

TAX CUTS AND JOBS ACT

4/26/2018

IMPACT ON TAXES FOR MARYLAND RESIDENTS

Office of the Comptroller
State of Maryland

Andrew Schaufele: Director, Bureau of Revenue Estimates

Disclaimer

- I represent myself today
- Not the Comptroller, not the Board of Revenue Estimates
- These are my estimates, use at your own risk/peril 😊

Estimate Mechanism

- Bureau of Revenue Estimates maintains a comprehensive database of taxpayer records, federal & State
 - Data is cleansed and deeply tested
- Able to simulate the full population of Maryland residents for almost every provision
 - Other provisions estimated outside of database
- Data availability lags – use TY2014 data to simulate; relatively “normal” base year
- Have estimates at provision level, but must beware, almost every taxpayer wins and loses across various provisions
- Descriptions here and in paper are general, meant to cover majority of situations

Federal Tax Results

- Estimated \$2.8 billion tax cut for TY18

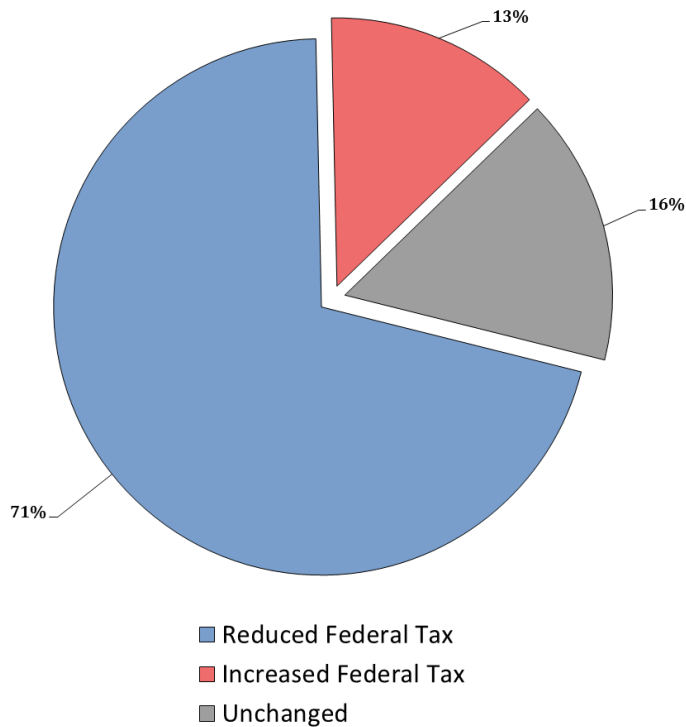


Table 3a. Federal Income Tax - Net Impact of Tax Changes
Tax Year 2014

Federal Adjusted Gross Income Class	Number of Taxpayers Not Impacted	Number of Taxpayers Impacted	Total Net Tax Impact
0 or less	17,783	1,463	28,309,007
0 to 25,000	429,450	499,659	(82,793,869)
25,000 to 50,000	11,412	611,249	(258,435,035)
50,000 to 75,000	2,237	396,739	(283,962,775)
75,000 to 100,000	900	275,162	(307,195,859)
100,000 to 150,000	600	315,389	(474,889,843)
150,000 to 250,000	200	210,033	(495,464,139)
250,000 to 500,000	61	72,547	(682,793,723)
500,000 to 1,000,000	26	17,198	(160,713,876)
Greater than \$1M	28	7,756	(35,995,173)
Total	462,697	2,407,195	(2,753,935,285)

Key Federal Provisions

- “Suspension of Personal Exemptions”
 - Not repealed, set to zero for TYs 2018-2025
 - This slide shows federal exemptions only

Table 4a. Impact of Repeal of Personal Exemptions				
Tax Year 2014				
Federal Adjusted Gross Income Class		Number of Taxpayers	Total Exemption Dollars Lost	Average Amount
0 to 25,000		556,500	2,576,576,370	4,630
25,000 to 50,000		614,458	4,484,195,572	7,298
50,000 to 75,000		396,950	3,075,882,036	7,749
75,000 to 100,000		275,311	2,433,730,014	8,840
100,000 to 150,000		315,481	3,252,605,488	10,310
150,000 to 250,000		209,749	2,430,936,452	11,590
250,000 to 500,000		64,299	635,317,491	9,881
500,000 to 1,000,000		-	-	-
Greater than \$1M		-	-	-
Total		2,432,748	18,889,243,423	7,765

