age of 65 to a level of up to $2,000, and proportionally thereafter. The current credit sits at $1,750. This bill would also change the minimum income threshold for credit eligibility.

Pope Francis reminds us, "A people that does not take care of its elderly, its children and its youth has no future, because it abuses both memory and promise." (*Message to Participants in the 47th Social Week of Italian Catholics, 2013*) The dignity of the human person is one of the core principles in Catholic social teaching. Thus, it is a moral imperative that we provide safeguards for our most vulnerable populations.

The Conference supports Senate Bill 498 because it puts the needs of the elderly first. When encouraging the pursuit of the common good, Pope Francis has said, "It means protecting people, showing loving concern for each and every person, especially children, the elderly, those in need, who are often the last we think about." (*Homily of Pope Francis, 3/19/13)* Senate Bill 58 is a worthy endeavor in the pursuit of the common good for one of our most vulnerable populations in Maryland.

The Conference appreciates your consideration and, for these reasons, respectfully requests a favorable report on Senate Bill 498.

SB 498 PKS Testimony B&T Hrng 013124 .pdf

Uploaded by: Paul Schwartz

Position: FAV

NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEES
MARYLAND FEDERATION

Testimony of Paul Schwartz
January 31 2024
Senate Budget & Taxation Committee
SB 498 – Income Tax – Senior Tax Credit - Alterations

I am Paul Schwartz on behalf of NARFE AND seniors who would like to retire in place

According to Comptroller Brooke Lierman there will be a sharp decline in revenue for FY 2024 and FY 2025.

One of the main reasons why Maryland's economic recovery has been so slow is because total population growth is declining.

While Maryland continues to see a population decline, states like the Carolinas are seeing continued increases in population, especially among retirees.

We can't get tax relief for retirees because of loss of revenue resulting from population decline, yet the population decline can be tied directly to the high cost of retiring in Maryland.

AND you cannot rely on the fiscal note because the fiscal note does NOT reflect the complete cost associated with the bill. Legislative Services does not have the capability to calculate cost savings and incorporate that calculation into the fiscal note – (you know who does do that? The insurance industry, so it can be done)

Legislative Services simply checks with the Comptroller's office and takes a hard count of lost tax revenue and gives you that figure in the fiscal note without factoring in any cost savings over the long term

Let's make it a little bit easier for retires to retire in place right here in Maryland and not watch them move to a more tax-friendly state and, thereby, lose their tax money including sales tax, fuel tax, and property tax

We passed the original Bi-Partisan legislation two sessions ago during a gubernatorial election year

Let’s simply take that legislation this year and adjust it for inflation and help keep our retirees here

Senate Bill 498 - Income Tax – Senior Tax Credit –

Uploaded by: Robert Goldberg

Position: FAV

The Maryland Federation of the National Active and Retired Federal Employees Association (NARFE) urges the Maryland General Assembly to adopt Senate Bill 498, Income Tax – Senior Tax Credit – Alterations. Testimony of Robert N. Goldberg on behalf of the State Legislative Committee of NARFE.

SUMMARY

The Maryland Federation of the National Active and Retired Federal Employees Association (NARFE) works for legislation in Maryland on behalf of the approximate 300,000 federal employees and annuitants and the more than 800,000 seniors aged 65 and older in the state. One of the principal goals of NARFE Maryland is to reduce the tax burden on seniors living on retirement income. Indeed, Maryland has one of the highest costs of living in the nation, which discourages "aging in place" and encourages migration to senior friendly states. Other states actively recruit seniors with tax incentives because they recognize the value of seniors as economic engines for job and revenue generation. Thus, nine states do not have any state income tax and 14 states exempt all or part of federal pensions from state and local taxes (see figure 1 below). ***The remainder of this document summarizes the cost to Maryland of senior migration - it is very large***. It is clear that Maryland needs to do something about this problem and doing something is in everyone's interest! Senate Bill 498 allows for the ability of individuals age 65 years and older and of modest income (less than $100,000 or $125,000) to obtain tax credits of up to $1,250 to $2,000. The fiscal note cost is small ($19.7 million in FY 2025 and $22.4 million in FY 2029). ***Most importantly***, the fiscal note does not include the benefits to Maryland of reducing senior migration. Senate Bill 498 brings some fairness to the Maryland tax codes and will help to keep seniors in Maryland. NARFE is pleased to support this legislation.

