

TESTIMONY opposed to SB389-State Individual Income Tax - Rate Changes

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Maryland's individual income taxes have been high for decades. The state allowed the county Piggy Back tax rates to rise in the early 2000s. **Then, in a Special Session in the fall of 2007, tax rates were raised substantially by creating more graduated income tax levels as well as much higher rates.** A millionaire's tax in the following year ushered 30% of these wealthy individuals out of Maryland. They either died or moved out. This tax lasted through 2010. **Then in 2012, the General Assembly again created another tax rate class of 5.75%. The actual results of these tax increases have been disappointing at best. The income tax receipts did not exceed those of FY2008 until FY2013 or five years later. In total, these tax increases over the entire six year period have lost a net total of \$240,953,000 since FY2008. (Source: CAFR FY2014).**

Business economists have known for years that once prices pass a breakeven point, they become so high that sales volume drops. The principle also applies to taxes. When taxes are too high, government revenues slip. The thought, often expressed by certain elected officials, that "Taxes don't matter" is absolutely incorrect. They do matter. It is expected, and voters trust, that their representatives won't harm the economy.

These proposed rate changes will indeed do more harm. Just trying the millionaires' tax in an uncertain economy simply invites more of the people who contribute the most to the economy to leave the state as far too many have already done.

The Fiscal Note, estimates a mere increase of \$117.5 million over five years or an average of \$23.5 million. This is not nearly enough to merit passage of this bill when human incentives have not even been considered on this static analysis. Ever higher taxes will incentivize more taxpayers to leave Maryland. Many of those will be business owners who currently employ other Marylanders who pay their own taxes. They will either move with their bosses or get laid off.

This bill is shockingly wrongheaded. It will only create more human tragedy. It should not pass out of committee.

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