MARYLAND NARFE 2017 STATE LEGISLATIVE PROGRAM

The Maryland Federation of Chapters of the National Active and Retired Federal Employees Association represents the interests and needs of almost 300,000 federal employees and annuitants in Maryland as well as seniors over the age of 65. While our main efforts focus on our members and constituents, we support legislation benefiting all seniors.

Although Maryland is considered one of the most prosperous states, significant increases in taxes have especially impacted seniors living on fixed incomes. This, coupled with having the highest costs of living in the nation, has led to a notable senior migration to states considered "senior friendly".

This loss of senior population has an economic impact for Maryland since seniors, as a general rule, require fewer governmental services; provide numerous volunteer services; and, as residents, generate job opportunities. North Carolina, for example, recognizes that each senior family generates new jobs and plows the bulk of their income back into the state's economy. A 2008 report entitled "Investing in North Carolina's Future" found that the financial benefits to the state government of retirees exceeded the combined earnings of three traditional North Carolina industries - textiles, furniture and farming.

Other states recognize the socio-economic value of seniors and are now actively recruiting them with tax incentives. Nine states do not have any state income tax and 14 states exempt all or part of Federal pensions from state and local income taxes. While Maryland has a general pension exclusion tied to Social Security, this exclusion pales in comparison to these other states.

To keep seniors in Maryland, the state must aggressively compete with other states by eliminating current taxes on senior pensions and supporting long term care initiatives.

Exempting senior pensions would encourage Maryland seniors to remain in Maryland as well as encourage in-migration from other states, thus improving the economy of the state for all Marylanders. To mitigate the immediate fiscal impact this change can be phased in over a period of two to four years starting with Federal and military pensions, then to other government pensions and finally to all senior pensions.

SPECIFIC INITIATIVES

I. MAKE MARYLAND THE TOP RETIREMENT CHOICE FOR MARYLANDERS AND OTHER RETIREES IN THE MID-ATLANTIC REGION.

DISCUSSION: It is critical to the economy of Maryland that the migration of Marylanders along with their buying power to other more tax friendly states is halted. Our goal is to make Maryland the top retirement choice for Marylanders and other retirees in the mid-Atlantic region. To do this, it is critical that Maryland provide incentives, such as tax incentives on pensions, to encourage Maryland retirees to age in place and retirees from nearby states to consider Maryland as a retirement destination. These incentives would be a wise investment in the state's overall economy.

A recent study compared ten states with the highest income taxes against ten states with the lowest income taxes and found that "the highest income tax states had only a 191% increase in economic growth versus a major 455% growth increase in the low tax states".

CONCLUSION: State leaders have important reasons for wanting to see their state populations grow rather than shrink. A growing population usually means more commerce, more economic vitality, and a bigger tax base to pay for state services. A shrinking population of citizens with buying power not only hurts government coffers, but can weaken a state politically by virtue of the potential loss of U.S. House members through Congressional redistricting.

RECOMMENDATIONS:

1. Begin a four year phased-in state income tax exemption for **all seniors** starting with Federal and military pensions, then to other government pensions and finally to all senior pensions.
2. Provide a tax benefit for small business, especially those that either seniors own or which hire seniors to work in their businesses.
3. The current Homeowners Tax Credit (HTC) Program is limited to low and moderate income homeowners. Change the HTC formula to increase the tax credit for eligible homeowners with lower incomes, adjust credit schedules for inflation, and increase assessment limits.

II. PROVIDE A LONG TERM CARE INSURANCE INCENTIVE TO REDUCE THE STATE MEDICAID BURDEN

DISCUSSION: A recent study by Georgetown University concluded that Americans are seriously under-estimating their future needs for long term care. Seventy (70) percent of people 65 and older will eventually need long term care at home or in a facility.

Maryland's MEDICAID costs are well above the national average. The need for long term care by Maryland's large and growing aging population will further increase the MEDICAID burden. A large proportion of MEDICAID funds pay for treatment and cognitive care for an aging population that is financially unprepared for retirement. Often they mistakenly believe that MEDICARE will pay for long term care. They are unaware that half their number will require institutional or specialized home care by their 80th year. Long term care policies have reduced the number of vendors and increased premiums both for new purchasers and current policy holders. This is a major disincentive for those who wish to purchase, or already have, long term coverage and causes some current policy holders to drop their coverage: there is a critical need for tax incentives.

CONCLUSION: Any incentives to encourage the purchase of long term care insurance should be viewed as an investment in easing the burden on our state's MEDICAID resources.

RECOMMENDATION: Encourage purchase and retention of Long Term Care insurance by the younger (age 50 – 60) population when premiums are relatively lower, by annualizing the one-time $500 tax credit. To reduce the immediate fiscal impact we suggest a three step approach: allow a $250 credit for 2017 and 2018 then, in 2019, introduce an annual $500 credit for new or returning purchasers. The more attractive $500 annual tax credit, combined with money available from the reduced taxes on pensions, should encourage sales and retention of long term care insurance. Each sale will help reduce the state MEDICAID burden.

OTHER AREAS OF SUPPORT

We will continue to work on behalf of bills to:

- Reform Corporate Tax Policies
- Promote open government
- Initiate public funding of candidates for the General Assembly

Maryland Federation of Chapters
MD PAC

The non-partisan MD PAC provides financial assistance to candidates for and members of the Maryland General Assembly who are committed to uphold and actively support the Maryland Federation's legislative goals. The MD PAC is funded solely by voluntary contributions from individual members. No chapter funds or other monies collected by assessments are accepted. For further information contact Paul Schwartz, Chair, at pksyanks@aol.com or Dave Roseman, Treasurer, at dave.roseman@comcast.net .

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