Key Federal Provisions

- Reduced Itemized Deductions
 - Changes and repeals to almost all itemized deductions
 - \$10,000 SALT cap significant to Maryland residents

Table 4b. Impact of Repeal of SALT Deductions				
Tax Year 2014				
Federal Adjusted Gross Income Class		Number of Impacted Taxpayers	Total Deduction Amount Exceeding Cap	Average Deduction Amount Exceeding Cap
0 or less		1,048	25,774,012	24,594
0 to 25,000		1,804	22,563,756	12,508
25,000 to 50,000		4,758	22,862,465	4,805
50,000 to 75,000		15,823	53,578,259	3,386
75,000 to 100,000		49,620	119,153,345	2,401
100,000 to 150,000		197,299	636,646,006	3,227
150,000 to 250,000		191,188	1,622,756,081	8,488
250,000 to 500,000		69,075	1,540,972,621	22,309
500,000 to 1,000,000		16,651	884,306,449	53,108
Greater than \$1M		7,480	1,617,292,035	216,216
Total		554,746	6,545,905,030	11,800

Key Federal Provisions

- Increased Standard Deduction (SD)
 - \$9.4k to \$18k for single filer and \$12.7k to \$24k for joint
 - Dynamic impact between itemized changes and SD

Table 4c. Impact of Changes to Standard and Itemized Deductions

Tax Year 2014

Federal Adjusted Gross Income Class	Number of MD Taxpayers	Negatively Impacted		Positively Impacted	
		Taxpayers	Total Deductions Lost	Taxpayers	Total Deductions Gained
0 to 25,000	929,109	9,124	28,638,068	602,186	2,904,501,235
25,000 to 50,000	622,661	51,079	249,478,755	546,455	3,660,058,024
50,000 to 75,000	398,976	60,801	320,062,934	289,066	1,903,817,322
75,000 to 100,000	276,062	66,703	324,509,146	169,834	1,156,174,911
100,000 to 150,000	315,989	148,228	768,031,062	150,730	925,879,213
150,000 to 250,000	210,233	165,787	1,530,735,035	42,571	237,451,869
250,000 to 500,000	72,608	67,744	1,441,890,023	4,713	34,127,220
500,000 to 1,000,000	17,224	16,276	747,488,047	945	8,145,415
Greater than \$1M	7,784	7,161	1,338,515,346	622	13,097,021
Total	2,850,646	592,903	6,749,348,417	1,807,122	10,843,252,230

Notes:

(1) Taxpayers in the income class below \$0 represent an insignificant share of those taxpayers affected; in addition, their calculation of AGI is so extraordinary as to be misrepresentative of the average taxpayer. Thus, they have been excluded from most tables.

(2) AGI means taxpayer AGI prior to any changes in the tax code.

Key Federal Provisions

- Enhanced Child Tax Credit (under 17yo)
 - Was \$1k per child, phase out at \$75k or \$110k
 - Now \$2k per child, phase out at \$200k or \$400k
 - Unused portion, generally, remains refundable
 - \$500 for other dependents, not refundable

Table 5a. Impact of Changes to Non-Refundable Child Tax Credit					
Tax Year 2014					
Federal Adjusted Gross Income Class	Negatively Impacted		Positively Impacted		
	Taxpayers	Credit Reduction	Taxpayers	Credit Increase	Average Increase
0 to 25,000	19,044	3,314,911	37,764	11,120,400	294
25,000 to 50,000	19,879	4,454,437	142,793	103,469,730	725
50,000 to 75,000	1,621	1,245,643	92,742	126,855,100	1,368
75,000 to 100,000	1,445	1,473,683	85,004	167,307,611	1,968
100,000 to 150,000	1,058	1,115,471	132,698	370,932,035	2,795
150,000 to 250,000	114	122,520	108,569	396,618,682	3,653
250,000 to 500,000	47	65,275	33,562	125,223,597	3,731
500,000 to 1,000,000	24	23,439	-	-	-
Greater than \$1M	9	10,776	-	-	-
Total	43,241	11,826,153	633,132	1,301,527,155	2,056

