SB 405 Testimony_Dragics FGGM MOAA Chapter_Final.p

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Position: FAV

Ft. George G. Meade Chapter
P.O. Box 743
Ft. George G. Meade, MD 20755-0743

February 23, 2022

The Honorable Guy Guzzone
Chairman, Budget and Taxation Committee
Maryland Senate
3 West Miller Senate Office Building
11 Bladen Street
Annapolis MD 21401-1912

As Legislative Liaison of the Ft. Meade chapter of the Military Officers Association of America (MOAA), I am writing in support of **SB 405– Retirement Tax Elimination Act of 2022**, sponsored by President Ferguson at the request of the Administration. The Ft. Meade chapter, one of nine active chapters in Maryland, currently has 95 members, with approximately 75% of them drawing military retirement pay and other types of retirement income. Our chapter is also part of the Maryland Military Coalition.

SB 405 would authorize a state income tax 'subtraction' modification on retirement income up to a certain amount each year for certain individuals who are at least 65 years old, receiving Social Security benefits and who are not fully employed. The Ft. Meade chapter supports the concept of SB 405 as it would provide our members, who are either approaching or are 65, more disposable income over time. Coupled with the continuing subtraction modification of military retired pay as proposed by other legislation that has come before this committee this session, our members applaud the steps being taken to lower taxes for those who have served in the uniformed services and want to remain in Maryland.

Census data indicates that Maryland currently is **NOT** retaining veterans as residents. According to the Maryland Department of Veteran Affairs 2010 Annual Report, as of September 30th, there were an estimated 471,000 veterans, out of 5,696,423 residents of the state, or approximately 8.3% of the state's population. According to the latest census data (July 2021), there are now 365,356 veterans out of a population of 6,165,129, or just 5.9% of the state's population. While Maryland's overall population has grown 8.2% over that 11-year period, the population of veterans has declined 22.4%. There are many reasons for this decline. However, as was pointed out in the Baltimore Sun editorial of January 13, 2022, the cost of living in Maryland is a significant factor affecting whether all current residents approaching retirement will remain or relocate to other states with more favorable costs of living.

A sampling of sources that rate the best and worst states for retirement shows how poorly the State of Maryland is viewed as a "retirement destination." They are attached to this letter. Fidelity Investments, while positive about Maryland's quality of life, points out that "*any excess income is heavily taxed and some counties have their own income taxes*." Further, Fidelity estimates that the cost of living here is **29.7% above the national average**. Bankrate, used by Bloomberg and quoted by CNBC, rates Maryland 50th as the best state to retire. Moneyrate rates Maryland 46th on Economy, which includes the cost of living. Forbes, using Credit Karma State Retirement Rankings 2021, rates Maryland 44th in the cost of living. Finally, Retirement Living ranks Maryland 37th when it comes to cost of living.

While many factors that make up the cost of living are not controlled by the legislature, the reduction or modification of taxes on military retirement and old age income is. As such, any and all steps to do so will make Maryland more competitive in retaining veterans, which includes retired military personnel, as residents to not only stay for a second career but also as full-time retirees after the age of 65.

The Ft. George G. Meade Chapter recommends a **FAVORABLE** report on SB 405 – Retirement Tax Elimination Act of 2022.

Respectfully,

David L Dragics

David L. Dragics
Colonel, USA (Retired)
Legislative Liaison
District 30A

Attachments (5)

Maryland

Retire in Maryland to take advantage of world-class Chesapeake Bay fishing and more than 4,000 miles of shoreline. Retirees might be attracted to the state's average senior income, which is the second-highest in the nation at around $70,000. However, tax disadvantages could cancel out that number. The state does not tax Social Security benefits, and some seniors may qualify for exemptions for retirement accounts and pensions. But any excess income is heavily taxed, and some counties have their own income taxes. Additionally, health care and living costs are also above average.

Taxes

Ranking:

State income tax range:

Mixed

2% – 5.75%

Cost of living

29.7% above the national average

Health care

Average health care costs for a retired couple:

$436,074

Source: https://www.fidelity.com/insights/retirement/best-states-to-retire

The best and worst states for retirement 2021

Bankrate, July 2021

Retirement brings a slower pace of life. No more sweating work deadlines, playing office politics or struggling to stay afloat in a city with a soul-crushing commute and a punitive cost of living. The end of your career also raises new questions about where and how to spend your days now that you're no longer tied to a specific location.

Should you settle by the beach or in the mountains? Do you prefer golf or cross-country skiing? Perhaps most importantly, where do your kids, grandkids, friends and health care providers live? Those are deeply personal questions. In an effort to find some objective answers to the where-to-retire question, Bankrate crunched a bevy of statistics on costs of living, public health and other metrics.

For this study, Bankrate looked at five broad categories: affordability, wellness, culture, weather and crime. We acknowledge there's plenty of subjectivity in choosing a place to live in retirement. If you own a paid-off home in a high-cost area like Boston or San Francisco, maybe affordability isn't a priority for you. And, of course, not everyone likes the sweltering summers of the Sun Belt states that populate the top of our rankings.

The best states to retire in 2021

According to Bankrate's study, Georgia is the best state to retire, followed by Florida, Tennessee, Missouri and — surprisingly — Massachusetts. Maryland, on the other hand, held last place in our ranking. The state was dragged down by a lack of affordability and by mediocre scores on culture and weather.

Why should retirees pull the moving van off Interstate 75 and unpack in Georgia? Affordability is one big selling point. The state combines a low cost of living and a light tax burden to rank No. 3 in affordability.

Weather is another strong point. The state has an average annual temperature of 64 degrees, fifth-warmest in the nation. Earthquakes are rare, and tornado risk is about average. The one downside is hurricanes — Georgia's small coastline puts it at risk of tropical cyclones.

Georgia places in the middle of the pack in our rankings of wellness and crime. The state's only weak spot is in the culture category — the Peach State has one of the nation's lowest percentages of over-65 residents, and it ranks near the bottom in arts and entertainment establishments per capita, based on a Bankrate analysis of Census data.

The rest of the top five:

- **Florida:** The Sunshine State has long been a haven for retirees. If you like a warm climate, Florida has the second-hottest temps, right behind Hawaii. However, the high incidence of hurricanes and tornadoes hurts Florida's weather ranking. The state scores well on culture (No. 15). If you're looking for retirement-age friends, you'll have a good chance of finding them in this state where 21 percent of the population is 65 and older. That's the second-largest share of 65+ folks of any state, Census data show. And Florida finished so close to Georgia in our ranking that the results were nearly a draw.

