SB 461_Retirement Tax Elimination Act of 2023_FAV.

Uploaded by: Andrew Griffin

Position: FAV

MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
Favorable
Senate Bill 461 – Retirement Tax Elimination Act of 2023
Senate Budget and Taxation Committee
Thursday, March 9, 2023

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 6,400 members and federated partners working to develop and promote strong public policy that ensures sustained economic health and growth for Maryland businesses, employees, and families.

Senate Bill 461 would establish a subtraction modification for certain individuals receiving Social Security benefits. Starting with $10,000 of 2023 taxable income, the subtraction modification will increase in increments of $10,000 annually, until it reaches $50,000 of taxable income for 2027.

Maryland has one of the highest costs of living in the nation, which discourages individuals who currently live in the state from staying after retirement. States with competitive tax codes actively recruit seniors with tax incentives because they recognize the value they bring as economic engines for job creation and revenue generation. Senate Bill 461 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.

For these reasons, the Maryland Chamber of Commerce respectfully requests a **Favorable Report** on **SB 461.**

MaCCRA Testimony 2023 - Support - Senate Bill 461
Uploaded by: Bruce Hartung
Position: FAV

Maryland **C**ontinuing **C**are **R**esidents **A**ssociation

The Voice of Continuing Care Residents

Bruce Hartung, President
1615 C Piccard Drive #1701 Rockville, MD 20850
brucehartung@sbcglobal.net **301-605-7505**

SUBJECT: Senate Bill 461 - Retirement Tax Elimination Act of 2023
COMMITTEES: Senate Budget and Taxation Committee
The Honorable Guy Guzzone, Chair
DATE: Thursday, March 9, 2023
POSITION: **FAVORABLE**

The **Maryland Continuing Care Residents Association (MaCCRA)** is a not-for-profit organization representing the residents in continuing care retirement communities (CCRCs). Maryland has over 18,000 older adults living inCCRCs. The principal purpose of MaCCRA is to protect and enhance the rights and financial security of current and future residents. MaCCRA SUPPORTS efforts to enhance transparency, accountability, financial security, and preserve existing protections in law and regulation for current and future CCRC residents statewide.

On behalf of the Maryland Continuing Care Residents Association, we support Senate Bill 461. As drafted the bill *"Allows, subject to certain limitations, a subtraction modification under the Maryland income tax for up to a certain amount each year for certain individuals who are receiving certain benefits under the Social Security Act or who are at least 65 years old and are not employed full-time; prohibiting income included in certain subtraction modifications from being included under the subtraction modification."*

Continuing Care Retirement Communities typically operate a complex or campus where residents start inindependent living and move to other levels of care as needed. CCRCs have assisted living, typically a memory- care unit, and skilled nursing if their health and mobility decline. CCRCs are classified into three types:

- Type A ("extensive contracts" including long-term care at no monthly fee increase in cost)
- Type B ("modified contracts", including a limited amount of long-term care services at no monthly feeincrease)
- Type C ("fee-for-service"; they charge much higher monthly fees to someone who moves to long termcare (i.e. into the community's assisted living or comprehensive nursing care facilities).

Many CCRC residents live on a fixed income. This bill would provide additional financial relief for Seniors. It is another important tool that would allow residents to afford their accommodations and cover the care that is needed as they age in place.

For these reasons we support Senate Bill 461 and ask for a favorable report.

PKSTestimony SB 461.pdf
Uploaded by: Paul Schwartz
Position: FAV

Testimony of Paul Schwartz, NARFE
Before Senate Budget & Taxation Committee
Senate Bill 461 – Retirement Tax Elimination Act of 2023
March 1, 2023

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 461 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. After the passage of The Tax Elimination Act of 2022 last session, Maryland moved up to number 44. We need to keep the momentum going.

–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

–I shared with you a few weeks ago the story of a recently retired military couple that 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)

– Between 2012 and 2017 Maryland lost 59,432 residents in the 65 to 74 year old age group for an average annual loss of 11,886 seniors in this age group alone.

–Using the age distribution of seniors given in "Population Demographics for Maryland 2020, 2019", the average loss of seniors of all ages in Maryland is estimated to exceed more than 22,000.