Non-refundable

5b. Impact of Changes to Refundable Child Tax Credit					
Tax Year 2014					
Federal Adjusted Gross Income Class	Negatively Impacted		Positively Impacted		
	Taxpayers	Credit Reduction	Taxpayers	Credit Increase	Average Increase
0 to 25,000	16,784	21,485,513	185,742	61,809,626	333
25,000 to 50,000	18,802	24,659,190	123,296	112,793,841	915
50,000 to 75,000	5,576	5,532,362	24,782	27,338,861	1,103
75,000 to 100,000	1,150	1,139,010	5,383	6,603,812	1,227
100,000 to 150,000	282	304,133	1,751	2,745,134	1,568
150,000 to 250,000	59	83,238	422	808,652	1,916
250,000 to 500,000	30	51,297	201	464,470	2,311
500,000 to 1,000,000	20	33,990	-	-	-
Greater than \$1M	14	18,730	-	-	-
Total	42,717	53,307,462	341,577	212,564,396	622

Refundable

Key Federal Provisions

- Generally reduced rates, expanded brackets
- Impacts All TPs

6a. Married Joint Rates and Brackets								
Prior Law				Tax Cuts and Jobs Act				TCJA vs Prior Law
Begin	End	Rate		Begin	End	Rate		
\$0	\$18,650	10.0%		\$0	\$18,650	10.0%		Same
\$18,650	\$19,050	15.0%		\$18,650	\$19,050	10.0%		Decrease
\$19,050	\$75,900	15.0%		\$19,050	\$75,900	12.0%		Decrease
\$75,900	\$77,400	25.0%		\$75,900	\$77,400	12.0%		Decrease
\$77,400	\$153,100	25.0%		\$77,400	\$153,100	22.0%		Decrease
\$153,100	\$165,000	28.0%		\$153,100	\$165,000	22.0%		Decrease
\$165,000	\$233,350	28.0%		\$165,000	\$233,350	24.0%		Decrease
\$233,350	\$315,000	33.0%		\$233,350	\$315,000	24.0%		Decrease
\$315,000	\$400,000	33.0%		\$315,000	\$400,000	32.0%		Decrease
\$400,000	\$416,700	33.0%		\$400,000	\$416,700	35.0%		Increase
\$416,700	\$470,700	35.0%		\$416,700	\$470,700	35.0%		Same
\$470,700	\$600,000	39.6%		\$470,700	\$600,000	35.0%		Decrease
Greater than \$600,000		39.6%		Greater than \$600,000		37.0%		Decrease

Key Federal Provisions

- Qualified Business Income (QBI)
 - Deduct 20% of QBI from taxable income
 - Available to all where taxpayer has AGI under \$207k and \$415k
 - After that, only available to non-service businesses
 - We randomly assigned 30% of taxpayers as having QBI
 - Applied deduction to all TPs under the thresholds

Tax Year 2014				
Federal Adjusted Gross Income Class		Number of Taxpayers	Total Deductions Gained	Average Amount
0 to 25,000		3,237	2,459,248	760
25,000 to 50,000		10,534	18,919,874	1,796
50,000 to 75,000		10,805	31,969,307	2,959
75,000 to 100,000		10,593	39,520,555	3,731
100,000 to 150,000		17,350	86,730,577	4,999
150,000 to 250,000		20,300	164,473,311	8,102
250,000 to 500,000		15,218	224,345,345	14,742
500,000 to 1,000,000		3,105	81,936,586	26,389
Greater than \$1M		2,109	253,339,216	120,123
Total		93,251	903,694,020	9,691

Key Federal Provisions

- Caps Business Losses at \$500k / \$250k
 - Prior law - could deduct all business losses against other income
 - TCJA - amount over cap becomes NOL
 - Taken against income in future years; in theory, net zero over time
 - NOLs now capped at 80% of taxable income
 - Small number impacted, but largest single item change

