SB319_BrooksSupport.pdf
Uploaded by: Benjamin Brooks
Position: FAV

Benjamin Brooks
Legislative District 10
Baltimore County

Education, Energy, and the
Environment Committee

THE SENATE OF MARYLAND
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TESTIMONY IN SUPPORT OF SB319
INCOME TAX- SUBTRACTION MODIFICATION – INDIVIDUALS AT LEAST 75 YEARS OLD (DIAMOND INCOME REDUCTION ACT)

Budget & Taxation Committee
February 8, 2023

Chair Guzzone, Vice-Chair Rosapepe and Members of this Committee,

Thank you for the opportunity to testify before you on SB319, Diamond Income Reduction Act. The purpose of this bill is to provide a tax credit in the form of a subtraction modification for the first $100,000 of income received during a tax year for individuals who are at least 75 years of age. This bill will be applicable to all taxable years beginning after December of 2022.

During the 2022 legislative session, this body passed HB186, Income Tax- Subtraction Modification for Centenarians. HB186 provides a tax credit for the first $100,000 of income during a tax year for individuals who are at least 100 years young. SB319 seeks to expand that credit to those seniors who are 75 years old or above.

SB319 allows us the opportunity to show appreciation for a small percentage of distinguished members of our society who have been blessed with longevity and have demonstrated loyalty to our wonderful state. It incentivizes Seniors to maintain residency in Maryland which contributes to the State’s economic growth.

For these reasons, I am requesting a favorable report.

With kindest regards,

Benjamin T. Brooks

Benjamin Brooks

SB319Testimony.pdf
Uploaded by: Beth Wiseman
Position: FAV

TESTIMONY IN SUPPORT OF S.B. 319
Income Tax - Subtraction Modification - Individuals At Least 75 Years Old
(Diamond Income Reduction Act)

What a relief this would be!

At this time (I'm 83), I am not having major problems, but I will speak for others - namely, my sister who is 77 and her husband who is 80. They are faced with medical expenses they were not expecting: gasoline to doctor visits several times a week when my sister is able to drive, taxi service when she is not able because her husband in no longer able to drive, prescriptions, insurance co pays, hospital stays, and an ambulance service.

The new townhouse they bought 50 years ago requires repair. The appliances need replacement. This can be expected, but the medical related expenses were not expected to this degree.

Giving tax relief would certainly be a gift.

I thank the Senators who understand the problems older people are facing and ask that they give this Bill a favorable vote. Thank you.

Beth Wiseman
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SB319.pdf
Uploaded by: Giavante Hawkins
Position: FAV

Maryland Society of Accounting & Tax Professionals

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To: Senate Budget and Taxation Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc.

Re: SB 319 Sponsor: Senators Brooks, West, and Kramer

Contact Person: Giavante Hawkins, Executive Director

Position: In Favor

Income Tax – Subtraction Modification – Individuals At Least 75 Years Old

(Diamond Income Reduction Act)

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP), representing the voices of over 2,000 tax and accounting professional members, supports this bill. As tax and accounting professionals serving over 700,000 Maryland residents, many of them retirees and senior citizens.

This proposed legislation will help Maryland residents that have rolled their 401(k) into an IRA upon retirement and no longer qualify for the pension exclusion. It will also help reduce the number of retirees moving out of Maryland due to a more favorable tax environment in neighboring states.

Based upon the above we support this piece of legislation, and we urge a favorable report on SB319.

MD Catholic Conference_FAV_SB0319.pdf
Uploaded by: MJ Kraska
Position: FAV

MARYLAND CATHOLIC CONFERENCE

February 08, 2023

SB 319
Income Tax - Subtraction Modification - Individuals At Least 75 Years Old (Diamond Income Reduction Act)

Senate Budget & Taxation Committee

Position: Favorable

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 319 expands eligibility for an existing subtraction modification under Maryland income tax (that, under current law, is available for individuals who are age one hundred or older), to include individuals who are age 75 or older. Thus, for purposes of determining Maryland adjusted gross income, an individual who is at least 75 years old at the close of the taxable year may subtract up to $100,000 of income received by the individual during the taxable year.

Pope Francis tells us, *"A population that does not take care of the elderly and of children and the young has no future, because it abuses both its memory and its promise."* 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 such as centenarians.

The Conference supports Senate Bill 319 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."* Senate Bill 319 is a worthy endeavor in the pursuit of the common good for our most vulnerable populations.

