<u>State Legislation Report</u>

Paul Schwartz
State Legislation Committee Chair

Here's a little math problem to consider. You are a government retiree planning to retire to a more tax friendly state and leave Maryland never to return. How much Maryland state income tax would you owe Maryland? Answer: 0. How much sales tax in Maryland would you pay? Answer: 0. How much property tax would you pay in Maryland: Answer: 0. How much spending would you do in Maryland? Answer: still 0. How much unpaid community service would you provide to the state of Maryland: Answer: also 0.

Now, let's change the circumstances just a bit. Let's imagine that Delegate Robin Grammer's bill, "Income Tax Subtraction Modification Retirement Income", which effectively eliminates Maryland state income tax on certain retirement incomes including government pensions passes in the upcoming legislative session. As a result of passage of that bill, you decide to retire in place in Maryland. Now, the same set of math questions. How much Maryland state income tax will you pay to the state of Maryland? Answer: still 0. How much sales tax will you pay in Maryland? Answer: significantly more than zero. How much property tax will you pay in Maryland? Answer: whatever property tax you owe. How much spending will you do in Maryland? Answer: Most of it. How much free community service will you provide as a retiree to Maryland? Answer: TBD.

This seems like a very simple math problem with a quite obvious solution, but it is not as simple or as obvious as it may appear. According to Comptroller Brooke Lierman and the Director of the Bureau of Revenue Estimates, there will be a sharp decline in revenue for FY 2024 and FY 2025. Maryland's post pandemic economic recovery has been slower than much of the rest of the U.S. Since a large percentage of Maryland's approximately $60 billion in revenue is generated by state income tax, it is unlikely that any bill to reduce state income tax revenue will gain enough taction to get out of either the House Ways & Means Committee or the Senate's Budget & Taxation Committee.

One of the main reasons why Maryland's economic recovery has been so slow and is expected to continue to be slow is because total population growth is declining. According to the latest IRS interstate migration and tax returns gain/loss data from 2020-2021, Maryland ranks 46 out of the 50 states and the District of Columbia. While Maryland continues to see a population decline, states like the Carolinas are seeing continued increases in population, especially among retirees.

Are you getting the feeling that we may be going around in circles (Not a math question, but maybe a geometry question). We can't get tax relief for retirees because of loss of revenue resulting from population decline, yet the population decline can be tied, to a degree, to the high cost of retiring in Maryland.

We will continue to raise this issue as we have done for the last six years to our legislators in Annapolis. We need every one of you to do the same.