- **Tennessee:** This state ranks No. 1 in affordability, thanks to the combination of below-average living costs and a small burden from local and state taxes. Tennessee's weather also is near the head of the class. Its rankings in crime and wellness drag down its overall score.
- **Missouri:** Fourth-place Missouri is affordable and has a comparatively moderate climate. However, its culture, crime and wellness scores are subpar.
- **Massachusetts:** Nobody retires in the expensive Northeast, right? Massachusetts does rank poorly in affordability, placing 42nd overall. However, Massachusetts ranks No. 1 in wellness, our second most-important category.

Experts: How to pick your best state to retire

Considering a retirement move? Here's advice from experts who help retirees and soon-to-be-retired workers through the decision:

Laura Kovacs, assistant executive officer and director of education at the Scottsdale Area Association of Realtors in Arizona: "Spend some time in places where you want to live before you commit to moving there. Go to a variety of different places that you seem to be attracted to — places that have a lower cost of living and lower property taxes — and test them out for a while. If you're interested in Florida or Arizona or California, stay there for a while and see if you like the climate at the time of year you're going to be living there. Make sure it's really as affordable as you thought. When you're still working, take some time to go preview different types of communities and different types of lifestyles. And when you've retired, maybe try renting for a while before you commit to buying."

Clark Kendall, CFP, CFA, is president of Kendall Capital Management in Rockville, Maryland, and author of "Middle-Class Millionaire": "Family is the biggest consideration. When I see people retire and move to different parts of the country, 70 to 80 percent of the time, it's to be close to family. Access to medical care is another important factor. From a financial perspective, there are a lot of things to consider. How will your income be taxed? Some states offer tax breaks on retirement income. Maryland not only has an income tax, but we're also one of only seven states that has an estate tax. Look at how you're going to spend your money, too. Even though Texas and Florida have no income tax, they do have higher homeowners insurance costs because of hurricanes. It's hard to make a blanket statement. If you're making $100,000 in retirement income and moving to a $400,000 house, it's a different scenario than if you're making $1 million and moving to a $5 million house."

Ginni Field, a real estate broker in Oceanside, California, who specializes in senior buyers and sellers and holds the National Association of Realtors' Senior Real Estate Specialist designation: "Sometimes, people just want to get out of the snow. Other times, they want to be closer to family. When you're considering a community, you have to think about what you still want to do. Do you still want to be able to play golf, tennis or pickleball? What's vitally important for people in that age group are medical care, access to shopping and public transportation. I have one client who's 83 who didn't want to live in an active adult community because she had pre-determined that it would be filled with old people. I showed her around one community, and she fell in love with it."

Methodology

To construct our ranking, Bankrate looked at a number of public and private datasets related to the life of a retiree. The study examined five categories (weightings in parentheses): affordability (40 percent), wellness (20 percent), culture (15 percent), weather (15 percent) and crime (10 percent).

We calculated affordability using the 2020 Cost of Living Index from the Council for Community and Economic Research and property and sales tax rates from the Tax Foundation's rankings for 2020-21.For wellness rankings, Bankrate used the Sharecare Community Well-Being Index released in May 2021. The index measures a variety of factors, including access to health care, access to food, physical health and economic security.

Culture was calculated using the number of arts, entertainment and recreation establishments per capita, restaurants per capita and adults 65 and older per capita from the U.S. Census Bureau.

For weather scores, we relied on three decades of average daily temperature data from the National Oceanic and Atmospheric Administration. We also used NOAA data for tornado strikes and hurricane landfalls, and earthquake reports from the U.S. Geological Survey.

We calculated crime using the rates of property crimes and violent crimes per 100,000 inhabitants for each state from the FBI's 2019 Crime in the United States report.

Source: https://www.bankrate.com/retirement/best-and-worst-states-for-retirement/

Best States to Retire

State	Overall rank	Overall score	Affordability rank (40%)	Wellness rank (20%)	Culture rank (15%)	Weather rank (15%)	Crime rank (10%)
Georgia	1	17.25	3	32	41	4	29
Florida	2	17.45	14	24	15	14	27
Tennessee	3	18.85	1	42	29	8	45
Missouri	4	20	3	34	34	18	42
Massachusetts	5	20.7	42	1	12	6	10
Wyoming	6	21.95	17	28	10	49	7
Arizona	7	22.05	16	27	40	1	41
Ohio	8	22.85	19	31	32	15	20
Indiana	9	22.95	7	41	45	20	22
Kentucky	10	23.25	14	46	47	2	11
North Carolina	11	23.4	11	37	27	29	32
West Virginia	12	23.45	21	47	24	3	16
South Dakota	13	23.5	18	30	13	41	22
Wisconsin	14	23.9	30	25	17	21	12
Utah	15	24.1	26	10	48	18	18
South Carolina	16	24.3	9	40	21	33	46
Michigan	17	24.55	13	38	33	28	26
New Jersey	17	24.55	43	3	17	26	3
Oklahoma	19	24.65	2	45	44	27	42
New Mexico	20	24.75	10	48	34	7	50
New York	20	24.75	44	5	7	24	15
Rhode Island	20	24.75	44	12	5	22	7
Delaware	23	24.9	37	19	6	12	36
Nebraska	24	24.95	26	18	25	34	21
Nevada	25	25	30	21	19	13	40
Pennsylvania	26	25.2	35	17	14	30	12
Vermont	27	25.3	46	22	3	11	4
Texas	28	25.35	3	35	50	39	38
New Hampshire	29	25.45	37	16	4	45	1
Oregon	30	25.6	41	14	7	17	28
Virginia	31	26.05	30	11	37	36	9
North Dakota	32	26.25	23	20	31	44	18
Hawaii	33	26.6	50	2	11	9	32
Colorado	34	26.75	28	9	22	45	37
Mississippi	34	26.75	6	50	49	32	22
Iowa	36	26.9	29	36	23	23	12
California	37	27.05	48	6	15	4	38
Illinois	38	27.1	34	13	26	30	25
Louisiana	38	27.1	11	43	46	16	48
Washington	40	27.2	36	8	27	25	34
Connecticut	41	28.15	49	7	9	36	4
Idaho	41	28.15	22	39	30	43	6
Alabama	43	28.7	8	44	43	39	44
Arkansas	44	29.65	19	49	42	9	46
Maine	44	29.65	40	29	1	50	2
Alaska	46	29.7	25	23	20	48	49
Montana	47	30.05	33	33	2	47	29
Kansas	48	30.15	24	26	38	41	35
Minnesota	49	30.65	39	15	34	35	17
Maryland	**50**	**33.75**	**47**	**4**	**39**	**36**	**29**