THE COST OF SENIOR MIGRATION TO MARYLAND

Maryland had larger-than-average population losses, i.e., 59,432 residents in the 65 to 74-year old age group between 2012 and 2017,[1] for an average annual loss of 11,886 seniors in this age group. Using the age distribution of seniors given in "Population Demographics for Maryland 2020, 2019",[2] the annual loss of seniors of all ages for Maryland is 21,544. This loss in population results in a loss of adjusted gross income from Maryland – see figure 2. In fact, the data shows that this loss of population has a substantial and detrimental impact both on Maryland's economy and on the amount of federal grants that Maryland receives (see below). Thus, reform on senior taxation by the Maryland state legislature is in Maryland's best interest.

Impact on Maryland's economy. A study[3] commissioned by Maryland's governor and General Assembly found: "For every new elderly household moving into Maryland,

- one-half of a job is supported.
- over $65,000 in new income per household is created,

- nearly $10,000 in state and local tax revenues are generated,
- over $5,000 in local tax revenues are generated, and
- over $800 in local tax revenue surplus is generated."

These values are from the year 2006 and are based on an economic model (the IMPLAN input/output model). Adjusting for inflation,[4] the following values for the respective economic cost to Maryland in the year 2021 are, respectively, $85,800, $13,200, $6,600, and $1,056. Additionally, Maryland had larger-than-average population losses, i.e., 59,432 residents in the 65 to 74-year old age group between 2012 and 2017,[1] for an average annual loss of 11,886 seniors in this age group. Using the age distribution of seniors given in "Population Demographics for Maryland 2020, 2019",[2] the annual loss of seniors of all ages for Maryland is 21,544. This impact on Maryland's economy is shown in the following table.

For every new senior household moving into Maryland, the economy benefits	2006 dollars		With the loss of one senior household, Maryland's economy is hurt†
One-half of a job is created			One-half of a job is lost
New income	$65,000		-$85,000
State/local tax revenue generated	$10,000		-$13,200
Local tax revenue generated	$5,000		-$6,600
Local tax revenue surplus	$800		-$1,056

†Adjusted for inflation to 2021 dollars[4]

We estimate an annual loss of circa $194,000,000 to the Maryland and county treasuries due to senior migration. This estimate is made by multiplying the $13,200 (see table above) for state and local tax revenues generated (or lost) by 21,544, the annual loss of seniors of all ages for Maryland, and then by dividing by 1.47, an estimated value[5] for the size of a senior household. It should be recognized that a senior who migrates from Maryland pays no taxes in Maryland and no longer contributes to its economy. Additionally, the economic impact due to loss of seniors extends to all parts of Maryland's economy. *These economic effects are cumulative.*

Impact on federal grants. Maryland seniors who move out of state will impact negatively the federal grant amounts for Maryland. These grants are made through block grant programs in which each state receives a set amount of money from the federal government. The amounts of the block grants can be based on per capita or on the needs of the state. This includes SNAP (Supplemental Nutrition Assistance Program) and Medicaid. A study from the George Washington University Institute of Public Policy[6] states: "In Fiscal Year (FY) 2017, 316 federal spending programs relied on 2010 Census-derived data to distribute $1.504 trillion to state and local governments, nonprofits, businesses, and households across the nation. This figure accounted for 7.8 percent of Gross Domestic Product in FY2017. The bottom line: It's a lot of money, it's complicated, and it depends. In other words, census-guided spending makes up a large portion of the economy, the role of census-derived data in guiding that funding is not simple by any means, and the sensitivity of census-guided funding on state and local census accuracy differs greatly from program to program. In FY2016, Maryland received $16,300,000,000 through federal spending programs guided by data derived from the 2010 Census."[6] Dividing this value by a Maryland population of 5,773,552,[2] one arrives at the amount of $2,823 per person. Then, using the value of 21,554 for annual senior migration from Maryland (see above), the annual economic cost to the Maryland treasury due to loss of federal grants that are based only on population is $61,000,000.

Additional negative impacts. In addition to the losses due to decreased economic activity, loss of federal grants funds, and inability to tax those who have left Maryland (this includes snowbirds), there are other negative impacts to Maryland from losing seniors to other states that are not easy to assign dollar values to, such as the following.