Table 8. Impact of Deduction For Excess Business Losses

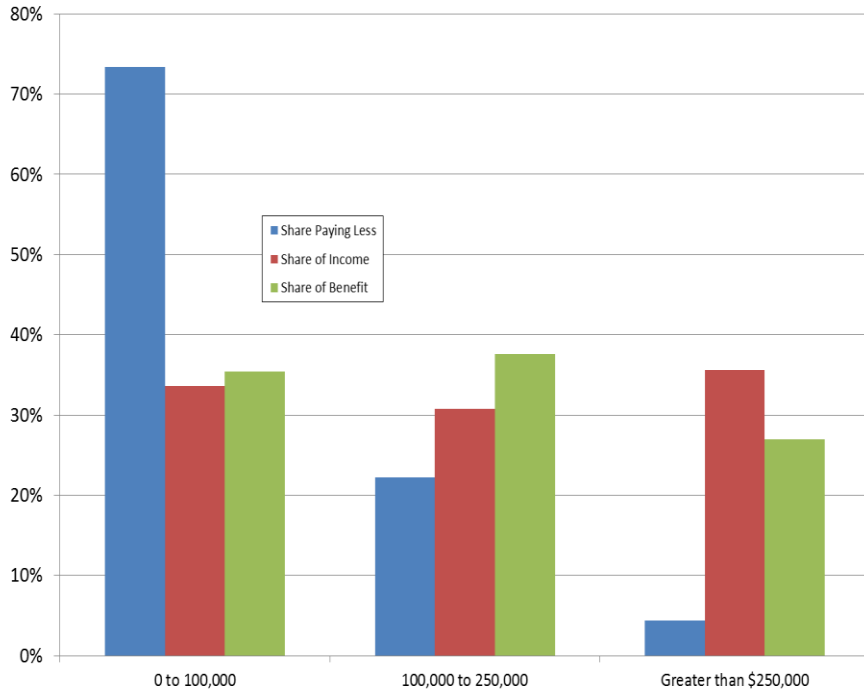
Tax Year 2014

Federal Adjusted Gross Income Class	Number of Taxpayers	Total Deductions Lost	Average Amount
0 or less	369	395,385,252	1,071,505
0 to 25,000	21	16,417,613	781,791
25,000 to 50,000	29	22,680,560	782,088
50,000 to 75,000	40	18,008,348	450,209
75,000 to 100,000	32	9,780,027	305,626
100,000 to 150,000	18	9,947,220	552,623
150,000 to 250,000	28	20,657,532	737,769
250,000 to 500,000	61	59,122,368	969,219
500,000 to 1,000,000	58	81,076,736	1,397,875
Greater than \$1M	124	332,332,733	2,680,103
Total	780	965,408,389	1,237,703

Federal Tax Results

Positively Impacted:

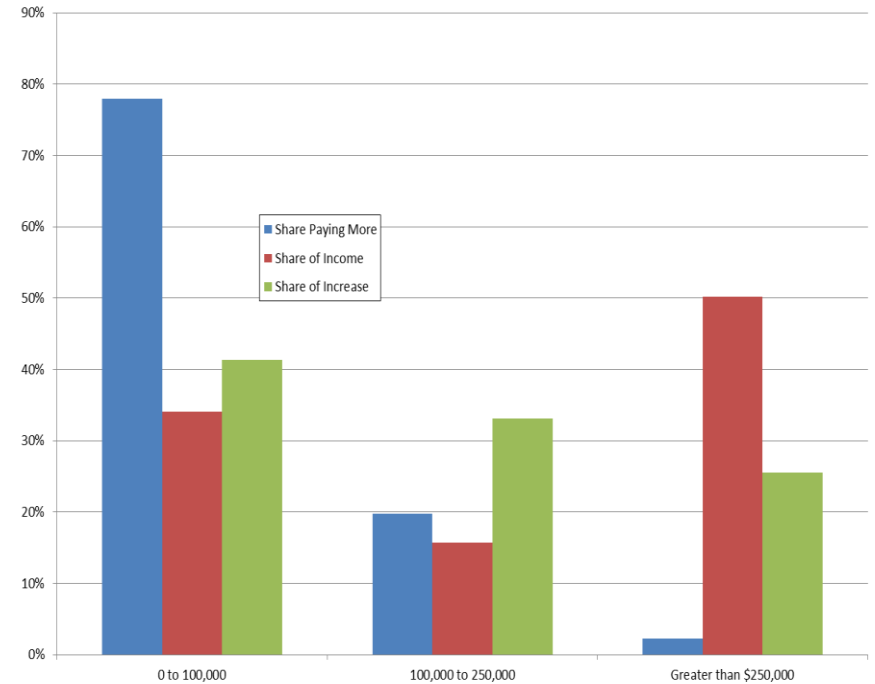
Share of Federal Cut, Income, & Population - Exclude Negative AGI



