



**Testimony in Support of SB 611 –
Individual Income Tax - Rates and Rate Brackets - Alterations
(Sen. Pinsky)**

FAVORABLE

February 24, 2021

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

On behalf of Strong Future Maryland, we write in support of SB 611. Strong Future Maryland works to advance bold, progressive policy changes to address systemic inequality and promote a sustainable, just and prosperous economic future for all Marylanders. Today, the wealthiest 1 percent of Maryland households pay a smaller share of their income in state and local taxes than the rest of us do. Senate Bill 611 proposes a graduated, taxable income rate for incomes over \$500,000. We believe this legislation is a good start to making our tax code more balanced.

Last November, a [new analysis](#)¹ by the Institute for Policy Studies (IPS) and Americans for Tax Fairness showed that the total wealth gain of America’s billionaires has surpassed the \$1 trillion mark, a 34% rise since mid-March 2020, the approximate start of the COVID-19 pandemic. During the worst economic crisis since the Great Depression, the total wealth of these 650 billionaires has grown by a third. Put another way, these 650 billionaires now have twice as much wealth² as the bottom 50% of all U.S. households.

In addition, included in the \$2.2 trillion CARES stimulus package by Republicans and against the objection of Democrats was a controversial tax cut that conferred over 80 percent of the benefits to just over 43,000 taxpayers, each earning at least \$1 million per year.³

¹<https://docs.google.com/spreadsheets/d/1NrKJZ--Qi6ifavDYXWEdGjLKXwfRzybMUEI8HXHqKQQ/edit#gid=0>

²<https://www.commondreams.org/newswire/2020/11/25/us-billionaires-surpass-1-trillion-wealth-gains-during-pandemic-essential-0>

³<https://www.whitehouse.senate.gov/imo/media/doc/116-0849.pdf>

Meanwhile, income inequality in the U.S. is the highest of all the G7 nations,⁴ according to data from the Organization for Economic Cooperation and Development. The wealth gap between America's richest and poorer families more than doubled from 1989 to 2016, according to the Pew Research Center.⁵

Implementing a more progressive wealth tax is the right solution. According to the Center for Budget and Policy Priorities⁶ (CBPP):

Targeted income tax hikes at the top don't harm a state's ability to compete economically with its neighbors, real-world experience shows. Of the eight states (including the District of Columbia) that have enacted lasting millionaires' taxes since 2000:

- seven have had per capita personal income growth at least as strong as their neighbors since raising taxes;
- six have had growth in private-sector gross domestic product about as good as or better than their neighbors (see chart); and
- five added jobs at least as quickly as their neighbors.

Furthermore, research confirms state personal income taxes don't harm growth.⁷ A comprehensive literature review by two Oklahoma State University tax experts in 2018 looked at 36 studies, including ten published since 2014. [20] Regarding state tax policies overall, they concluded:

The overall state and local tax burden is not a major driver of economic growth differences across states. The vast majority of the academic studies that examined the relationship between state and local taxes and economic growth found little or no effect. Where [statistically] significant effects were found, they generally were modest at most.

⁴ <https://www.cfr.org/background/g7-and-future-multilateralism>

⁵ <https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/>

⁶ <https://www.cbpp.org/blog/millionaires-taxes-a-smart-way-for-states-to-invest-in-their-future>

⁷ <https://www.cbpp.org/research/state-budget-and-tax/raising-state-income-tax-rates-at-the-top-a-sensible-way-to-fund-key>

As for state personal income tax taxes in particular, the researchers found evidence suggesting that “states recently reducing their personal income taxes more likely harmed economic growth and states increasing their personal income taxes more likely spurred their economic growth.”

On the other hand, research indicates that high-income tax increases can generate substantial revenues for investments in people and communities that provide economic and social benefits over the long term.

Voters across the country support increasing taxes on the wealthiest to provide critical services. Just this past November, Arizona voters approved proposition 208⁸ 52-48%, which will increase income taxes on higher earners to raise revenue for education funding and teacher salaries. The law will add a 3.5% tax surcharge on taxable annual income over \$250,000 for single filers and \$500,000 for joint filers (the current marginal rate is 4.5%). The state Joint Legislative Budget Committee estimated that it would generate \$827 million in the first full year of implementation.⁹

Here in Maryland, according to a poll conducted for Strong Future Maryland by Targetsmart in January and February of this year:

- 64% of respondents said they feel: “State government in Maryland should invest more in the state and its residents, ensuring they are safe, healthy, and economically secure, even if it means corporations and the wealthy have to contribute more in taxes.”
- Only 13% disagreed.
- 62% of respondents feel wealthy individuals and families pay too little in taxes.
- 82% of respondents feel that government should play a role in reducing income inequality.
- 79% outright support raising income taxes on individuals making at least \$1 million per year, including majorities of Democrats, Independents, and Republicans.

Our tax system is broken and it’s time we start fixing it. Please issue a favorable report on SB 611.

John B. King Jr.
Founder and Board Chair

Alice Wilkerson
Executive Director

⁸ <https://apps.arizona.vote/info/assets/18/0/BallotMeasures/l-31-2020.pdf>

⁹ <https://www.azleg.gov/jlbc/20novl-31-2020fn730.pdf>