MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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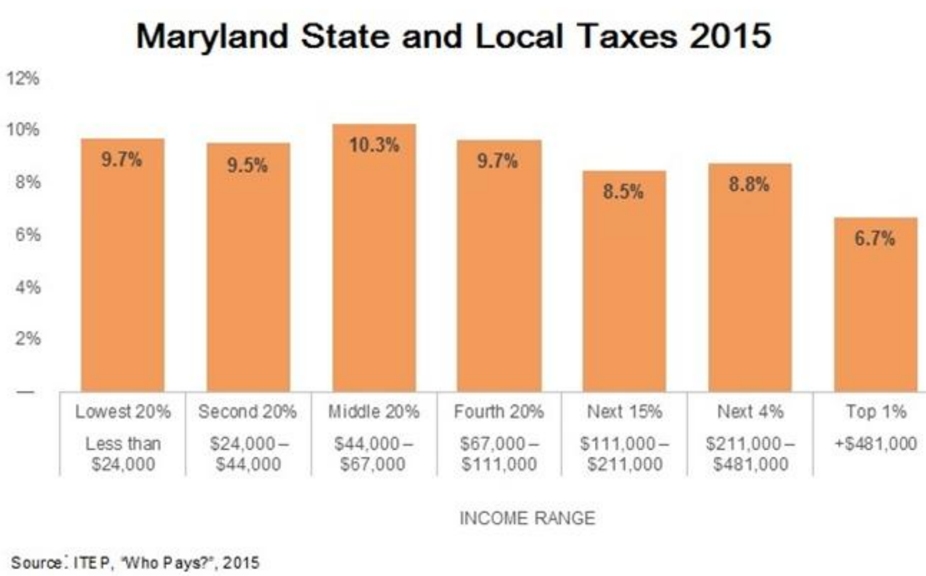
Modernizing Maryland's Individual Income Tax Rates Provides Relief for Middle Class Families

The Maryland Center on Economic Policy Supports House Bill 240

Maryland's current individual income tax rates ask the most from those who can least afford it. Low- and middle-income households pay a greater share of their earnings then the wealthiest households. This inequality is bad policy for families and the state. Families who earn the least and pay a greater share of their income in taxes have less money for basic necessitates, like food and safe housing. The state has a revenue system that takes a larger share of smaller earnings, leading to decreased revenue and the inability to pay for necessary state investments. House Bill 240 would modernize the tax brackets, providing relief for 43 percent of Maryland's low-and middle-income families and strengthening the state's revenue system.

Maryland's current tax system asks more of those who are barely making ends meet. As the graph below illustrates, those earning less than $111,000 are taxed at a higher rate than those at the top. Even those making less than $24,000 pay more as a share of their income than wealthy Marylanders. This places an unfair burden on these families. Instead of their hard earned wages going towards their home, health, and savings, more of it is diverted to the state coffers. While the state does need to bring in enough revenue to support and invest in its resident's, it should not do so at the expense of those barely making it.



This bill is a moderate step in the right direction. According to an analysis by the Institute on Taxation and Economic Policy, 77 percent of taxpayers would see a slight drop in the share of their income being paid in state and local taxes. Only the top one percent of taxpayers would see a slight increase (one tenth of one percentage point) in the share of their income in state and local taxpayers.

Wages for most Marylanders have barely budged since the recession. The Board of Revenue Estimates lowered its projections in December as a direct result of stagnant wages. When a state relies more heavily on those making less, the state's revenue system fails to grow and can recess during periods of wage stagnation. We've witnessed this in Maryland and its devastating effects on our state budget. We need to bolster our revenue system against such economic downturns so we can continue to invest in the services that make Maryland a great place to live and do business, like education and workforce training.

House Bill 240 changes the tax bracket structure to give 91.4 percent of Marylanders a tax break. It would provide financial relief for families without costing the state revenue and has the potential to increase revenue in the future. **For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee give a favorable report to House Bill 240.**