Source: Maryland Comptroller's Office, Bureau of Revenue Estimates

Negatively Impacted:

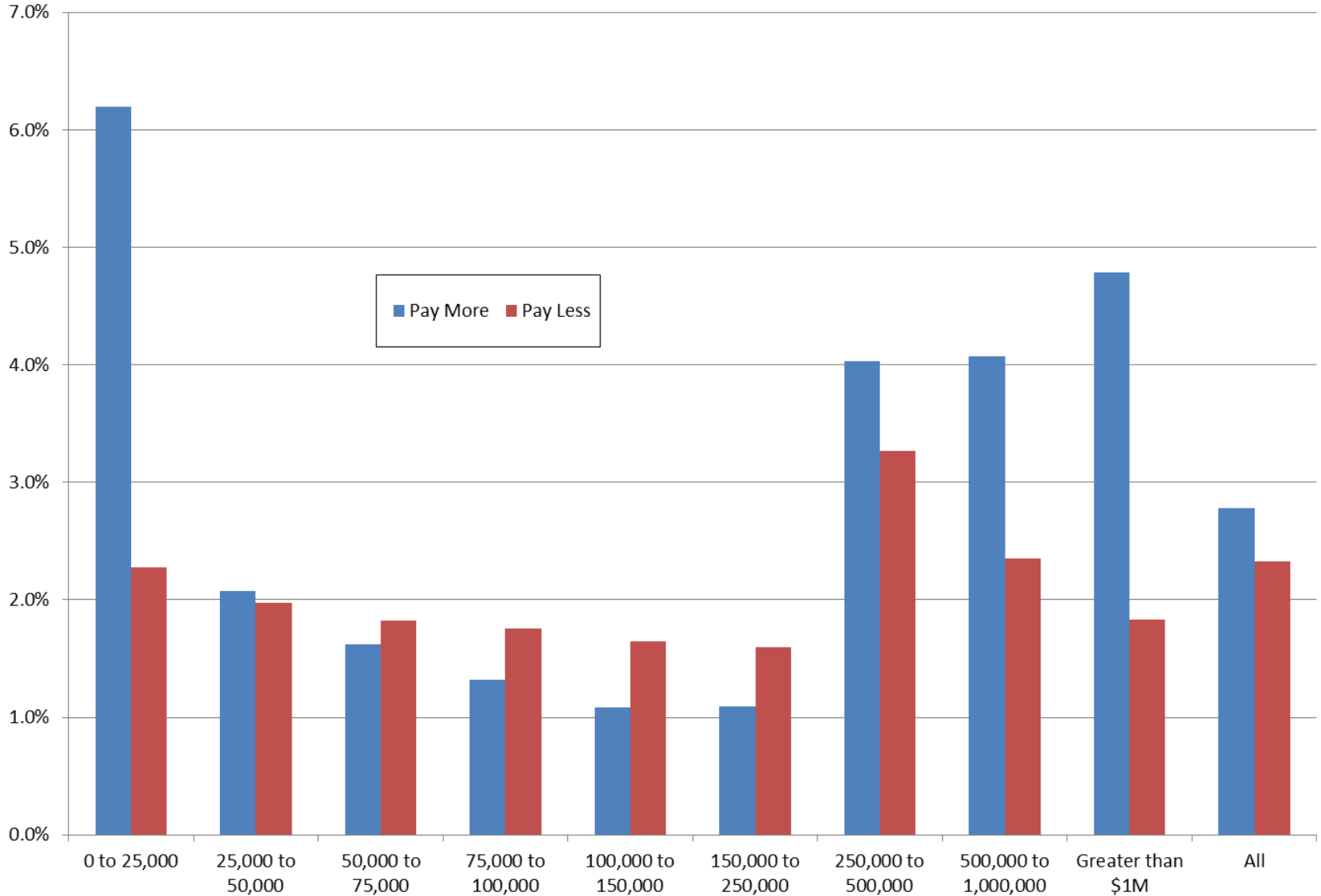
Share of Federal Increase, Income, & Population - Exclude Negative AGI



