

A Roadmap for Tax Justice in Maryland

No matter what we look like or where we come from, most Marylanders believe in caring for our families and leaving things better for the generations to come. However, the upside-down tax system we have today makes it harder for our communities to thrive and squanders an opportunity to narrow the racial wealth gap.

To truly leave no one behind, we must reform our tax system so that large, profitable corporations and the wealthy pay what they truly owe. At the same time, we can transform our communities and expand opportunity by creating robust working family tax credits that help families make ends meet.

Elements of a Fair Tax System

Income Tax Reform (+\$609 million)

Add a 7% millionaires' income tax bracket and gradually increase rates for the three top current brackets, affecting 15% of households altogether. **See reverse for details.**

Corporate Tax Reform (+\$222 million)

Close loopholes that allow large, multi-state corporations to use accounting gimmicks to avoid state taxes by adopting **combined reporting and the throwback rule.**

Millionaires' Estate Tax (+\$121 million)

Advance racial equity and improve taxation of inherited wealth by **reinstating the previous \$1 million exemption** to Maryland's estate tax.

Capital Gains Surtax (+\$121 million)

Income earned from wealth rather than work is subject to a special low federal income tax rate. Maryland can partially offset this special treatment by adding a **1% surtax on capital gains.**

Child Tax Credit (-\$689 million)

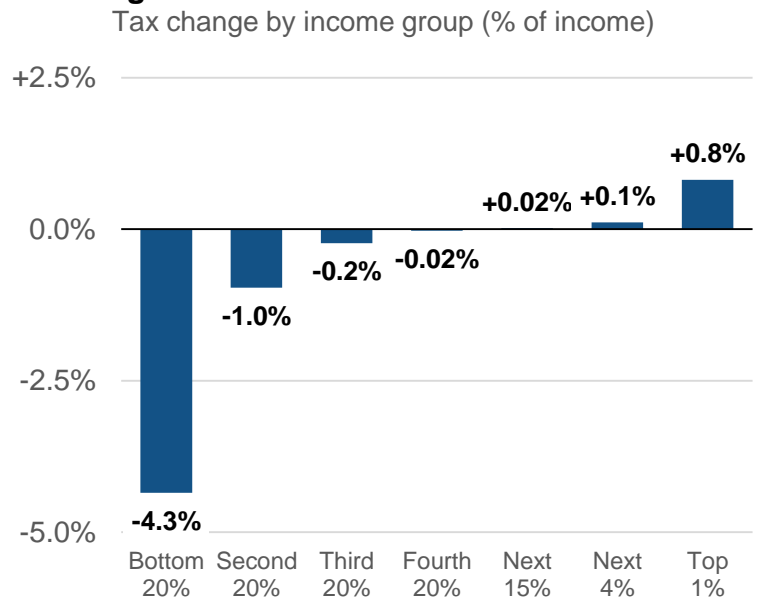
Build on the federal CTC by guaranteeing kids in struggling families a \$2,250 total benefit (\$2,500 during crucial early childhood years) and reverse the exclusion of children without a Social Security number. **See reverse for details.**

EITC Simplification (-\$209 million)

Strengthen and streamline Maryland's EITC by making the full credit amount refundable and combing it with the poverty level credit. **See reverse for details.**

Total Revenue Impact (\$ millions)	
Tax Reforms:	+\$873
Working Family Tax Credits:	-\$898
Grand Total:	-\$25

Building a Tax Code that Leaves No One Behind



Advancing Racial Equity through Income Tax Reform

	Households	Income	New Revenue
Wealthiest 20%: White	12%	36%	> 60%
Wealthiest 20%: All Others	8%	21%	< 40%
Everyone Else	80%	43%	\$0

Revenue estimates by DLS and Institute on Taxation and Economic Policy (ITEP). Distributional estimates by ITEP with adjustments by MDCEP. CTC estimates and EITC distributional estimates do not account for children/filers without SSNs. See policy memo for details.

Policy Details: Income Tax Reform

Single Filer / Married Filing Separately	Married Filing Jointly / Head of Household	Current Law	Tax Reform
\$0 to \$999	\$0 to \$999	2.00%	2.00%
\$1,000 to \$1,999	\$1,000 to \$1,999	3.00%	3.00%
\$2,000 to \$2,999	\$2,000 to \$2,999	4.00%	4.00%
\$3,000 to \$99,999	\$3,000 to \$149,999	4.75%	4.75%
\$100,000 to \$124,999	\$150,000 to \$174,999	5.00%	5.00%
\$125,000 to \$149,999	\$175,000 to \$224,999	5.25%	5.25%
\$150,000 to \$249,999	\$225,000 to \$299,999	5.50%	5.50%
\$250,000 to \$499,999	\$300,000 to \$599,999	5.75%	6.00%
\$500,000 to \$999,999	\$600,000 to \$1,199,999	5.75%	6.50%
\$1,000,000 and up	\$1,200,000 and up	5.75%	7.00%

Policy Details: Child Tax Credit

- Max benefit (0-5): **\$2,500**
- Max benefit (6+): **\$2,250**
- Max benefit indexed to inflation
- Subtract federal credit
- Max age 17
- Include children without SSN
- Phaseout start: \$75K single/\$110K joint
- Beneficiaries may elect to receive benefits as a lump sum or in 12 monthly installments following tax filing

Policy Details: EITC Simplification

Provision	Current Law	EITC Sunset Repeal Separate Legislation	EITC Simplification
Refundable EITC (REIC) Match Rate No child dependents	28%	100%	100%
REIC Match Rate All Others	28%	45%	50%
REIC Max. Credit No child dependents	NA	\$530	\$530 Adjust for inflation
REIC Income Thresholds Phase-in end; phase-out start, end	Same as federal EITC	Same as federal EITC	Federal thresholds + \$2,000
REIC Max. Age	64 Same as federal EITC	64 Same as federal EITC	None
Nonrefundable EIC Match Rate	50%	50%	None
Poverty Level Credit	Yes	Yes	No
Non-SSN Filers	Ineligible	Eligible	Eligible
Net Cost (\$m)		Included in Baseline	\$209