Institute on Taxation and Economic Policy
1616 P Street, NW Washington, DC 20036
(202) 299-1066

Written Testimony Submitted to the Maryland Senate Finance Committee Regarding Senate Bill 0859 March 5, 2025

Chair Beidle, Vice Chair Hayes, and Members of the Senate Finance Committee, thank you for the opportunity today to provide testimony in support of the Fair Share for Maryland Act. My name is Miles Trinidad. I am an analyst at the Institute on Taxation and Economic Policy (ITEP), a nonprofit research group based in Washington, DC. ITEP's research focuses on state, local and federal tax policy issues, with an emphasis on equity and sustainability.

When people are asked to think of a fair tax code, most people wouldn't point to a tax code where the wealthiest are asked to pay a lower share of their income compared to low- and middle-income households. Yet, this is currently the case in Maryland. According to our Who Pays?[i] report, the top 1 percent of Maryland taxpayers pay 9 percent of their income in total state and local taxes, the lowest of any income group in the state. So those with an annual income of over $1.2 million are paying less in taxes as a share of income than teachers, firefighters, and factory workers.

Overall, our analysis shows that this proposal would ensure that wealthy individuals are contributing their fair share to the public services that benefit all Marylanders. Our analysis focuses on the personal income tax reforms included in SB 0859. The testimony analyzes the effects, on Marylanders at different income levels and on the state's budget, of four major provisions in the bill. These include two substantial revenue raising provisions (a restructuring of the state's income tax brackets for high-income earners and a surtax on the "net investment income" of upper-income Marylanders), and two targeted tax cuts (an expansion of the Earned Income Tax Credit and an expansion of the Child Tax Credit).

The table below shows the impact of the provisions described above if implemented in 2025.

2025 Income	Bottom 20%	Second 20%	Third 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	$0 - $34,900	$34,900 - $66,800	$66,800 - $110,700	$110,700 - $169,700	$169,700 - $379,400	$379,400 - $845,300	$845,300 and above
Average Income	$18,300	$49,800	$86,800	$140,900	$246,700	$523,300	$2,144,000
Tax Change as % of Income	-1.3%	-0.6%	-0.1%	0.0%	0.0%	0.5%	1.0%
Average Tax Change	-$236	-$294	-$94	-$4	$70	$2,583	$21,450
Share of Resident Tax Cut	37.5%	46.6%	15.0%	0.7%	0.1%	0.0%	0.0%
Percent with Tax Cut	43.4%	30.5%	13.7%	0.5%	0.1%	0.0%	0.0%
Average Tax Cut for Those with Cut	$546	$963	$685	$833	$587	$0	$0
Share of Resident Tax Increase	0.1%	0.0%	0.0%	0.0%	3.2%	31.3%	65.2%
Percent with Tax Increase	2.0%	0.0%	0.0%	0.0%	2.7%	77.1%	100.0%
Avg. Tax Increase for Those with Increase	$59	$0	$0	$0	$2,671	$3,349	$21,450

Source: Institute on Taxation and Economic Policy, February 2025

Institute on Taxation and Economic Policy | ITEP.org

Our analysis shows that:

- The poorest 60 percent of Marylanders would, on average, see a state tax cut from these provisions of SB 0859.
- Almost three-quarters of the tax cuts would go to the lowest-income 40 percent of Marylanders, those earning less than $66,000 in 2025.
- The best-off 40 percent of Maryland residents would, on average, see a tax increase from these provisions taken as a whole.
- Almost all of the tax increases for those Marylanders seeing a net tax hike (96 percent of the total) would be paid by the top 5 percent of Maryland residents, those earning over $379,000 in 2025.
- Virtually all middle-income Marylanders, the 40 percent of residents earnings between $66,000 and $169,000 in 2025, would either be unaffected by these tax changes or would see a small tax cut.

SB 0859 also includes a number of provisions that are not analyzed here. These include the bill's "worldwide combined reporting" provision for corporate income taxes, a modification of the state's estate tax, and a tax on certain pass-through entities. These provisions are excluded either because their ultimate incidence on individual taxpayers is difficult to determine, or because of data limitations due to the number of taxpayers likely affected.

We estimate that the overall impact of the provisions in our analysis on Maryland state revenues would be about $650 million if fully implemented in 2025. This includes a net tax increase of about $1.05 billion from the bracket changes and net investment income tax, and roughly $400 million in tax cuts from the EITC and CTC provisions. These estimates could be subject to revision in the near future given uncertainty regarding the employment status of Maryland residents who work for the federal government.

Overall, the provisions of SB 0859 analyzed here would make Maryland's tax system substantially less regressive. The revenue raising provisions would fall almost entirely on the very best-off Marylanders, and the Earned Income Tax Credit and Child Credit modifications proposed by the bill would put money back in the pockets of middle- and lower-income families. SB 0859 represents an important step toward an equitable, more sustainable Maryland tax system.

Thank you for the opportunity to submit this testimony, and I look forward to answering any of your questions.

Miles Trinidad
State Policy Analyst
Institute on Taxation and Economic Policy

---

[i] https://itep.org/whopays-7th-edition/