Source: Maryland Comptroller's Office, Bureau of Revenue Estimates

Average Change as a Share of Average AGI by AGI Cohort

Excludes Negative Income



Maryland Coupling

- Maryland couples to federal law for several critical benefits, most notably:
 - Taxpayer ease of filing, which also improves compliance
 - Allows State to gain efficiencies by relying on IRS (audits, etc.)
- Example:

Maryland Tax General Section 10-211 reads:

(a) In general. -- Except as provided in subsection (b) of this section, whether or not a federal return is filed, to determine Maryland taxable income, an individual other than a fiduciary may deduct as an exemption:

(1) \$ 3,200 for each exemption that the individual may deduct in the taxable year to determine federal taxable income under § 151 of the Internal Revenue Code;

Maryland Coupling - Exemptions

- Fed exemptions are not repealed; rather, suspended, set at zero
- But can you deduct zero? Mathematically, yes
- We believe that Maryland's exemptions are still in place under our coupling mechanism
- However, the statute is ambiguous and our interpretation could be challenged
- Should be clarified if that is the intent
 - 90% of Maryland taxpayers benefit from exemptions by a combined \$800 million per year in S&L Taxes

Maryland Coupling – Standard Deduction

Maryland Tax General Section 10-218 reads:

(a) In general. -- Only an individual who itemizes deductions on the individual's federal income tax return may elect to itemize deductions on the individual's income tax return.

- Combination of reduced deductions and enhanced federal standard deduction pushes taxpayers into federal and State SD
- Federal SD is \$24k – State SD is \$4K

Table 11b. Impact to Maryland Deductions -- Shifting – Assumes Preferred Federal Tax Reduction

Tax Year 2014									
Federal Adjusted Gross Income Class	Taxpayers Switching From Itemized to Standard					Deducting Charitable Contribution			
	Number of Taxpayers	Total Deduction Impact	Average Deduction Change	Estimated Exclusive State Tax Impact	Estimated Exclusive Local Tax Impact	Number of Taxpayers	Total Deducted Amount	Average Deducted Amount	
0 or less	2,088	(1,241,129)	(594)	4,128	700	154	487,512	3,166	
0 to 25,000	62,550	(365,658,970)	(5,846)	15,171,028	7,809,671	37,249	77,372,782	2,077	
25,000 to 50,000	146,798	(1,261,385,492)	(8,593)	56,131,654	36,260,576	113,881	302,570,221	2,657	
50,000 to 75,000	130,334	(1,112,275,958)	(8,534)	52,624,643	33,368,279	107,369	291,222,044	2,712	
75,000 to 100,000	102,877	(914,084,921)	(8,885)	43,417,870	27,422,548	86,937	227,106,900	2,612	
100,000 to 150,000	139,462	(1,291,046,110)	(9,257)	63,440,185	38,731,383	122,139	298,293,751	2,442	
150,000 to 250,000	86,820	(879,381,630)	(10,129)	45,856,834	26,381,449	79,273	213,304,563	2,691	
250,000 to 500,000	24,264	(311,717,591)	(12,847)	17,139,245	9,351,528	22,713	71,745,072	3,159	
500,000 to 1,000,000	4,047	(74,731,940)	(18,466)	4,250,672	2,241,958	3,807	13,055,854	3,429	
Greater than \$1M	958	(56,906,590)	(59,401)	3,263,854	1,707,198	893	3,716,463	4,162	
Total	700,198	(6,268,430,332)	(8,952.37)	301,300,114	183,275,289	574,415	1,498,875,162	2,609	

Maryland Coupling – Standard Deduction

Example: Tough Decision for Taxpayer – 333,552 taxpayers will face this decision!!

