Paul Sundell Testimony To House Ways and Means Committee on House Bill 420 and Senate Bill 405

Conclusion: Maryland is a very unfriendly state to retires and lower income taxpayers. House Bill 420 and Senate Bill 405 would greatly improve the situation over time.

A. Maryland Is Among the Worst States In the Country From A Tax Stand Point For Retirees. Problems is on limited deductibility of retirement income, high marginal tax rates, and the non-indexing of the Maryland Tax code to Inflation. Maryland Is the Worst of its adjoining states for Retirees. From a tax standpoint it is far than other southern states popular with retirees such as South Carolina and Florida.
   Included Tables are from Kiplinger State by State Tax Guide for Retirees

https://www.kiplinger.com/retirement/602202/taxes-in-retirement-how-all-50-states-tax-retirees.

Maryland retires and others on fixed income or low to moderate income Marylanders are also hurt by the fact less than one third of Maryland's personal income tax code is indexed to inflation. This causes for a rise in income due to inflation a percentage increase in Maryland taxes collected greater than the increase in inflation. This cause a fall in the person's real personal income and a lower standard of living. Inflation is now at aor near a 40 year peak. More retirees are moving from high tax states to lower tax state and 13 states already do not tax retirement income from pensions and social security.

B. Maryland Retirees Deserve A Tax Break from an Economic Efficiency and Equity Standpoint

1. Vast Majority Spent Prime Working years In Maryland.
2. Consume Less State Resources on Average
3. Children are out of school system
4. Drive Less Thus less Wear and tear On Roads
5. Retirees spend money and are active in charity giving.
6. If retirees leave the state Maryland collects nothing from from its inheritance and estate taxes from them

Unless the tax code is indexed to inflation, tax payer's taxes will go up by more than inflation if their income only increases at the rate inflation which is roughly the case for most retires and lower income tax payers. The standard deduction, and other currently fixed deductions such as the personal tax emption and tax brackets need to be indexed or adjusted to inflation to prevent a greater proportion of the tax payer's income being subject to taxation or to higher tax brackets.

A second best solutions is to have the politicians regularly adjust the tax code for inflation. Unfortunately the state democratic party has killed past Hogan tax reduction bills for seniors in committee while offering no tax reductions for seniors counter proposals. With Maryland having a $4.6 billion dollar surplus entering 2022, it would be inexcusable not to reduce senior Marylander's tax bill significantly. Maryland seniors and voters in general will be watching. Tax reform for seniors and low and moderate income Marylanders is long overdue and should not be held hostage by other state spending proposals as has been the case in the past.