



POSITION STATEMENT

TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE

HOUSE BILL 275 – INDIVIDUAL INCOME TAX - BRACKETS AND RATES - ALTERATION

Sponsor: Delegate Smith

January 28, 2021

DONALD C. FRY
PRESIDENT & CEO

GREATER BALTIMORE COMMITTEE

Position: Oppose

The Greater Baltimore Committee (GBC) opposes House Bill 275, which alters the personal income tax by establishing new tax brackets and increases tax rates imposed including an increase in the top marginal tax rate from 5.75% to 7.00%

The GBC's Gaining a Competitive Edge report identified eight Core Pillars for a competitive business environment and job creation. A key pillar is a tax structure that is fair and competitive. In addition, the report of the Maryland Economic Development and Business Climate Commission (2016) concluded that the state's "tax structure is a detriment to [its] competitiveness in attracting and retaining businesses as well as in creating jobs and expanding the revenue base of the government itself."

In addition, a key component of attracting and maintaining a highly trained and educated workforce is a tax structure that is competitive to surrounding jurisdictions. For years, Maryland has been seen as a high tax state and passage of HB 275 would only add to that reputation and negatively impact on the state's ability to grow the economy and jobs.

In looking at our income tax structure, a report from Comptroller Peter Franchot entitled Personal Income Taxes – Statistics of Income (2019) shows that 14% of Marylanders with adjusted gross income over \$150,000 paid 52% of total state and local income taxes. The richest 1% – all those filing returns with adjusted gross income tax over \$500,000 – paid 19% of the total, and the state's roughly 8,000 millionaires (less than 0.4% of the population of tax filers) paid 12% of the total.

These statistics make clear that the state already has a progressive income tax structure. This bill would actually make that structure less progressive. For instance, for a single filer with Maryland Taxable Income of \$50,000 is currently in the 4.75 % bracket. Under this proposal, that filer's tax rate would jump to 5.5%. The pandemic is not the time to increase taxes when families are dealing with increased costs of child care, health expenses, tutoring/educational costs, increased costs for broadband services for education and jobs.

Finally, increasing taxes will lead some to leave the state of Maryland and establish residency in adjoining jurisdictions with lower tax rates, depriving the state of income tax revenues and philanthropic contributions in the community where high income tax resident lived.

For these reasons, the Greater Baltimore Committee urges an unfavorable report on House Bill 275.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

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