Source: https://www.bankrate.com/retirement/best-and-worst-states-for-retirement/

MoneyRates

Best States for Retirement 2021					
Overall Rank	**State**	**Economy**	**Crime/ Safety**	**Lifestyle**	**Healthcare**
9	Alabama	1	44	7	24
19	South Carolina	2	46	3	40
12	Utah	3	17	47	12
3	Arkansas	4	46	8	6
33	Georgia	5	29	27	44
8	Missouri	6	42	12	15
11	Indiana	7	22	40	8
1	West Virginia	8	16	6	29
3	Mississippi	9	24	10	21
24	Oklahoma	10	42	23	24
33	Wyoming	10	7	43	45
21	Idaho	12	6	44	32
1	Iowa	13	13	30	3
18	Kansas	13	35	23	18
15	Nebraska	15	21	42	9
27	Tennessee	16	45	16	24
37	New Mexico	17	49	9	39
21	Delaware	18	36	4	36
14	North Dakota	18	17	49	2
35	Montana	20	29	25	33
26	Virginia	20	9	33	38
29	Michigan	22	25	31	24
23	South Dakota	22	22	34	19
46	Colorado	24	37	48	31
42	Louisiana	24	48	16	33
39	North Carolina	24	32	12	48
27	Minnesota	27	17	46	11
5	Kentucky	28	10	14	17
16	Ohio	29	20	19	20
24	Arizona	30	41	5	23
5	Florida	31	27	1	10
48	Washington	32	32	45	46
16	Vermont	33	4	21	30
41	Wisconsin	34	12	37	37
29	Maine	35	2	22	43
29	New Hampshire	35	1	25	41
44	Texas	37	38	27	24
49	Nevada	38	40	38	49
50	Alaska	39	49	50	50
39	Hawaii	40	32	2	42
43	Illinois	41	25	35	21
45	Oregon	42	28	16	46
13	Pennsylvania	42	13	10	15
47	California	44	38	32	35
7	Connecticut	45	4	19	3
37	**Maryland**	**46**	**29**	**38**	**1**
32	Massachusetts	46	10	35	13
9	Rhode Island	48	7	14	7
36	New York	49	15	40	5
20	New Jersey	50	3	27	13

Source: https://www.moneyrates.com/research-center/best-states-to-retire/

State Retirement Rankings 2021

Credit Karma's rank	State	Overall score	Cost of living rank	Senior living rank	Annual senior healthcare costs rank
49	Mississippi	20.97	1	50	3
22	Kansas	14.65	2	24	16
34	Oklahoma	15.97	3	38	12
31	Alabama	15.55	4	43	1
37	Arkansas	16.53	5	45	5
41	Georgia	17.39	6	44	7
33	Tennessee	15.94	7	39	11
26	Missouri	15.3	8	32	8
50	New Mexico	21.81	9	48	24
28	Indiana	15.42	10	30	20
7	Iowa	13.1	11	15	18
30	Michigan	15.52	12	28	29
23	Ohio	14.79	13	29	15
45	Texas	18.23	14	47	4
42	West Virginia	17.45	15	42	14
47	Louisiana	19.45	16	49	2
16	Nebraska	14.37	17	12	25
43	Kentucky	17.89	18	46	10
17	Idaho	14.37	19	23	23
36	Illinois	16.25	20	31	26
29	Wyoming	15.47	21	22	41
19	South Carolina	14.39	22	35	9
32	North Carolina	15.79	23	40	6
4	Wisconsin	12.34	24	7	28
35	North Dakota	16.13	25	18	36
13	Utah	14.26	26	4	22
12	South Dakota	13.95	27	20	30
14	Montana	14.32	28	17	32
2	Florida	10.92	29	26	13
24	Minnesota	15.16	30	5	44
8	Virginia	13.28	31	21	17
15	Arizona	14.36	32	33	27
6	Pennsylvania	13.09	33	19	21
25	Colorado	15.22	34	11	33
1	Delaware	10.89	35	3	39
40	Nevada	17.38	36	41	19
3	New Hampshire	12.32	37	2	47
20	Washington	14.43	38	6	48
44	New Jersey	18.1	39	36	42
21	Maine	14.53	40	16	49
9	Vermont	13.37	41	1	46
38	Rhode Island	17	42	27	38
27	Connecticut	15.32	43	13	35
10	**Maryland**	**13.64**	**44**	**8**	**31**
48	Alaska	20.69	45	25	50
11	Oregon	13.89	46	10	43
18	Massachusetts	14.38	47	9	45
39	California	17.19	48	34	37
46	New York	18.38	49	37	34
5	Hawaii	12.98	50	14	40

Source: https://www.creditkarma.com/insights/i/best-states-to-retire#overall-best-and-worst-states-for-retirement-in-2021

The Best States for Retirement

Rank	State	Cost Of Living	Quality	Healthcare	RL Rating
1	Hawaii	0.33	0.88	0.38	5.9
2	California	0.4	0.47	0.33	4.67
3	New Jersey	0.44	0.74	0.37	4.81
4	New York	0.44	0.43	0.45	3.4
5	Oregon	0.49	0.48	0.28	5.04
6	Delaware	0.52	0.56	0.13	8.12
7	Maine	0.55	0.61	0.32	5.47
8	Connecticut	0.56	0.75	0.39	3.25
9	Vermont	0.56	0.58	0.32	3.4
10	Rhode Island	0.56	0.49	0.31	2.3
11	Massachusetts	0.57	0.64	0.56	7.08
12	Montana	0.59	0.51	0.29	6.8
13	Wisconsin	0.62	0.54	0.26	6.82
14	Minnesota	0.62	0.51	0.25	4.73
15	New Mexico	0.63	0.28	0.25	3.65
16	Arizona	0.64	0.48	0.17	8.75
17	Alaska	0.64	0.67	0.4	3.7
18	Kansas	0.64	0.41	0.26	4.8
19	Colorado	0.64	0.17	0.28	5.63
20	Arkansas	0.65	0.32	0.17	8.8
21	Virginia	0.65	0.6	0.25	6.87
22	West Virginia	0.66	0.44	0.3	8.58
23	South Carolina	0.66	0.42	0.22	8.25
24	Tennessee	0.66	0.42	0.22	7.57
25	Louisiana	0.66	0.2	0.37	6.84
26	Idaho	0.67	0.42	0.11	9.38
27	Ohio	0.67	0.43	0.26	6.97
28	Iowa	0.67	0.46	0.18	5.24
29	Nebraska	0.67	0.46	0.28	3.43
30	North Carolina	0.68	0.42	0.18	7.63
31	Mississippi	0.68	0.2	0.27	6.3
32	Kentucky	0.7	0.36	0.3	6.49
33	Washington	0.7	0.59	0.26	6.14
34	Indiana	0.7	0.42	0.2	5.53
35	Georgia	0.71	0.32	0.13	7.45
36	Michigan	0.71	0.48	0.26	5.74
37	**Maryland**	**0.71**	**0.51**	**0.38**	**5.13**
38	Alabama	0.72	0.34	0.21	7.91
39	Missouri	0.73	0.42	0.25	8.02
40	Illinois	0.73	0.45	0.32	2.38
41	Oklahoma	0.74	0.31	0.51	5.19
42	Utah	0.74	0.49	0.18	6
43	Pennsylvania	0.75	0.5	0.35	7.52
44	New Hampshire	0.77	0.64	0.29	7.86
45	Nevada	0.78	0.39	0.15	9.12
46	Wyoming	0.78	0.62	0.34	7.4
47	North Dakota	0.79	0.42	0.23	3
48	Florida	0.82	0.74	0.2	8.48
49	Texas	0.82	0.6	0.18	8.64
50	South Dakota	0.83	0.45	0.41	6.5