- •Seniors leaving the state can affect the number of *representatives in Congress* which depends on the state's population.
- •Seniors are a major source of *volunteer efforts* which enhance the quality of life in Maryland.
- •Seniors do not have *children in school*.
- •*Seniors vote at a very high rate.*

What Needs To Be Done To Reverse this Trend

The Maryland NARFE Federation urges the Maryland General Assembly to adopt legislation to eliminate or significantly reduce taxes on all sources of retirement income, and allow Maryland to compete aggressively with other more senior friendly states.

References:

1. James Palma, *A Review of Migration Trends in Maryland*, Maryland Department of Commerce, Baltimore, Maryland (2018).
2. Population Demographics for Maryland 2020, 2019, https://suburbanstats.org/population/how-many-people-live-in-maryland.
3. *The dynamics of elderly and retiree migration into and out of Maryland task force report – A Report to Governor Robert L. Ehrlich, Jr. and the Maryland General Assembly (2006).*
4. https://www.inflationtool.com/us-dollar/2006-to-present-value.
5. https://www.jchs.harvard.edu/blog/the-number-of-people-living-alone-in-their-80s-and-90s-is-set-to-soar. The value 1.47 is estimated from the data given in this report.
6. George Washington University Institute of Public Policy, https://gwipp.gwu.edu/counting-dollars-2020-role-decennial-census-geographic-distribution-federal-funds.