– This loss in population results in a loss of adjusted gross income for Maryland

–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 having projected an historic budget surplus of more than $4 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

– During the last session we provided all legislators with a copy of a White Paper we prepared which details with data the true impact of senior migration on Maryland.

– Key points of the White Paper are captured in my written testimony.

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 Demographics 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.*

SB0461_ACRWC_FAV.pdf
Uploaded by: Sarah Reichert-Price
Position: FAV

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

RE: SB 0461- Retirement Tax Elimination Act of 2023- FAVORABLE

Dear Senator Guzzone and Members of the Budget and Taxation Committee,

For many years, Maryland has been losing residents, upon retirement, due to the taxation of retirement income. SB 0461 is the solution! It makes sense that as Marylanders age and their income is a fixed amount, that this income would be exempt from taxes upon filing of their yearly return. While its always nice to save money, it's especially beneficial in these days of record inflation.

In addition to adding well-deserved money back into the pockets of retired Maryland residents, the passing of SB0461 will play an important role in preserving Maryland's retired population. These Marylanders contribute to the state's economy.

I ask your committee to return a FAVORABLE report for SB0461.

Thank you for your attention to this important matter.

Sarah Price (ACRWC)
Westernport, MD (Allegany County)

SB 461 Retirement Tax Elimination Act of 2023.pdf
Uploaded by: Tammy Bresnahan
Position: FAV

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 461 Retirement Tax Elimination Act of 2023
FAVORABLE
Senate Budget and Taxation Committee
March 9, 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 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 900,000 members support SB 461 Retirement Tax Elimination Act of 2023. We thank Senator Hershey for introducing this bill.

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 461 - 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 461. 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.

SB461.TaxEx.23.pdf

Uploaded by: Virginia Crespo

Position: FAV

Maryland Retired School Personnel Association

8379 Piney Orchard Parkway, Suite A ● Odenton, Maryland 21113
Phone: 410.551.1517 ● Email: mrspa@mrspa.org
www.mrspa.org

Senate Bill 0461
In Support Of
Retirement Tax Elimination Act of 2023
Budget and Taxation Committee
Hearing: March 9, 2023, 1:00 PM

Dear Honorable Senator Guy Guzzone, Chair, and Honorable Jim Rosapepe, Vice Chair, and distinguished Budget and Taxation Committee members,

The Maryland Retired School Personnel Association (MRSPA) supports SB 0461 Retirement Tax Elimination Act of 2023.

MRSPA supports SB 0461 because it is increasingly clear that Maryland needs to take steps to make the state more friendly and affordable for retirees. Maryland's retired population is increasing with a percentage seeking to move to more tax friendly states. The result of this exodus is a loss for Maryland's overall economy. Passing this bill would encourage retired Marylanders to remain, resulting in a positive economic impact due to retiree's increased spending power. The gradual increase in subtracted retirement income amounts over a five - year period, with the sixth year (2027) subtracting all an individuals' retirement income under the conditions set forth, demonstrates the bill's intent to make Maryland more friendly and affordable to retirees over time.

According to research by AARP and NRTA, 4.8% of residents in rural Maryland counties receive a pension with public pensions benefitting every jurisdiction in the state. Retiree pension spending generates $7.5 billion in economic output for Maryland, along with $1.5 billion in federal, state, and local taxes raised from pension spending. Additionally, 43,000 Maryland jobs are supported by public pension spending. Those 43,000 jobs result in $2.5 billion in wages which are then taxed, and that income spent by those 43,000 people. These numbers don't include many other Maryland retirees who are not drawing a public pension, but who spend their retirement earnings in the state. This bill is a win-win for retirees and the state's economy.

On behalf of the over 12,000 members of The Maryland Retired School Personnel Association, we urge a favorable report on Senate Bill 0461. Maryland retirees are counting on you!

Sincerely,

Carla J. Duls

Carla J. Duls
President

Virginia G. Crespo

Virginia G. Crespo
Legislative Aide

Testimony - SB0461.pdf
Uploaded by: Will Zwart
Position: FAV

Testimony in support of Senate Bill SB0461 - William Zwart.