Source: https://www.retirementliving.com/best-and-worst-states-for-retirement#the-worst

SB 405 Oral Testimony (John May).pdf
Uploaded by: John May
Position: FAV

MARYLAND MILITARY COALITION

Serving Veterans through Legislative Advocacy

ORAL STATEMENT IN SUPPORT OF SB 405

Before the Senate Budget and Taxation Committee

February 23, 2022

Good afternoon -- Chairman Guzzone and Members of the Committee. My name is John May.

I am representing the Maryland Military Coalition of 19 uniformed services and veterans' organizations with over 150,000 members in Maryland. The Coalition is a **nonprofit -- all volunteer -- Veterans advocacy group** representing the interests of Maryland Veterans -- Service Members -- their families and survivors.

The Maryland Military Coalition supports SB 405.

Broad based tax relief is not just good for our states' economy, it's also good for our quality of life. Maryland seniors deserve to have peace of mind to know that they can afford to stay right here in Maryland where they have spent their lives working and raising a family and where they continue to contribute so much.

And with struggling families and retirees getting squeezed by inflation and higher costs across the board, there is no reason why we cannot once again put the politics aside to get this done for the people of Maryland and let Marylanders keep more of their hard-earned money in their own pockets.

Maryland has one of the highest costs of living in the nation, which discourages "aging in place" and encourages migration to senior friendly states.

Maryland's tax burden and overall high cost of living also discourages military men and women retiring from active duty from remaining in the state and pursuing second careers here. Very few military personnel can live on their retirement income alone -- most require a second career. Unfortunately, Maryland's tax burden and cost of living encourages migration to military friendly states -- where most states offer military retirees an immediate 100% tax exemption on their retired pay upon stepping away from active duty.

A legislative goal of the Maryland Military Coalition is 100% elimination of state income tax on military retired pay, as has been regularly advocated in earlier General Assembly sessions. Indeed, it is the object of several bills in THIS session. And, we are strongly in support of related legislation in this session that will move us further toward full exemption of uniformed services retired pay from Maryland State taxation.

SB 405 offers one approach toward the realization of the Coalition's goal -- but for the age and employment restrictions.

The Coalition urges the adoption of legislation to eliminate or significantly reduce taxes on ALL sources of retirement income and allow Maryland to compete aggressively with other more senior friendly, as well as military friendly states.

We support SB 405 on its merits, and we urge a favorable report. Thank you for this opportunity to express that support before the Committee today.

SB 405 Written Testimony (John May).pdf
Uploaded by: John May
Position: FAV

MARYLAND MILITARY COALITION
Serving Veterans through Legislative Advocacy

SENATE BILL 405 -- SUPPORT

Senate Bill 405 – Retirement Tax Elimination Act of 2022
Senate Budget and Taxation Committee
February 23, 2022

Good afternoon. Chairman Guzzone and members of the Committee, my name is John May, representing the Maryland Military Coalition of 19 uniformed services and veterans' organizations with over 150,000 members in Maryland. The Coalition is an <u>independent, nonprofit, politically nonpartisan, all volunteer, Veteran's advocacy group</u> representing the interests of Maryland Veterans from every branch of service, including active duty, National Guard, Reserve, retired, former military, their families and survivors.

The Maryland Military Coalition supports SB 405.

Broad based tax relief is not just good for our states' economy, it is also good for our quality of life. Maryland seniors deserve to have peace of mind to know that they can afford to stay right here in Maryland where they have spent their lives working and raising a family and where they continue to contribute so much.

And with families struggling and retirees getting squeezed by inflation and higher costs across the board, there is no reason we cannot get this done for the people of Maryland and let Marylanders keep more of their hard-earned money in their own pockets.

<u>Maryland has one of the highest costs of living in the nation, which discourages "aging in place" and encourages migration to senior friendly states</u>.

<u>Maryland's tax burden and overall high cost of living also discourages military men and women retiring from active duty from remaining in the state and pursuing second careers here</u>. Very few military personnel can live on their retirement income alone. Most require a second career that will generate income that is appropriately taxed. Unfortunately, Maryland's tax burden and cost of living encourages migration to military friendly states.

A legislative goal of the Maryland Military Coalition is 100% elimination of state income tax on military retired pay, as has been regularly advocated in earlier General Assembly sessions. Indeed, it is the object of several bills in <u>THIS</u> session. And, we are strongly in support of related legislation in this session that will move us further toward full exemption of uniformed services retired pay from Maryland State taxation.

What is clear from the recent study by Towson University is that the state needs many more qualified, cleared professional workers in the defense industry. For the younger military retiree seeking a second career and a welcoming employer -- what comes next is one's decision on location and that will be made primarily as a "pocketbook" decision rather than a "feel good" decision based on the beauty of the area. The tax burden on ones retired pay is a major factor in this decision.

While 35 states fully exempt military pensions from taxation, including neighboring states, Pennsylvania, New Jersey, and West Virginia, Maryland exempts only a portion. This fact, combined with Maryland's higher overall state tax burden, makes Maryland a less attractive state for residence for military retirees.