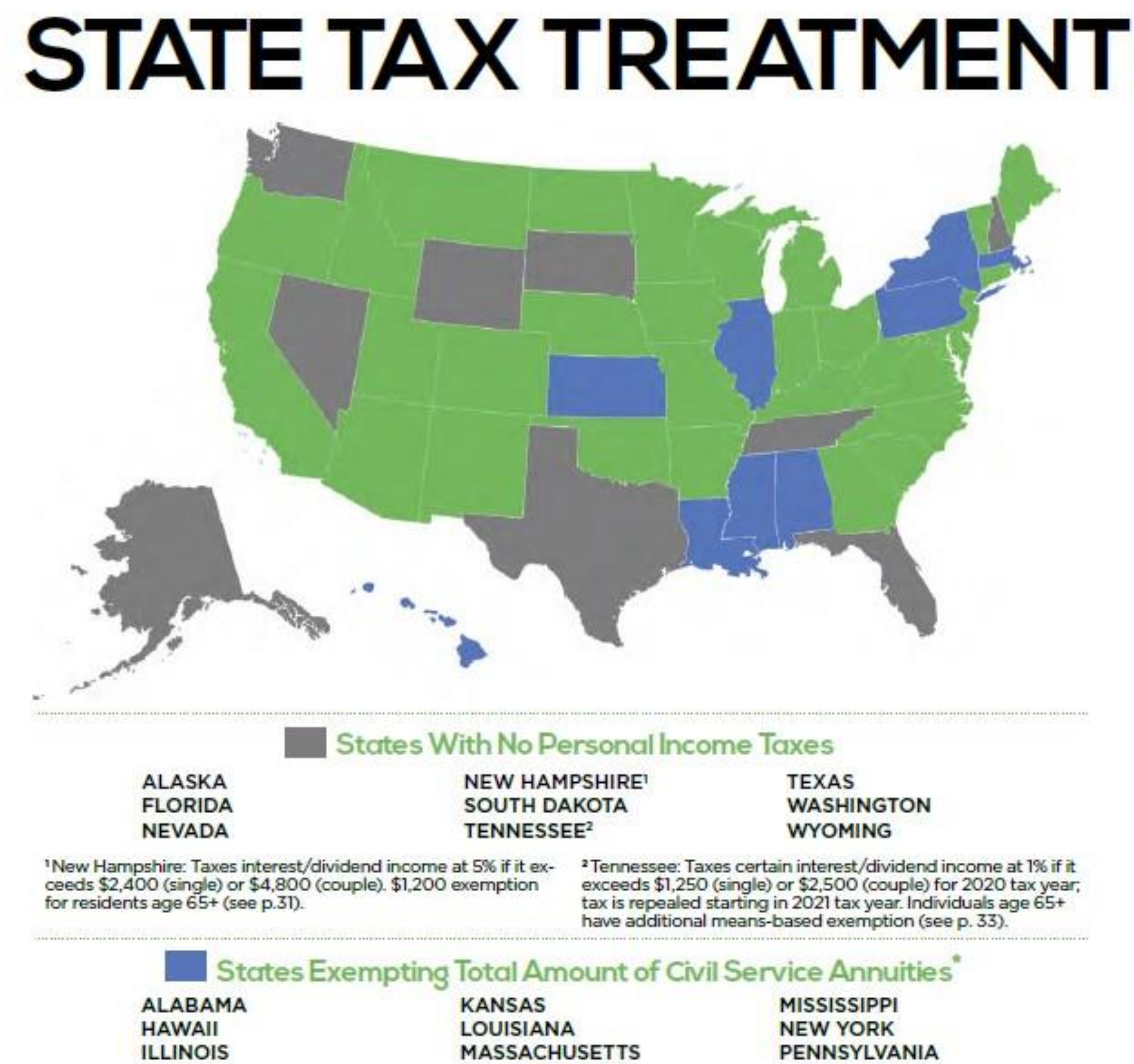
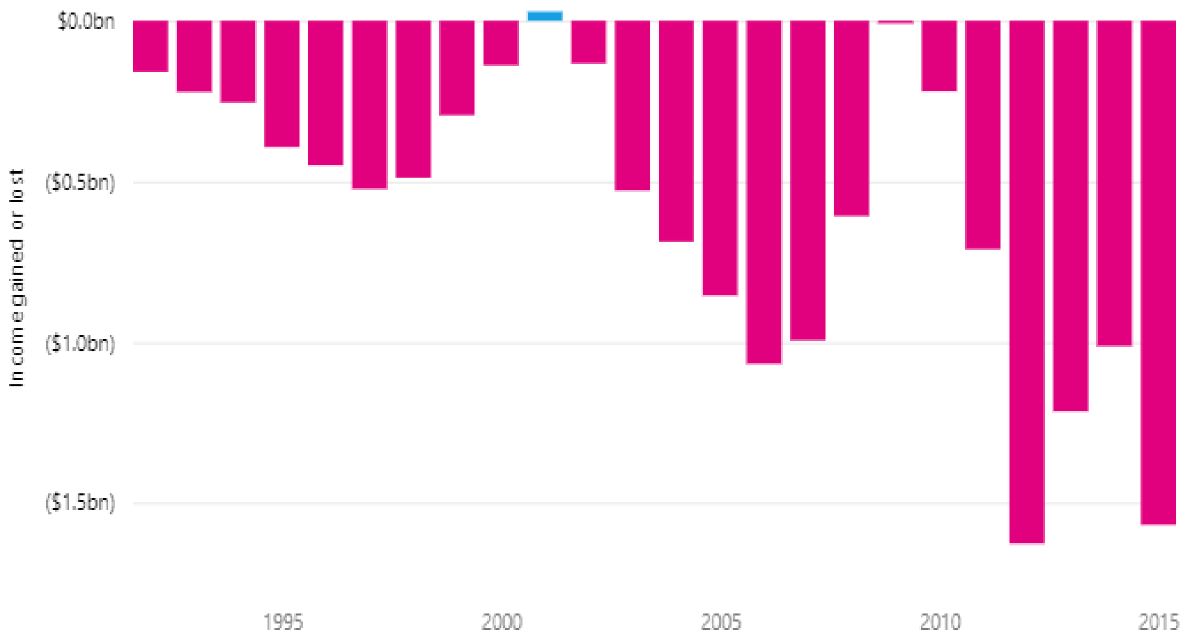


Figure 1. State taxation of retirement income. Source: National Active and Retired Federal Employees Association magazine, April 2021.

Maryland’s Gain/Loss of Adjusted Gross Income



1992 to 2000	2.6 B$
2001 to 2010	5.0 B$
2011 to 2015	6.0 B$

Figure 2. The loss of adjusted gross income from Maryland from 1992 to 2015. Blue is gain. Red is loss. Source: https://usafacts.org/articles/interstate-population-migration/ based on data from the IRS Statistics of Income Division.

