



FEBRUARY 19, 2026

Senior Tax Breaks Should Help Those Who Need it Most

Position Statement in Support of House Bill 745 with Amendment

Given before the House Ways and Means Committee

Maryland spends about \$1 billion per year on tax breaks for seniors. Most of these measures are poorly designed, sacrificing much-needed revenue while primarily benefiting households that are already doing well – but doing very little for those who truly need help. House Bill 745 would improve our most recent senior tax break by making it refundable, which would offer its full benefits to lower-income seniors who pay sales and property taxes but typically owe little in state income taxes. However, the bill’s nearly \$200 million annual cost is concerning, in light of Maryland’s formidable fiscal challenges. Making the tax credit refundable while simultaneously scaling it back and taking further steps to target it would help struggling seniors while protecting essential public services. **For these reasons, the Maryland Center on Economic Policy supports House Bill 745 with amendment.**

Maryland already has multiple tax breaks for senior citizens on the books, together costing the state about \$1 billion in foregone revenue each year, plus hundreds of millions for local governments:ⁱ

- Social Security and railroad retirement subtraction: \$367 million
- Chapter 4 of 2022 tax credit: \$333 million
- Pension exclusion: \$278 million
- Additional personal exemption for elderly or blind tax filers: \$31 million
- Other tax breaks: \$1 million or more

Most of these tax breaks have no upper income limit for eligibility and are structured to deliver the largest dollar benefits to those with the highest income.ⁱⁱ The 2022 tax break is better than most, as it includes income eligibility limits and is structured as a credit, which distributes benefits more equitably. It was also a massive improvement from then-Gov. Larry Hogan’s original proposal, which would have handed billions in tax cuts overwhelmingly to the wealthiest seniors.

However, the 2022 credit has a major shortcoming: unlike other individual tax credits like the Earned Income Tax Credit and the Child Tax Credit, it is not refundable. This means that it does very little for households with low incomes, who typically pay little or nothing in state income taxes. They do pay sales, property, and other taxes, but a nonrefundable tax credit cannot offset these. Seniors with annual income under \$52,000 receive only about 3% of the benefits of the 2022 tax cut, even though 40% of all Maryland households (across age groups) have income in this range.ⁱⁱⁱ

House Bill 745 would fix this flaw, enabling low-income seniors who truly face financial hardship to receive the full credit. **This is an unambiguously positive step.**

At the same time, House Bill 745 would cost nearly \$200 million per year,^{iv} adding to the state’s already-severe fiscal challenges. Further cuts to public services would directly harm seniors. As just one example, state investments are essential for enabling Maryland seniors to age in place:

- Maryland already has a severe shortage of home care workers who provide vital assistance to seniors and Marylanders with disabilities.^v
- 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.
- Any lost revenue would 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.

Recommended Improvements

With additional modifications to the 2022 tax credit, we can help struggling seniors while protecting the public services all Marylanders rely on:

- Make the credit fully refundable, as House Bill 745 does.
- Reduce the credit’s income eligibility thresholds to \$50,000 for single filers and \$75,000 for married filers.
- Reduce the credit amount to \$500 for single filers and \$875 for married filers.

Based on a 2022 analysis, these amendments could deliver more than \$100 million in relief to seniors who take home under \$52,000 per year, while *reducing* the credit’s total cost.^{vi}

The Maryland Center on Economic Policy is eager to work with lawmakers to help low-income seniors while protecting state services.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 745 with amendment.

Equity Impact Analysis: House Bill 745

Bill summary

House Bill 745 would make the senior tax credit under §10–754 of the Tax–General Article refundable.

Background

The senior tax credit altered by House Bill 745 was created by Chapter 4 of 2022. Including this credit, Maryland spends about \$1 billion per year on tax breaks for seniors.

Equity Implications

House Bill 745 would make the state’s senior tax credit more equitable, because refundability will enable lower-income seniors who typically owe little or nothing in state income taxes (but do pay other taxes such as sales and

property) to receive the full credit. Due to barriers constructed through centuries of racist policy, Maryland seniors of color are more likely than their white counterparts to get by on low incomes. As of 2024:^{vii}

- 23% of white seniors (65+) in Maryland had annual family income under \$50,000
- 32% of Black seniors had annual family income under \$50,000
- 28% of Latinx seniors had income under \$50,000
- 37% of multiracial seniors had annual income under \$50,000
- Altogether, 30% of seniors of color had annual income under \$50,000

However, the bill's nearly \$200 million annual cost would make it harder for the state to invest in the foundations of broadly and equitably shared prosperity. As just one example, lower revenues would put downward pressure on state Medicaid spending, reducing access to care for seniors who receive Medicaid-funded long-term care. Because of Medicaid's design, it by definition serves seniors with relatively low incomes, low assets, or very high medical costs. This means that inadequate Medicaid funding would also disproportionately harm seniors of color. As of 2024:^{viii}

- 10% of white seniors (65+) in Maryland had Medicaid health insurance
- 21% of Black seniors had Medicaid health insurance
- 17% of Latinx seniors had Medicaid health insurance
- 18% of Asian or Pacific Islander seniors had Medicaid health insurance
- 19% of multiracial seniors had Medicaid health insurance
- 34% of American Indian, Alaska Native, or seniors in another racial or ethnic group not specified in American Community Survey data had Medicaid health insurance.
- Altogether, 20% of seniors of color had Medicaid health insurance

Impact

As introduced, House Bill 745 would likely **have mixed impacts on racial and economic equity** in Maryland.

With the proposed amendments, House Bill 745 would likely **improve racial and economic equity** in Maryland.

ⁱ FY 2022 Tax Expenditure Report, 2021, <https://dbm.maryland.gov/budget/taxexpendreports/FY2022TaxExpenditureReport.pdf>

Robert Rehrmann, Fiscal and Policy Note for Senate Bill 405 of 2022 (Enrolled),

https://mgaleg.maryland.gov/2022RS/fnotes/bil_0005/sb0405.pdf

Chapter 4 revenue estimate is for FY 2027. Other estimates are for FY 2022.

ⁱⁱ Even when the amount of deducted income is capped, any tax break that reduces a household's taxable income will deliver the largest benefits to those paying the highest marginal tax rates.

ⁱⁱⁱ Christopher Meyer, "Retiree Tax Cut Deal Is a Missed Opportunity to Help Low-Income Seniors," Maryland Center on Economic Policy, 2022,

<https://mdeconomy.org/retiree-tax-cut-deal-is-a-missed-opportunity-to-help-low-income-seniors/>

^{iv} Elizabeth Allison, Fiscal and Policy Note for House Bill 745, https://mgaleg.maryland.gov/2026RS/fnotes/bil_0005/hb0745.pdf

^v "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>

^{vi} Meyer, 2022

^{vii} MDCEP analysis of 2024 IPUMS American Community Survey microdata

^{viii} MDCEP analysis of 2024 IPUMS American Community Survey microdata