Also, while subtractions from retired pay have been proven helpful in retaining talent in Maryland -- it is more impactful when authorized in its entirety immediately following military retirement, rather than at some specified future age. Many military retirees opt to pursue their second careers elsewhere largely because most states offer them immediate 100% tax exemption on their retired pay upon stepping away from active duty.

SB 405 offers one approach toward the realization of the Coalition's goal -- but for the age and employment restrictions.

The Coalition 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, as well as military friendly states.

We support SB 405 on its merits, and we urge a favorable report. Thank you for this opportunity to express that support before the Committee today.

Respectfully submitted,

John P. May, CMSgt USAF (Ret)
Director
Maryland Military Coalition

(Signature page follows)

Member Organizations, Maryland Military Coalition

Air Force Sergeants Association

American Minority Veterans Research Project

Commissioned Officers Association of the US Public Health Service

Distinguished Flying Cross Association

Jewish War Veterans of the USA

Military Officers Association of America

Montford Point Marines of America

Naval Enlisted Reserve Association

Reserve Organization of America

Veterans of Foreign Wars

American Military Society

Association of the United States Navy

Disabled American Veterans

Fleet Reserve Association

Maryland Air National Guard Retirees' Association

Military Order of the Purple Heart

National Association for Black Veterans

Reserve Organization of America

Society of Military Widows

SB 405_MDCC_Retirement Tax Elimination Act of 2022

Uploaded by: Maddy Voytek

Position: FAV

MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
Favorable
Senate Bill 405
Retirement Tax Elimination Act of 2022
Senate Budget and Taxation Committee
Wednesday, February 23, 2022

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

Currently, Maryland only provides a State Pension Exclusion for individuals who are at least 65 years old or who are totally disabled. Under this subtraction modification, up to a specified maximum amount of taxable pension income ($31,100 for 2019) may be exempt from tax. There is also the "Social Security offset" which is the reduction in the maximum pension exclusion allowed under current law.

The pension exclusion is limited to income received from an "employee retirement system", this includes 401(k) cash or deferred arrangement plans, 403(b) plans, 457(b) plans, thrift savings plans, and savings incentive match plan for employees retirement plans under 401(k) of the Internal Revenue Code (IRC). However, traditional IRAs, rollover IRAs, roth IRAs, Keogh plans, simplified employee pensions, and savings incentive match plan for employees retirement plans under 408 of the IRC are deemed ineligible for this exclusion. Senate bill 405 would eliminate 100% of state retirement taxes and provide $4 billion in cumulative relief to retirees. This will be phased in over time using an income exclusion and will begin in tax year 2022.

Maryland has one of the highest costs of living in the nation, which discourages individuals who currently live here to stay after retirement. Nine states do not have any income tax and 14 states exempt all or part of federal pensions from state and local taxes. These states also actively recruit seniors with tax incentives because they recognize the value they bring as economic engines for job and revenue generation. Senate bill 405 will not only encourage "aging in place" but will also help Maryland compete with neighboring states when it comes to attracting senior citizens looking to move. This will provide numerous benefits to Maryland families and our economy. With these comments in mind, The Maryland Chamber of Commerce respectfully requests a **favorable report** on SB 405.

MDCHAMBER.ORG
60 West Street, Suite 100, Annapolis 21401 | 410-269-0642

PKSTestimony2 SB 405 Feb 202022.pdf
Uploaded by: Paul Schwartz
Position: FAV

Testimony of Paul Schwartz, NARFE
Before House Ways & Means Committee
Senate Bill 405 – Retirement Tax Elimination Act of 2022
February 23, 2022

Good afternoon. My name is Paul Schwartz and I am the Chair of the State Legislation Committee for the Maryland Federation of NARFE, the National Active and Retired Federal Employees Association and the more than 300,000 Federal employees and annuitants living in Maryland that NARFE represents.

We strongly support passage of SB 405 and let me tell you why:

–Senior migration to more tax friendly states is a real issue and should be a real concern to you and Maryland's economy.

–Retirees may retire to Florida for the weather, but they do not retire to Delaware or Pennsylvania for the weather

–In Bankrate's July 2021 study, Maryland ranked last of the 50 states as the worst place to which to retire

–This mirrors a similar study by Moneywise Magazine in 2020 which also placed Maryland dead last

–This should not be too surprising since according to a March 2021 study in Wallet Hub, Maryland has the third highest personal income tax burden of all the states

–When Marylanders retire elsewhere, they take their tax money, buying power and community service with them

–The story of a recently retired military couple was shared with me. They had two military pensions plus social security, moved from Waldorf Maryland to Gettysburg Pennsylvania and saved $24,000.

–According to the latest Census data, Maryland lost population between 2020 and 2021 because of what they called out-migration (after accounting for births and deaths)

–According to the latest annual United Van Lines National Movers Survey, 28% of those leaving Maryland cited retirement as a reason

–It should be noted that, in addition to the revenue that seniors generate, overall population also impacts receipt of federal grants and even the number of representatives we have in Congress

–With Maryland's own General Assembly's Spending Affordability Committee now projecting a historic budget surplus of $4.1 billion at the close of fiscal 2022 (and with "structural surpluses" projected through 2027), now is the time to provide Marylanders with meaningful tax relief, tax relief that has been necessitated by the federal tax plan passed in December 2017 and eliminated or reduced so many of the middle class tax deductions

SB 405_SP_FAV.pdf
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Position: FAV

Senator Guy Guzzone, Chair
and Members of The Budget and Taxation Committee
Maryland Senate
Annapolis, MD

RE: SB 405- Retirement Tax Elimination Act of 2022- SUPPORT

Dear Chair Guzone and Members of The Committee,

I ask that you support SB 405. As individuals age, health, naturally, begins to deteriorate, preventing most from continuing to be a member of the active work force. Thus, their income becomes a fixed amount, which, for the average retiree, covers only basic life expenses. Additionally, health care for retirees is costly, of which the ratio to income is practically unaffordable. Thus, creating a financial situation which should, at this time in life, be completely opposite. Therefore, supporting HB 420 and eliminating retirement tax, will put money back into the pockets of retired individuals where it belongs and will be most beneficial.

I ask for a FAVORABLE vote for SB 405- Retirement Tax Elimination Act of 2022.

Thank you for your time,

Sarah Price
221 Miller Street
Westernport, MD

SB 405 Retirement Tax Elimination Act of 2022.pdf
Uploaded by: Tammy Bresnahan
Position: FAV

AARP Maryland

One Park Place | Suite 475 | Annapolis, MD 21401-3475
1-866-542-8163 | Fax: 410-837-0269
aarp.org/md | md@aarp.org | twitter: @aarpmd
facebook.com/aarpmd

SB 405 Retirement Tax Elimination Act of 2022
Support
Senate Budget and Taxation Committee
February 23, 2022

Good afternoon Chair Guzzone and members of the Senate Budget and Taxation Committee. My name is Tammy Bresnahan. I am the 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 almost 870,000 members support SB 405 Retirement Tax Elimination Act of 2022.