ARCHDIOCESE OF BALTIMORE • ARCHDIOCESE OF WASHINGTON • DIOCESE OF WILMINGTON
10 Francis Street • Annapolis, Maryland 21401-1714 • 410.269.1155 • mdcatholic.org

The Conference appreciates your consideration and, for these reasons, respectfully requests a **favorable** report on Senate Bill 319.

Senate Bill 319 - Diamond Income Reduction Act - N
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 319, Income Tax – Subtraction Modification – Individuals At Least 75 Years Old (Diamond Income Reduction Act). 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 319 allows for the ability of individuals age 75 years and older to subtract $100,000 from their adjusted gross income. This brings a very much needed sense of fairness to the Maryland tax codes. 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 Demographhics 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.

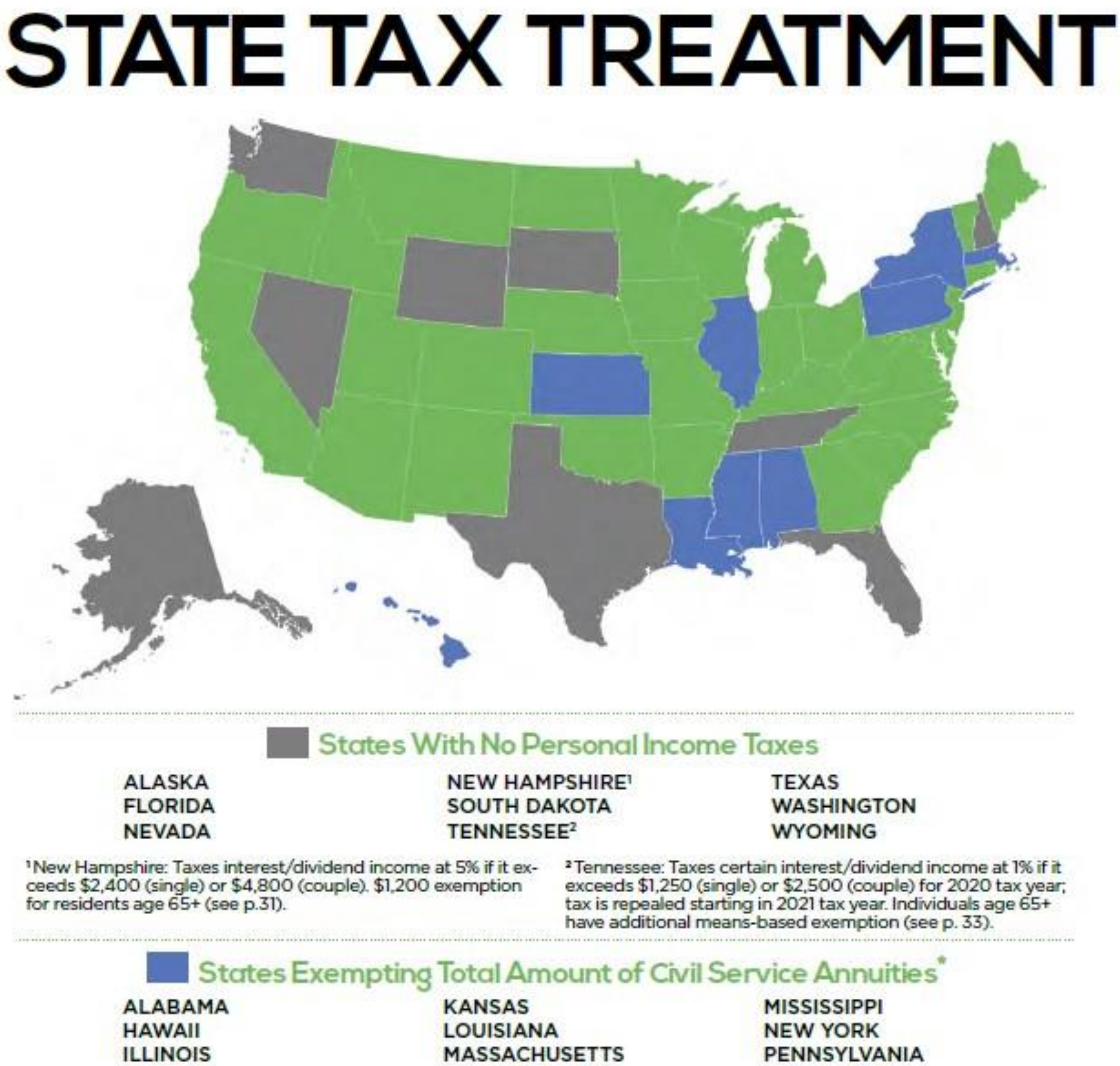
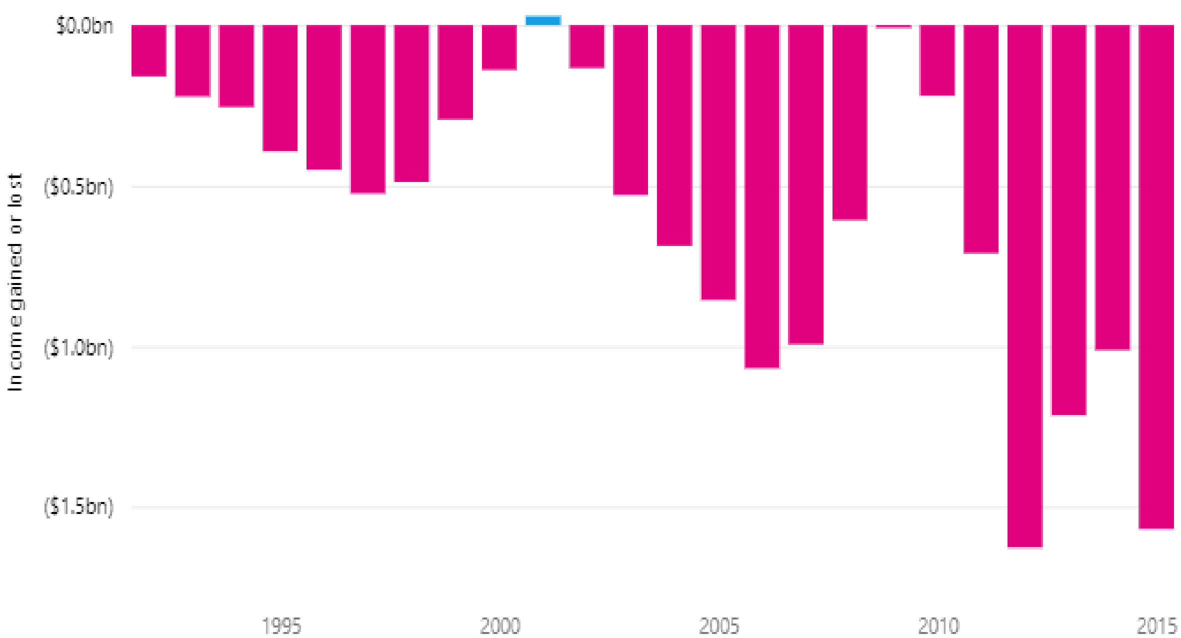