Honorable Chair and members of the committee,

My name is Will Zwart, and I am testifying in favor of this bill for the simple fact that retired individuals have worked their entire lives to the advancement and benefit of society. They have earned the reward to be relieved of some of the burden of taxes.

I have seen many Americans in favor of this, and the fact is: if you are active working member of society, you pay taxes to keep that society going. But if you've already completed a career, you shouldn't have to pay to be a part of a system that you've already supported most of your adult life, and are now on the outskirts of.

I know many retirees who are being forced to go back to work because of the hyper-inflation and crippled economy right now.

<u>Retirees aren't making an income, and yet they're being forced to pay taxes? That's simply not equality.</u>

If Maryland can afford to keep 53% of Baltimore on welfare, it can certainly afford to reward those who have spent their careers working to keep the state and country running.

I therefore urge you to vote in favor of SB0461.

Thank you.

SB 461_MD Center on Economic Policy_UNF.pdf
Uploaded by: Kali Schumitz
Position: UNF

MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

MARCH 9, 2023

Radical Income Tax Cut Would Lead Maryland Down a Dangerous Path

Position Statement in Opposition to Senate Bill 461

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 costing state and local governments 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 461 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 461.**

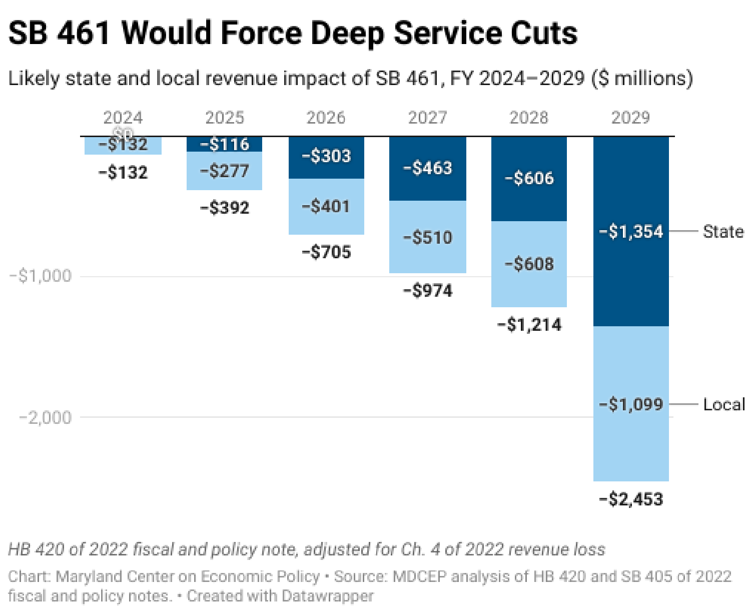
Senate Bill 461 Would Make Maryland a Worse Place to Grow Old

Once fully phased in, **Senate Bill 461 would likely cost the state about $1.4 billion each year**, plus another $1.1 billion per year in local revenue losses, for a **total annual cost of $2.5 billion**.[i]

Demographic change will drive the cost of Senate Bill 461 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.[ii] This age group grew by 18% from 2015 to 2021 and is projected to grow by another 29% by 2030.[iii] Just as seniors are an important part of Maryland communities, they are an important part of our tax base.