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. In a recent survey of over 1700 AARP Maryland members, 60 percent responded that maintaining their retirement savings should be an AARP legislative priority.

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, and 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 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 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 405 - 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 405. Thank you.

For questions or additional information, please feel free to contact Tammy Bresnahan, State Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451.

SB405_MD Center on Economic Policy_UNF.pdf
Uploaded by: Kali Schumitz
Position: UNF

Governor's Radical Income Tax Cut Would Lead Maryland Down a Dangerous Path

Position Statement in Opposition to Senate Bill 405

Given before the Senate Budget and Taxation Committee

Sufficient tax revenue is essential for supporting the investments that make Maryland a good place to live, work and spend one's golden years. Eliminating state income taxes on retired individuals would result in financial gain primarily for the wealthiest households, while likely costing the state billions each year once fully phased in. While it is important to support retirees who struggle to make ends meet, costly across-the-board tax breaks bring little benefit to this population. On the contrary, **Senate Bill 405 is a radical, multibillion-dollar plan to redistribute income to the wealthiest, and will do more to harm low-income seniors than help them.** For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 405.

Senate Bill 405 Is Astronomically Expensive

Once fully phased in, **Senate Bill 405 could cost the state as much as $3 billion each year**, according to analysis by the Institute on Taxation and Economic Policy (ITEP).[i] These massive losses are not reflected in the administration's five-year revenue estimate because the unlimited tax exemption available to eligible individuals beginning in tax year 2027 will likely show up first in the state's fiscal year 2028 budget.[ii] In other words, the structure of the bill's phase-in places the bulk of costs just beyond the customary five-year forecast horizon.

Demographic change will drive the cost of Senate Bill 405 even higher in the long term. In 2015, individuals ages 65 or older represented 18% of Maryland's adult population in 2015 and paid 14% of state income taxes.[iii] This age group is projected to grow to 24% of the adult population by 2025 and 27% by 2030.[iv] Just as seniors are an important part of Maryland communities, they are an important part of our tax base.

Even the bill's less outrageous near-term costs would harm communities across Maryland. In FY 2027, the Department of Legislative Services estimates that Gov. Hogan's proposed tax cuts (among which Senate Bill 405 is by far the largest) will turn the state's $533 million structural surplus into a $409 million deficit.[v] This will make it harder to invest in public schools through the Blueprint for Maryland's Future and put other public investments in danger. Soon thereafter, this bill's full phase-in will turn this fiscal hole into a chasm.

Senate Bill 405 will ultimately force deep cuts that will damage Maryland communities, including seniors across the state:

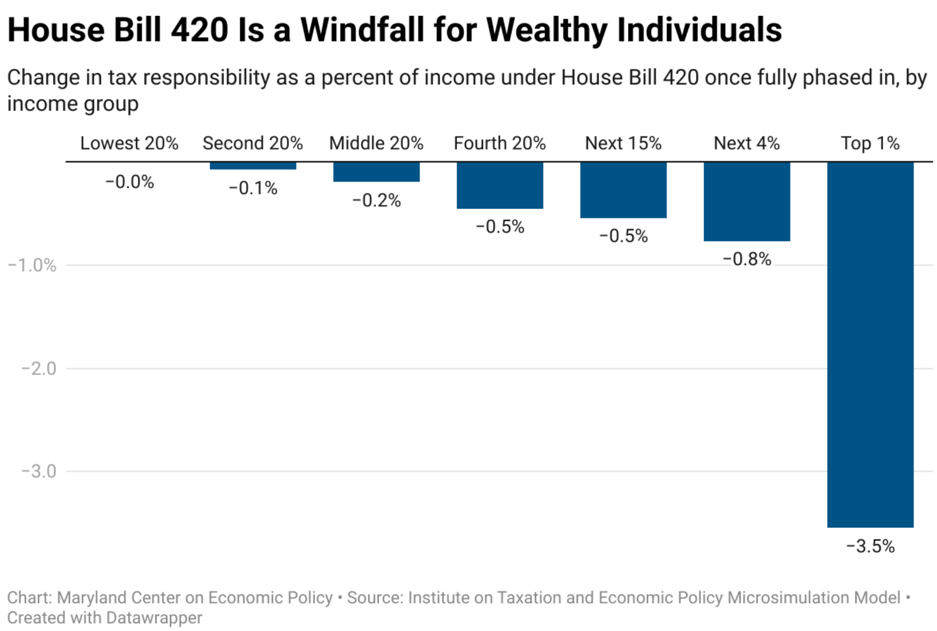
- Policymakers responded to fiscal challenges in the early 1990s and after the Great Recession by slashing state funding for local public health departments.[vi] Adjusted for inflation and population growth, the state's core public health funding in FY 2019 was 42% below its FY 2008 level and 64% below its 1990 level. Following the Great Recession cuts, local health departments had no choice but to cut staff, eliminate services, and increase fees. This put the state in a worse position to respond to the COVID-19 pandemic, which has so far killed 13,700 Marylanders.[vii] People at least 60 years old account for 85% of those deaths. Senate Bill 405 would make it harder for us to avoid repeating this mistake.

- Population aging in Maryland is driving a rapidly growing need for long-term care, a large portion of which is funded through Medicaid with significant state support. However, low wages and poor working conditions contribute to persistent workforce shortages in the industry. Maryland's need for direct care workers was projected to increase by 40% from 2014 to 2024, and population aging will continue to strain supply for many years to come.[viii] With a median hourly wage of only $13.51 in 2020, home health and personal care aide jobs cannot attract workers.[ix] Senate Bill 405 will put downward pressure on state Medicaid spending, making it harder to pay a competitive wage to the care workers our state will need as our senior population grows.

Senate Bill 405 Is a Windfall for the Wealthiest Individuals

Once Senate Bill 405 is fully phased in, the bulk of its benefits will go to a small number of wealthy individuals.