Figure 1. State taxation of retirement income. Source: National Active and Retired Federal Employees Association magazine, April 2021.

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.

SB 319 Income Tax Substration Modification Age 75.

Uploaded by: Tammy Bresnahan
Position: FWA

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SB 319 Income Tax - Subtraction Modification - Individuals At Least 75 Years Old (Diamond Income Reduction Act)
FAVORABLE
Senate Budget and Taxation Committee
February 8th, 2023

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 Maryland is one of the largest membership-based organizations representing Marylanders over 50 in the State. AARP MD and its 870,000 members support **SB 319 Income Tax - Subtraction Modification - Individuals At Least 75 Years Old (Diamond Income Reduction Act).**

As you may know, 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 strongly believes that all individuals have the right to be self-reliant and live with dignity in retirement.

SB 319 allows a taxpayer a subtraction modification that includes the first $100,000 of income received by an individual during a taxable year if the individual is at least 75 years old on the last day of the taxable year. The bill takes effect July 1, 2023 and applies to taxable years beginning after December 31, 2022.

AARP Maryland believes states should increase the progressive nature of their income tax systems. This can be done through such means as exempting from state tax rolls people with income below the poverty line; adjusting personal exemptions, standard deductions, credits, tax rates, and brackets; and indexing tax parameters for inflation. 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 others. 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. AARP strongly believes that all individuals have the right to be self-reliant and live with dignity in retirement.

Thanking you for allowing us to testify in support of this bill**. AARP Maryland respectfully requests a favorable report for SB 319.** For questions or additional information, please feel free to contact Tammy Bresnahan, Director of Advocacy at tbresnahan@aarp.org or by calling 410-302-8451.

SB0319-BT_MACo_OPP.pdf
Uploaded by: Kevin Kinnally
Position: UNF

Senate Bill 319

Income Tax – Subtraction Modification – Individuals At least 75 Years Old (Diamond Income Reduction Act)

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 8, 2023

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, enabling 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.