

Providing Additional Data and Analysis Would Help Strengthen State Tax System

Position Statement in Support of Senate Bill 591

Given before the Senate Budget and Taxation Committee

We know that Maryland's tax system does not equally share the responsibility for funding public services. Independent analyses show that our tax system is upside down, asking the least of those most able to pay. Strengthening the Bureau of Revenue Estimates tax incidence study would improve the data available to legislators and others to create better understanding of how our tax policies are affecting Maryland families. **For these reasons, the Maryland Center on Economic Policy supports Senate Bill 591.**

Over the past four decades, wealth has increasingly concentrated among the highest-income households. While the reasons are complex, we know that state and local tax policies play a role in this problem. The rich, on average, pay a lower effective state and local tax rate than lower-income people, which makes it harder for the state to raise revenue, according to the Institute for Taxation and Economic Policyⁱ. Research shows that when income growth concentrates among the wealthy, state revenues grow more slowly.

While analyses from outside groups like ITEP are helpful in understanding the impact of Maryland's tax policies, expanding the scope of the tax incidence study using available state data would provide more current and more accurate information to state policymakers and members of the public who are interested in understanding the impact of state policies and making changes that would make our revenue system more equitable.

We understand that, as noted in the fiscal note, this will require increased information-sharing between state agencies and will potentially require some changes to the methodology currently used in compiling the report. However, we believe there are long-term benefits to increasing transparency around tax payment data and how taxes and fees are distributed among Marylanders of different income levels.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee give a favorable report to Senate Bill 591.

Equity Impact Analysis: Senate Bill 591

Bill Summary

Senate Bill 591 would expand the scope of the Bureau of Revenue Estimates tax incidence study to include review of the individual income tax, motor fuel tax, real property tax, and the sales and use tax. IT would also require analysis of how each affects Marylanders of different income levels.

Background

Over the past four decades, wealth has increasingly concentrated among the highest-income households. While the reasons are complex, we know that state and local tax policies play a role in this problem. The rich, on average, pay a lower effective state and local tax rate than lower-income people, which makes it harder for the state to raise revenue, according to the Institute for Taxation and Economic Policy. Research shows that when income growth concentrates among the wealthy, state revenues grow more slowly.

Equity Implications

Maryland's investments in essential services like education, health care, and transportation support our state economy and are especially vital for Marylanders who face economic roadblocks because of low income or the ongoing legacy of racist policy.

Increasing public understanding of state's fiscal policy will allow Marylanders to better understand the effects of the policy and communicate with their elected representatives about fiscal policy choices. It would also help policymakers make more informed decisions about the state's fiscal policies.

Impact

Senate Bill 591 would likely **improve racial, gender, and economic equity in Maryland.**

ⁱ "Who Pays? 6th Edition," Institute for Taxation and Economic Policy, 2018. <https://itep.org/whopays/>