- The wealthiest 1% of Maryland tax filers (those with annual income of at least $690,000) will garner 61% of the value of tax cuts under Senate Bill 405, according to the ITEP analysis.[x]
- The next 4% (those with annual income between $301,000 and $690,000) will receive 12% of tax cuts.
- The 80% of tax filers with income under $145,000 are projected to see only 12% of the bill's tax cuts.
- This will further tilt Maryland's tax code in favor of the wealthiest, who already pay a smaller share of their income in state and local taxes than the rest of us do.[xi]



While there are certainly senior Marylanders who face financial hardship and need help, economic trends over the last several decades have generally been more favorable for older generations than younger generations.

- In 2019, "elderly returns" – those with a primary taxpayer at least 60 years old – accounted for 24% of federal tax returns filed in Maryland.[xii]
- Among tax filers with federal adjusted gross income of at least $500,000 (the wealthiest 1.1% of filers by federal AGI), 37% were elderly returns.
- Among filers with federal AGI under $25,000 (29% of all returns), 17% were elderly returns.

- As of late January and early February 2022, 8% of Maryland adults reported that they sometimes or often did not have enough to eat.[xiii] This includes 10% of those ages 25 to 39, 14% of those ages 40 to 54, and 2% of those ages 65 or older. During the same period, 4% of retired Marylanders did not always have enough to eat.
- Policymakers should absolutely take steps to assist seniors who are struggling financially. However, an across-the-board, untargeted tax break for seniors will unavoidably deliver the greatest benefits to wealthy individuals.

Lopsided tax cuts like Senate Bill 405 unavoidably widen the racial wealth gap. The 1% of Maryland households with the highest incomes derive half their income from built-up assets, compared to only 6% among everyone else.[xiv] Centuries of discriminatory policies have concentrated nearly two-thirds of all household assets among the wealthiest 10 percent of white households, leaving little for everyone else—including the large majority of white households as well as nearly all households of color.[xv]

Senate Bill 405 Would Do Little to Help Struggling Seniors

Although Gov. Hogan has sold Senate Bill 405 as a targeted tax break for low-income seniors, the bill does essentially nothing to target its tax cuts, even early in the phase-in:

- Senate Bill 405 does not exempt certain types of "retirement income" from taxation, but rather lowers (and ultimately eliminates) all income taxes for eligible individuals. Retirement plans, wages and salaries, business income, capital gains, and all other types of income are eligible.
- Even during the phase-in, there is no income limit on who can claim the tax break – only on the amount they can claim. Because individuals with higher incomes pay a higher marginal tax rate on each additional dollar of income – and significant numbers of low-income families do not owe income tax at all – this approach automatically delivers larger tax cuts in dollar terms to those with more income.

Early-Phase-In Impact of Senate Bill 405: Already Lopsided

Maryland AGI Status Quo	**Tax Cut** TY 2022 ($10,000 Cap)
$10,000	$0
$30,000	$408
$100,000	$475
$500,000	$575
Assumes a joint return with both spouses over age 65, taking the standard deduction.	

Income tax cuts (except refundable individual tax credits) generally do little to help struggling families because these families typically pay little in state income taxes.

- In 2018, 66% of Maryland tax filers with Maryland adjusted gross income under $25,000 paid state income tax, with an average effective tax rate of 1.5%. These taxpayers all pay other taxes, such as sales tax, but state income tax is not a major cost for them.
- In the same year, more than 99% of tax filers with Maryland AGI between $100,000 and $125,000 paid state income tax, with an average effective tax rate of 3.6%.
- In the same year, 99% of tax filers with at least $500,000 in Maryland AGI paid state income tax, with an

average effective tax rate of 4.4%. However, these wealthy individuals pay such a small share of their income in other taxes such as sales tax that they ultimately come out on top.

Income tax cuts are a particularly ineffective tool to help low-income seniors because this group already receives significant tax advantages. Maryland offers larger tax breaks to older adults than most other states, including exemptions for pension and Social Security income and an enhanced personal exemption. State tax breaks for older Marylanders totaled more than $600 million in FY 2020, according to the Department of Budget and Management.[xvi]

In 2015, the most recent year for which these data are available, individuals 65 or older on average paid 2.7% of their federal adjusted gross income in state income taxes, compared to 3.6% among those under 65.[xvii]

Senate Bill 405 Would Make it Easier to Game the System

The bill may also create new opportunities for wealthy individuals to manipulate the tax system to lower their responsibilities, primarily due to the rule that individuals over age 65 are eligible if they are not employed full time as of the last day of the year:

- The bill does not define "full time." If the bill is implemented based on a 40-hour standard, there are no clear guardrails to prevent someone from reducing their hours to 39 per week in order to qualify. The same problem applies to 35 hours or any other sharp threshold.
- The bill does not specify documentation requirements. Would workers be required to submit pay stubs with their tax return to establish eligibility? If so, would the last pay stub of the year suffice, or a larger sample? How would the rule apply to exempt workers whose hours might not be clearly documented? Would such workers be presumed to be ineligible? How would the rule apply to business owners, whose work hours also may not be clearly defined and whose income is not principally derived from wages and salaries? Would these individuals be presumed automatically eligible? Could workers and employers artificially shift pay structures to take advantage of the tax break?
- Could individuals and employers adopt seasonal work schedules, firing senior workers every December and rehiring them each January? The bill does not specify guardrails to prevent this manipulation.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make an unfavorable report on Senate Bill 405.

Equity Impact Analysis: Senate Bill 405

Bill summary

Senate Bill 405 would create a subtraction modification for calculating the Maryland adjusted gross income of individuals who on the last day of a taxable year either receive Social Security Old Age or Survivors' benefits or are at least 65 years old and not employed full time. This modification would be capped during the initial phase-in period, beginning at a cap of $10,000 for tax year 2022 and increasing to $50,000 in tax year 2026. Beginning in tax year 2027, the cap is lifted, effectively eliminating state income tax for eligible individuals.

Background

Maryland's income tax system already has special treatment for multiple types of retirement income. Social Security benefits are exempt from the income tax, and Marylanders over age 65 receive an additional $1,000 personal exemption. In addition, recent changes exempted the first $15,000 in annual retirement income for those who served in the U.S. military, law enforcement, or emergency services. State tax breaks for older Marylanders totaled more than $600 million in FY 2020, according to the Department of Budget and Management.

The Maryland Bureau of Revenue Estimates in 2018 published an analysis of the effect of population aging on Maryland's revenue outlook. The report found that the growing share of Maryland's population over age 65 was expected to reduce revenue growth for several decades to come, driven in part by tax advantages for this group in Maryland's tax code and slower income growth for younger generations. In 2015, individuals ages 65 or older represented 18% of Maryland's adult population in 2015 and paid 14% of state income taxes.[xviii] This age group is projected to grow to 24% of the adult population by 2025 and 27% by 2030.[xix] In 2015, the most recent year for which these data are available, individuals 65 or older on average paid 2.7% of their income in state income taxes, compared to 3.6% among those under 65.