DG Written Testimony_SB0498.pdf
Uploaded by: Senator Gile
Position: FAV

DAWN D. GILE
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Finance Committee

Chair

Anne Arundel County
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Testimony in Support of SB0498 - Income Tax - Senior Tax Credit - Alterations

Mr. Chair, Mr. Vice Chair, and Members of the Senate Budget and Taxation Committee:

SB0498 would modestly increase the existing Senior Tax Credit for seniors on the lower and middle part of the income distribution.

Background

One of the issues I hear most from constituents is the tax burden on our seniors, which can make it difficult to pay for essentials and to enjoy retirement to the fullest. I take this issue seriously, which is why I'm proud to have introduced this bill which would expand the Senior Tax Credit in our state.

Existing Law

As detailed in the Fiscal Note, the existing Senior Tax Credit is $1,000 for single seniors not making more than $100,000 per year, with some constraints placed for seniors making between $50,000 but no more than $100,000 in the event of falling revenues in a given year. Joint filers, surviving spouses, and heads of household who make no more than $150,000 per year are eligible for a $1,750 credit (with similar fiscal constraints in place).

Solution

SB0498 would:

- Increase the credit for single seniors making up to $75,000 per year to $1,250. Seniors making more than $75,000 but not more than $100,000 would continue to receive the original $1,000 credit.
- Similarly, the credit for joint filers, surviving spouses, and heads of household would increase to $2,000 for those making up to $125,000. For those seniors making more than $125,000 but not more than $150,000, the credit would continue to be $1,750.

Put simply, SB0498 would increase the Senior Tax Credit to the seniors in our community that need it the most. For others currently eligible, the credit will stay the same. To keep pace with inflation and to maintain Maryland's edge in retaining and attracting retirees, this tax credit needs to be increased.

Per the Fiscal Note, SB0498 is projected to cost about $20M in FY25. Obviously, we’re in a more difficult fiscal environment than we’ve been in for several sessions. To pass a balanced budget, tough decisions will need to be made about which bills to pass. Compared to other tax relief bills, the fiscal impact of this bill is relatively modest. It is my hope that the Committee will have the ability to provide some additional tax relief to Maryland seniors.

I therefore respectfully request a favorable report on SB0498.

SB 498 Income Tax_Senior Credit -_Alterations 01.3
Uploaded by: Tammy Bresnahan
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SB 498 Income Tax – Senior Credit - Alterations
FAVORABLE
Senate Budget and Taxation Committee
January 31, 2024

Good afternoon, Chair Guzzone and members of the Senate Budget and Taxation Committee. My name is Tammy Bresnahan. I am the Senior Director of Advocacy for AARP MD. AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Key priorities of our organization include helping all Marylanders achieve financial and health security. AARP MD and its more than 850,000 members support SB 498. We thank Senator Gile for introducing this bill.

AARP is working hard to strengthen retirement security for all Americans by ensuring that workers and retirees have access to their hard earned and hard saved dollars.

SB 498 allows for state income tax credits for residents who are at least 65 years of age. SB 498 increases the value of the senior tax credit. In general, (1) for eligible joint filers (if both spouses filing jointly are at least age 65), surviving spouses, and heads of household with federal adjusted gross income (FAGI) of up to $125,000, the maximum value of the credit is increased from $1,750 to $2,000; and (2) for eligible joint filers (if only one spouse filing jointly is at least age 65) with FAGI of up to $125,000 and all other eligible filers with FAGI of up to $75,000, the maximum value of the credit is increased from $1,000 to $1,250. The bill also increases the value of and FAGI thresholds applicable to the reduced senior tax credit for a tax year in which the September general fund estimate issued by the Board of Revenue Estimates (BRE) for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year.

The rising cost of essential necessities, including groceries, utilities, and prescription drugs, is of significant concern for millions of Marylanders, especially for older and retired Marylanders living on fixed incomes. In fact, according to an AARP study, in 2017, 22% of Maryland residents stopped taking medication as prescribed due to rising costs.

Older Marylanders on fixed incomes clearly feel the effects of inflation more than the rest of us. These retirees bear a disproportionate brunt of drug and medical inflation, which is significantly higher than overall inflation.