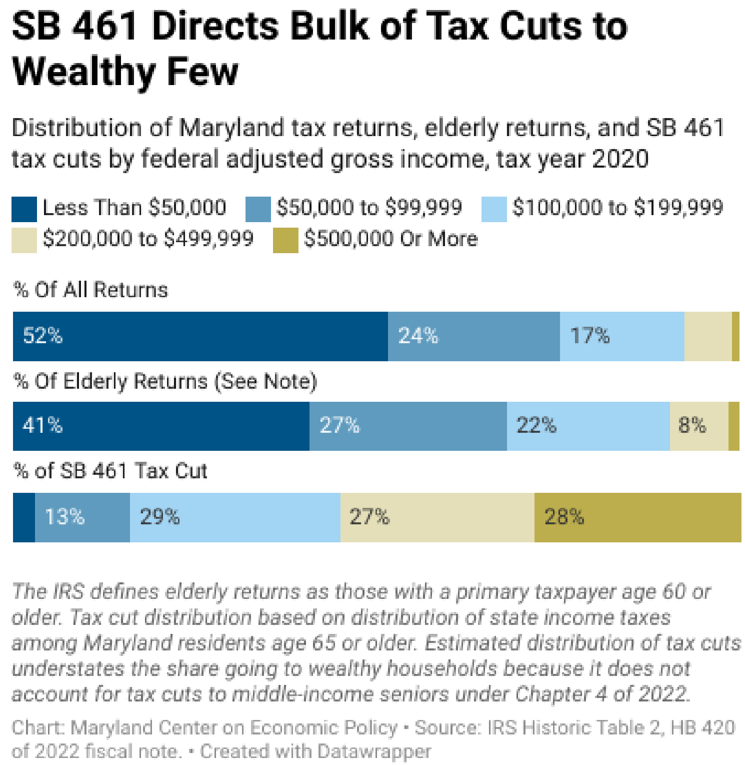
Proponents of cutting seniors' income taxes often claim that this is necessary to make the state an attractive place to retire. The fact is, Senate Bill 461 do the opposite by forcing deep cuts to essential public investments, including services that are particularly important to seniors. As just one example, **Senate Bill 461 would make it harder for older Marylanders to age in place**:

- Maryland already has a severe shortage of home care workers who provide vital assistance to seniors and Marylanders with disabilities.[iv]
- This shortage will only grow in coming years due to population aging.



- Medicaid is the single largest payer for home care services and requires significant state support.
- Moreover, research makes clear that significant wage and benefit improvements are the only path to meeting this growing need.
- Senate Bill 461 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.

The case for luring seniors with tax breaks is weaker still in light of the large and expensive tax advantages we already offer this group. **State tax breaks for older Marylanders totaled more than $600 million** in FY 2020, according to the Department of Budget and Management.[v] Chapter 4 of 2022 added **another $300 million** per year to that number.



Senate Bill 461 Is a Windfall for the Wealthiest Individuals

Once Senate Bill 461 is fully phased in, the bulk of its benefits will go to a small number of wealthy individuals:

- In tax year 2020, seniors with $200,000 or more in federal adjusted gross income paid more than half of this age group's total state income taxes – and would therefore likely receive more than half of the tax cuts from Senate Bill 461.[vi] Only 10% of tax filers classified as elderly returns by the IRS have income this high.[vii]
- In fact, the tax cuts accruing to households with at least $500,000 in federal adjusted gross income (corresponding to the wealthiest 2% of elderly returns) *far* exceed those going to households with income under $100,000 (corresponding to 65% of elderly returns).
- Senate Bill 461 would 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 any other income group.[viii]

Lopsided tax cuts like Senate Bill 461 unavoidably widen the racial wealth gap:

- The 1% of Maryland households with at least $500,000 in federal adjusted gross income derive more than half their income from built-up assets, compared to 5% to 17% among everyone else.[ix]
- 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 and all households of color.[x]

Senate Bill 461 Would Do Little to Help Struggling Seniors

Senate Bill 461 does essentially nothing to target its tax cuts to seniors facing financial hardship, even early in the phase-in:

- Senate Bill 461 does not exempt specified types of retirement income from taxation, but rather 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.

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, while paying significant amounts in sales and other taxes.[xi]

- 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.

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 461.

Equity Impact Analysis: Senate Bill 461

Bill summary

Senate Bill 461 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 2023 and increasing to $50,000 in tax year 2027. Beginning in tax year 2028, 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. State tax breaks for older Marylanders totaled more than $600 million in FY 2020, according to the Department of Budget and Management. Chapter 4 of 2022 created a new (nonrefundable) tax credit for seniors, costing about $300 million per year.

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.[xii] This age group grew by 18% from 2015 to 2021 and is projected to grow by another 29% by 2030.[xiii] 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.

Equity Implications

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

- The wealthiest 1% of Maryland households already pay a smaller share of their income in state and local taxes than any other income group.[xiv]
- In tax year 2020, seniors with $200,000 or more in federal adjusted gross income paid more than half of this age group's total state income taxes – and would therefore likely receive more than half of the tax cuts from Senate Bill 461.[xv] Only 10% of tax filers classified as elderly returns by the IRS have income this high.[xvi]
- About 28% of benefits would go to seniors with $500,000 or more in federal adjusted gross income. This income level corresponds to the wealthiest 2% of elderly returns.
- Households with income under $100,000 – corresponding to 65% of elderly returns, including the vast majority of seniors who truly need financial support – would receive only 16% of the bill's tax cuts.

