

Maryland's Poor Taxed More Than Wealthy, Communities of Color Feel the Biggest Pinch

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For immediate release:

State residents struggling the most to make ends meet—Maryland's poor and minorities—pay a greater share of their income in state and local taxes than the wealthiest, according to a new report from the Maryland Center on Economic Policy.

Report is available at:

<http://www.mdeconomy.org/marylands-poor-taxed-more-than-wealthy-communities-of-color-feel-biggest-pinch/>

The state's highest income households pay the lowest percentage of their yearly earnings in state and local taxes compared to middle-class and low-income households. This unfortunate reality reinforces both economic and racial inequalities in Maryland, making it more difficult for many to climb the financial ladder.

"Maryland state and local taxes fall disproportionately on the poor and minorities," said Benjamin Orr, Executive Director of the Maryland Center on Economic Policy. "This turns into a one-two punch against Maryland; increasing income inequality and less money for state investment in schools, roads, health care, public safety, and the other pillars of our modern economy."

Low- and moderate-income taxpayers—those making less than \$67,000 and who are more likely to be people of color—pay the highest share of their household incomes in state and local taxes. The top 1 percent of Maryland taxpayers — those making more than \$481,000 — are more likely to be white and pay the lowest share of their household income in state and local taxes. The result: a racially skewed tax structure.

"Income and wealth inequality are two of the major challenges of our time, challenges that detrimentally impact the economic viability of our state," said Diane Bell McKoy, President/CEO of Associated Black Charities. "This report shows the disproportionate tax burden borne by the most economically vulnerable individuals and families in Maryland. Families, communities, and businesses are impacted and our state is poorer for it."

Other findings include:

- The poorest 20 percent of Marylanders, those with incomes below \$24,000 per year, pay an average of 9.7 percent of their incomes in state and local taxes.
- The richest 1 percent of Marylanders, those who earn at least \$481,000 and whose average income is \$1.6 million, pay only 6.7 percent of their income in state and local taxes, on average.
- African American Marylanders are nearly twice as likely as white Marylanders to be among the poorest 20 percent, with income less than \$24,000.
- African American and Hispanic Marylanders are more likely to be in an earnings bracket that pays more in taxes as a share of their income than whites.
- Hispanics are significantly less likely to be in the richest 20 percent compared to whites.
- By contrast, white Marylanders are almost twice as likely as African Americans to be in the richest 20 percent, with income greater than \$111,000. This group is the least taxed as a share of their income. White Marylanders are more likely to be in this earning category than in any other.

The 2015 General Assembly is considering legislation (House Bill 240/Senate Bill 389) that would be a modest step in the right direction. This proposal would lower the tax rate on income below \$50,000 for couples and \$25,000 for individuals, and slightly increase taxes on the top 1 percent. This change would reduce taxes for up to 92 percent of Marylanders. In addition to advancing tax equity, the legislation will also raise about \$135 million for schools, roads, and safer communities.

Today is Maryland Day, when we celebrate the founding of our state and the beginning of European immigration. After almost four centuries of immigration from around the world, Maryland is on the brink of a new chapter in her history, one where the majority of Marylanders are people of color. When evaluating tax-related legislation, policymakers should consider the impact on the poor and on different racial and ethnic groups. Elected officials need to focus on the interests of all Marylanders, and rectifying tax inequality would be a major step forward.

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