While the tax break created under Senate Bill 405 is set to become unlimited beginning in tax year 2027, the resulting revenue loss will likely not become fully apparent until FY 2028 or later. This is because income tax revenues associated with a given taxable year are generally realized during the following two fiscal years:

Timing of Tax Year 2022 Income Tax Revenues (Simplified)			
Withholding Taxes January to June	**Withholding Taxes** July to December	**Payments with Returns** April Submission	**Payments with Returns** Extension Granted
FY 2022	**FY 2023**		**FY 2024**

Equity Implications

Creating broad exemptions for retirement income will double down on the existing wealth and income inequality that already exists:

- Because the proposed exemption is essentially unlimited, the greatest share of the tax benefits will go to seniors who are already very well-off.
- The 1 percent of Maryland households with the highest incomes derive about half their income from built-up assets, including 26 percent from partnership net income, 19 percent from capital gains, and 8 percent from interest, dividends, estates, and trusts.[xx] Meanwhile, the other 99 percent of households derive only 6 percent of their income from built-up wealth. Centuries of discriminatory policies have concentrated nearly two-thirds of all household assets among the wealthiest 10 percent of white households, leaving little for everyone else—including the large majority of white households as well as nearly all households of color.[xxi]
- This costly proposal would take away much-needed state resources that now support essential state investments. While the state could make different choices in the future, historically, such significant budget cuts have disproportionately affected services in low-income communities and communities of color, including services that that older Marylanders in these communities rely on.

Impact

Senate Bill 405 would likely **worsen racial and economic equity** in Maryland.

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[i] Institute on Taxation and Economic Policy Microsimulation Tax Model. For details, see https://itep.org/itep-tax-model-simple/

[ii] Income tax revenues associated with a given taxable year are generally realized during the following two fiscal years. For example, withholding taxes for January to June 2022 may be realized as early as FY 2022, but withholding taxes for the remainder of 2022 are not realized until at least FY 2023. Payments with tax returns filed for tax year 2022 will generally be realized in FY 2023, if those returns are submitted on time. For tax filers who request an extension, payments with returns filed as late as October 2023 will be realized in FY 2024.

Consistent with this timeline, ITEP estimates that with a $50,000 cap (as in TY 2026), Senate Bill 405 would cost $849 million per year, close to the Hogan administration's $730 million estimate for FY 2027.

[iii] MDCEP analysis of Bureau of Revenue Estimates age cohort tax data. See David Farkas, "The Impact of Age Demographics on Maryland's Economic and Tax Revenue Outlook," Comptroller of Maryland – Bureau of Revenue Estimates, 2018, https://www.marylandtaxes.gov/reports/bre-report-data.php

[iv] MDCEP analysis of Maryland Department of Planning, Maryland State Data Center, December 2020 Population Projections, https://planning.maryland.gov/MSDC/Pages/s3_projection.aspx

[v] Hiram Burch, Patrick Frank, Rachel Hise, Matthew Klein, Jason Kramer, Steven McCulloch, David Romans, Rebecca Ruff, Theresa Tuszynski, and Tonya Zimmerman, *Fiscal Year 2023 Fiscal Briefing*, Department of Legislative Services, 2022, https://dls.maryland.gov/pubs/prod/OperBgt/2022_Fiscal-Briefing.pdf

[vi] Christopher Meyer, "Lessons from the Great Recession: Policymakers Must Reject Deep Cuts for a Strong Recovery," Maryland Center on Economic Policy, 2020, http://www.mdeconomy.org/recession-budget-cuts/

[vii] Maryland COVID-19 Data Dashboard, accessed February 21, 2022, https://coronavirus.maryland.gov/

[viii] Kezia Scales, "The Direct Services Workforce in LTSS in MD and DC," PHI, 2018, https://phinational.org/resource/the-direct-services-workforce-in-ltss-in-md-and-dc/

[ix] Bureau of Labor Statistics, May 2020 Occupational Employment and Wage Statistics.

[x] Institute on Taxation and Economic Policy Microsimulation Tax Model. For details, see https://itep.org/itep-tax-model-simple/

[xi] Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/whopays/

[xii] Internal Revenue Service, Historic Table 2, TY 2019.

[xiii] MDCEP analysis of U.S. Census Bureau, Household Pulse Survey, Week 42.

[xiv] MDCEP analysis of Tax Year 2018 Maryland Individual Statistics of Income, Maryland Comptroller's Office, resident tax filers. In this analysis, "wealthiest 1 percent" refers to tax filers with at least $500,000 in Maryland AGI. In tax year 2018, 30,400 filers had at least $500,000 in Maryland AGI, or 1.2% of the state's 2.46 million resident tax filers.

[xv] Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy

[xvi] FY 2020 Tax Expenditure Report, Department of Budget and Management, https://dbm.maryland.gov/budget/taxexpendreports/FY2020TaxExpenditureReport.pdf

[xvii] MDCEP analysis of BRE age cohort tax data

[xviii] MDCEP analysis of BRE age cohort tax data

[xix] MDCEP analysis of Maryland State Data Center, December 2020 Population Projections

[xx] MDCEP analysis of TY 2018 Maryland Statistics of Individual Income.

[xxi] Leachman et al., 2018.

SB0405-BT_MACo_OPP.pdf
Uploaded by: Kevin Kinnally
Position: UNF

MARYLAND Association of COUNTIES

Senate Bill 405

Retirement Tax Elimination Act of 2022

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 23, 2022

From: Kevin Kinnally

Tax Incentives and Local Government Autonomy

Counties are eager and committed partners in promoting economic growth and creating opportunity – and prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but county governments welcome flexible and optional tools to serve and react to local needs and community priorities.

The General Assembly routinely considers broad or targeted tax incentives to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals sometimes focus exclusively on the state's tax structure, but often extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by locally elected leaders directly accountable within the communities they serve, are best positioned to govern local affairs – ranging from land use to fiscal matters. MACo steadfastly guards this local autonomy and consistently advocates against one-size-fits-all policies that override local decision-making.

State tax incentives should be enacted as "local option" offerings to allow counties maximum flexibility in tailoring local policies to meet local needs and priorities. The State and its local governments already work together here – where the State routinely grants a state-level property tax credit, but then enables county governments to enact their own as a local option.

MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to craft flexible and optional tools to deliver broad or targeted tax incentives, but resist state-mandated changes that preclude local input.