

Irresponsible Tax Cuts Will Worsen the Budget Outlook and Harm Our Economy

Position Statement in Opposition to House Bill 1038

Given before the House Ways and Means Committee

Maryland families depend on the excellent schools, colleges, hospitals, and roads that make our state an attractive place to live. Cutting the personal income tax would deprive us of billions of dollars in resources needed to support these vital public investments, and would provide the same rate cut to taxpayers who make \$4,000 a year as taxpayers who make \$100,000 a year.ⁱ For these reasons, the Maryland Center on Economic Policy opposes House Bill 1038.

Creating the conditions for a strong state economy requires that everyone help support important resources such as good schools, safe communities, and reliable roads and bridges. Failed experiments with massive income tax cuts in Kansas and North Carolina in recent years illustrate how shortchanging these investments jeopardizes economic stability. After cutting taxes, Kansas went from leading its region to trailing neighboring states on most measures of economic growth, and lawmakers there are now working to reinstate taxes and begin reversing the damage to the state's economy.ⁱⁱ North Carolina now pays for 1,700 fewer teachers through state funds than in 2009, even though there are now more children attending public schools.ⁱⁱⁱ

Lowering state income tax rates by the amounts proposed in House Bill 1038 would cost over \$1.5 billion in the next five years.^{iv} This would put a severe strain on Maryland's budget, jeopardizing vital investments in good schools, healthy residents, and safe communities. The ultimate result would be to put Maryland's economic security at risk. A substantial body of research has found that income tax rates do not significantly affect families' decisions about where to live, nor are they important determinants of the success of small businesses.^v Maryland should continue to ensure that everyone pays their fair share.

A more productive discussion to have in Annapolis than focusing on tax cuts would focus on strategies that will promote wide prosperity and boost the economy, like strengthening the state Earned Income Tax Credit, supporting fast-growing local businesses, and investing in infrastructure. Billion-dollar tax cuts would make these investments more difficult and harm our state economy.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make an unfavorable report on House Bill 1038.

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- i House Bill 1030 Fiscal and Policy Note. Department of Legislative Services. Maryland General Assembly 2017 Session. http://mgaleg.maryland.gov/2017RS/fnotes/bil_0008/hb1038.pdf
- ii Show Us the Money: Kansas' Income Growth Slowed After Tax Cuts. Kansas Center for Economic Growth. March 2, 2016. <http://realprosperityks.com/show-us-the-money/>
- iii Cedric D. Johnson. January 2016. Tax Cuts Hurt Education for All: Limit Support to Foundations of Economic Opportunity. North Carolina Justice Center Budget & Tax Center. <http://www.ncjustice.org/sites/default/files/BTC%20Brief%20-%20Education%20Budget%20-%20Cedric2.pdf>
- iv House Bill 1030 Fiscal and Policy Note.
- v Michael Mazerov. May 21, 2014. State Taxes Have a Negligible Impact on Americans' Interstate Moves. Center on Budget and Policy Priorities. <http://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-negligible-impact-on-americans-interstate-moves>.
- Michael Mazerov February 19, 2013. Cutting State Personal Income Taxes Won't Help Small Businesses Create Jobs and May Harm State Economies. Center on Budget and Policy Priorities. <http://www.cbpp.org/research/cutting-state-personal-income-taxes-wont-help-small-businesses-create-jobs-and-may-harm>.