		Scenario 1			Scenario 2		
		Prior	TCJA	Delta	Prior	TCJA	Delta
(a)	AGI	85,000	85,000	-	85,000	85,000	-
(b)	Total Deductions	20,000	24,000	4,000	20,000	20,000	-
(c)	Personal Exemptions	9,100	-	(9,100)	9,100	-	(9,100)
(d) = a - b - c	Taxable Inc	55,900	61,000	5,100	55,900	65,000	9,100
(e) = d * Rate	FedTax	8,385	7,320	(1,065)	8,385	7,800	(585)
(f)	CTC Credits	-	-	-	-	-	-
(g) = e - f	Federal Net Tax	8,385	7,320	(1,065)	8,385	7,800	(585)
(1) = a	State AGI	85,000	85,000	-	85,000	85,000	-
(2)	State Deduction	15,000	4,000	(11,000)	15,000	15,000	-
(3)	State Exemption	6,400	6,400	-	6,400	6,400	-
(4) = 1 - 2 - 3	Taxable Inc	63,600	74,600	11,000	63,600	63,600	-
(5) = 4 * Rate	S&L Tax	4,929	5,782	853	4,929	4,929	-
= g + 5	Total Tax	13,314	13,102	(213)	13,314	12,729	(585)

Maryland Coupling - Deductions

- Itemized deductions (ID) flow through to State return from federal return
 - Only 232K Marylanders benefit from ID changes
 - S&L **income** taxes never allowed; therefore, federal \$10k cap on total S&L taxes does not “flow through”
 - Cap does impact real estate taxes, which do flow through
 - We assume Marylanders up against \$10k federal cap would prioritize RE

Table 12. Real Estate Taxes Exceeding the \$10K Cap

Tax Year 2014					
Federal Adjusted Gross Income Class	Number of Taxpayers	Total Amount Over Cap	Average Amount Over Cap	Estimated Exclusive State Tax Impact	Estimated Exclusive Local Tax Impact
0 or less	482	5,625,952	11,672	18,712	3,173
0 to 25,000	711	5,956,922	8,378	247,150	127,227
25,000 to 50,000	1,510	7,904,809	5,235	351,764	227,237
50,000 to 75,000	2,428	14,588,990	6,009	690,243	437,670
75,000 to 100,000	3,071	13,598,305	4,428	645,902	407,949
100,000 to 150,000	6,553	27,545,812	4,204	1,353,562	826,374
150,000 to 250,000	11,813	50,825,270	4,302	2,650,369	1,524,758
250,000 to 500,000	16,314	101,525,132	6,223	5,582,181	3,045,754
500,000 to 1,000,000	9,064	98,584,163	10,876	5,607,361	2,957,525
Greater than \$1M	4,939	235,394,297	47,660	13,500,943	7,061,829
Total	56,885	561,549,652	9,872	30,648,188	16,619,495

Maryland Coupling – 529 Plans

- Maryland allows a \$2,500 subtraction from income for contributions to a 529 plan
 - Tax General Article couples to the Education Article which couples to the federal code; Education Article reads:

§ 18-19A-01. Definitions

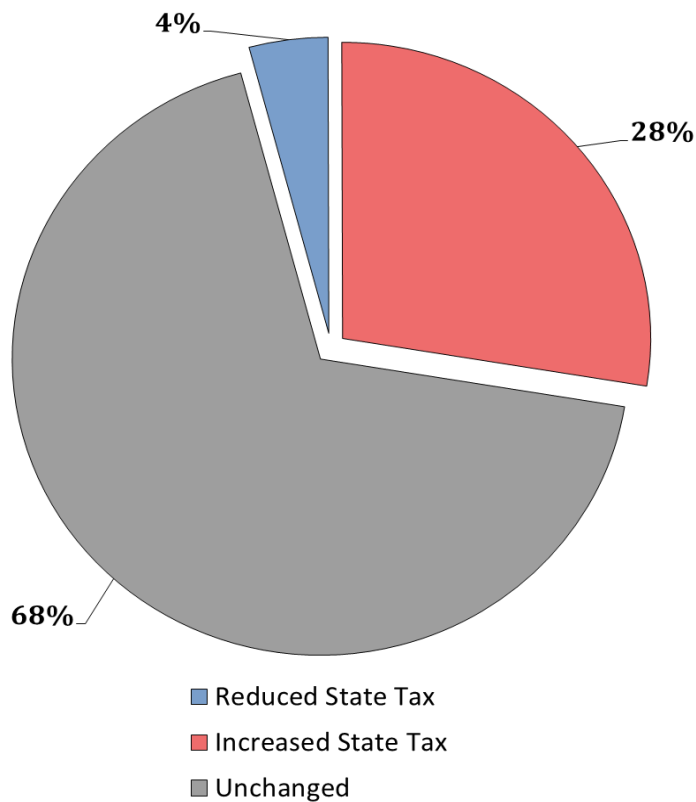
(a) **In general.** -- In this subtitle the following words have the meanings indicated.