Maryland's retirees currently pay federal income taxes, as well as significant state and local income taxes, motor fuel taxes, sales taxes, and property taxes. A vast number of older Marylanders also fully support or contribute financially to the well-being of their children and grandchildren, as well as act as primary caregivers to their parents and spouses. They also feel that they have limited options for rejoining the workforce and virtually no time horizon to increase their savings. Reducing taxes on retirement income will provide Maryland's retirees with extra dollars to care for their loved one's needs and help with food, housing, transportation, and medical costs.

Within our state, Marylanders over age 50 create an economic impact much greater than their portion of the population. As the percentage of state residents over 50 continues to grow, so will their contributions to our economy. According to "Longevity Economy," a report prepared by Oxford Economics for AARP, Marylanders 50 years and older generated 39 percent of the state's gross domestic product in 2018, totaling $163 billion. Moreover, the report found that state residents 50 years and older made up just 36 percent of Maryland's population in 2018 but supported 1.6 million or 44 percent of jobs across the state and 38 percent of state and local taxes in the amount of $15 billion.

AARP Maryland looks forward to working with all of you in enacting and implementing policies - like SB 498 - that preserve and support this economic engine in our state and helps to ensure that older Marylanders can live their retirement years with dignity and independence. We will continue corresponding with our members to make certain they understand the various policy proposals being discussed and how they address the needs of older Marylanders and their families.

AARP Maryland respectfully requests a favorable report for SB 498. For questions or additional information, please feel free to contact Tammy Bresnahan, Senior Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451. Thank You!

SB498.SrTax.24'.pdf
Uploaded by: Virginia Crespo
Position: FAV

Maryland Retired School Personnel Association

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Senate Bill 498
In Support Of
Income Tax – Senior Credit – Alterations
Senate Budget and Taxation Committee
Hearing – January 31, 2024, 1:00 p.m.

Dear Honorable Senator Guy Guzzone, Chair, and Honorable Senator Jim Rosapepe, Vice Chair, and other distinguished Budget and Taxation Committee members,

The Maryland Retired School Personnel Association (MRSPA) supports SB 498 Income Tax— Senior Credit—Alterations.

MRSPA supports SB 498 because many retired individuals are on fixed incomes. Over the past few years, costs have risen and even though wages for many have risen, the increases don't always keep up with the rising costs. For retirees to continue to keep a roof over their head, food on the table and required medications at hand, many retirees will need help. As of the 2021 tax year, 13 states exempt pension income for qualified retirees. Such exemptions allow older citizens to have more income to spend on housing, food, necessary items and other goods. This is not only good for the people, but also for the state of Maryland as retirees stay here and can maintain their quality of life which includes spending their money in Maryland.

On behalf of the 12,000 members of the Maryland State Retired Personnel Association, we urge your support for Senate Bill 498.

Sincerely,

Carla J. Duls

Carla J. Duls
President

Virginia G. Crespo

Virginia G. Crespo
Legislative Aide

SB 498 Statement of Information 1.30.24.pdf
Uploaded by: Laura Vykol-Gray
Position: INFO

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 498 Income Tax - Senior Tax Credits - Alterations

STATEMENT OF INFORMATION

DATE: January 30, 2024

COMMITTEE: Budget and Taxation

SUMMARY OF BILL: Senate Bill 498 increases the maximum value of the senior tax credit from $1,750 to $2,000 for eligible joint filers (if both filers are at least age 65), surviving spouses, and heads of household with federal adjusted gross income (FAGI) of up to $125,000. In cases where only one filer is age 65 with FAGI up to $125,000, and all other filers up to $75,000, the maximum tax credit increases from $1,000 to $1,250. The bill also increases the value of and FAGI thresholds applicable to the reduced senior tax credit for a tax year in which the September general fund estimate issued by the Board of Revenue Estimates (BRE) for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year.

EXPLANATION: According to the Comptroller's Office, general fund revenues are projected to decrease by an estimated $19.7 million in fiscal 2025, with possible growth in tax credits in the out years. The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve structural balance over the long-term. In light of current projected general fund deficits in fiscal 2026 forward, the Department urges caution in passing legislation significantly reducing general fund revenues. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes. It would be challenging for the State to manage this revenue loss given the forecasted out-year deficits for the General Fund.

For additional information, contact Laura Vykol-Gray at (410) 260-6371 or laura.vykol@maryland.gov