Lopsided tax cuts like Senate Bill 461 unavoidably widen the racial wealth gap:

- The 1% of Maryland households with at least $500,000 in federal adjusted gross income derive more than half their income from built-up assets, compared to 5% to 17% among everyone else.[xvii]
- 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 and all households of color.[xviii]

Senate Bill 461 would force cuts to state and local public investments totaling about $2.5 billion once fully phased in. Such cuts nearly always heighten the structural barriers that cut off opportunities for Marylanders of color.[xix]

Impact

Senate Bill 461 would likely **worsen racial and economic equity** in Maryland.

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[i] Based on the fiscal and policy note for House Bill 420 of 2022, adjusted for status-quo revenue losses under Chapter 4 of 2022.

[ii] 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

[iii] MDCEP analysis of U.S. Census Bureau Population Estimates and Maryland Department of Planning population projections.

[iv] "The Direct Services Workforce in Long-Term Services and Supports in Maryland and the District of Columbia," PHI, 2018, https://phinational.org/wp-content/uploads/2018/09/DSWorkers-Maryland-2018-PHI.pdf

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

[vi] Fiscal and policy note, House Bill 420 of 2022. Note that 65-and-older tax filers do not perfectly match up with those receiving a tax cut under House Bill 461, as the bill's eligibility rules include certain individuals under 65 and exclude certain individuals over 65. These figures almost

certainly *understate* the share of benefits from Senate Bill 461 accruing to the wealthiest households, as Chapter 4 of 2022 significantly reduced tax responsibilities for middle-income seniors.

vii IRS Historic Table 2, TY 2020. The IRS defines seniors returns as those in which the primary taxpayer is at least 60 years old.

viii 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/

ix MDCEP analysis of IRS Historic Table 2, TY 2020. This analysis considers both a narrow definition of income derived from built-up assets (taxable interest, ordinary dividends, qualified dividends, net capital gains, and partnership/S-corporation net income) and a broader definition (all income classes in the narrow definition, plus taxable individual retirement arrangements distributions and taxable pensions and annuities). Under the narrow definition, the wealthiest 1% derive 54% of their income from built-up assets and all other households derive 5% of their income from these sources. Under the broader definition, the wealthiest 1% derive 56% of their income from built-up assets and all other households derive 17% of their income from these sources. The wealthiest 1% accrue 18% of all income and 69% of income from built-up wealth under the narrow definition (43% under the broad definition).

x 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

xi Maryland Statistics of Individual Income, TY 2018.

xii MDCEP analysis of BRE age cohort tax data

xiii MDCEP analysis of U.S. Census Bureau Population Estimates and Maryland Department of Planning population projections.

xiv 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/

xv Fiscal and policy note, House Bill 420 of 2022. Note that 65-and-older tax filers do not perfectly match up with those receiving a tax cut under House Bill 461, as the bill's eligibility rules include certain individuals under 65 and exclude certain individuals over 65.

xvi IRS Historic Table 2, TY 2020. The IRS defines seniors returns as those in which the primary taxpayer is at least 60 years old.

xvii MDCEP analysis of IRS Historic Table 2, TY 2020. This analysis considers both a narrow definition of income derived from built-up assets (taxable interest, ordinary dividends, qualified dividends, net capital gains, and partnership/S-corporation net income) and a broader definition (all income classes in the narrow definition, plus taxable individual retirement arrangements distributions and taxable pensions and annuities). Under the narrow definition, the wealthiest 1% derive 54% of their income from built-up assets and all other households derive 5% of their income from these sources. Under the broader definition, the wealthiest 1% derive 56% of their income from built-up assets and all other households derive 17% of their income from these sources. The wealthiest 1% accrue 18% of all income and 69% of income from built-up wealth under the narrow definition (43% under the broad definition).

xviii 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

xix See the *Budgeting for Opportunity* series from the Maryland Center on Economic Policy, http://www.mdeconomy.org/budgeting-for-opportunity/