(h) **Qualified higher education expenses.** -- "Qualified higher education expenses" has the meaning stated in § 529(e) of the Internal Revenue Code.

- Federal Code amended such that “qualified higher education expenses” include expenses or tuition in connection with public, private, or religious school for K-12
- We estimate a \$31 million reduction in combined S&L income taxes

State and Local Tax Results

- Estimated \$400 Million tax cut for TY18



State and Local Income Tax - Net Impact of Tax Changes				
Tax Year 2014				
Federal Adjusted Gross Income Class	Number of Taxpayers Not Impacted	Number of Taxpayers Impacted		Total Net Tax Impact
0 or less	18,955	291		7,305,092
0 to 25,000	737,059	192,050		36,738,002
25,000 to 50,000	466,198	156,463		60,434,778
50,000 to 75,000	251,749	147,227		54,395,959
75,000 to 100,000	166,774	109,288		22,759,696
100,000 to 150,000	179,954	136,035		37,195,837
150,000 to 250,000	113,549	96,684		39,016,740
250,000 to 500,000	23,235	49,373		34,839,520
500,000 to 1,000,000	1,176	16,048		22,287,869
Greater than \$1M	269	7,515		57,098,003
Total	1,958,916	910,976		372,071,496

Revised Estimates in March

- Estimates were revised as we continued to winnow in on certain impacts
 - Including, based on feedback, an adjustment to assume that taxpayers make the best “bottom-line” decision on deductions
 - Changed the disposition of MD taxpayers impact to :71% no change, 22% pay more, 6% pay less
- Also updated estimate to include Corporate impacts

Updated BRE Estimate for 60 Day Reports - By Fiscal Year - Updates & Consolidation			
Dollars in Thousands			
Item	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Personal Income Tax - State - General Fund	28,360	403,943	315,868
Sales Tax - State - General Fund	4,752	31,096	24,476
Corporate Income Tax - State - General Fund	2,408	76,557	58,931
State Revenue General Fund - SubTotal	35,519	511,595	399,275
Casinos - State - Education Trust Fund	750	4,906	3,862
Corporate Income Tax - State - Non General Funds	624	19,855	15,284
State Revenue Total	36,894	536,357	418,421
Local Income Tax Total	17,545	251,780	190,624
Total State & Local Taxes Impact	54,439	788,137	609,045

Notes:

(1) Fiscal Year 2019 is higher due to the fact that so much uncertainty exists. It is unlikely that estimated taxpayers will greatly affect their payments before the end of fiscal year 2018 for tax year 2018. Much of the impact is likely to occur later in the year as taxpayers adjust withholding and then "true up" upon filing their taxes. Could be substantial refunds for tax year 2018 in fiscal year 2019.

(2) The fiscal years are a cash basis for State purposes; these are not intended for estimating local cash basis distributions.

Impact – TY 2014 – \$ In Millions

Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ		Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ
Statewide	250	151	401					
Allegany	1.1	0.7	1.9		Harford	8.1	5.1	13.2
Anne Arundel	21.8	11.2	33.0		Howard	16.5	10.3	26.8
Baltimore County	39.8	22.1	61.9		Kent	1.0	0.6	1.6
Baltimore City	15.2	9.9	25.1		Montgomery	66.3	40.9	107.1
Calvert	3.2	1.9	5.1		Prince George's	37.9	25.6	63.5
Caroline	0.7	0.4	1.1		Queen Anne's	2.3	1.5	3.8
Carroll	5.3	3.3	8.6		St. Mary's	2.9	1.8	4.8
Cecil	2.6	1.5	4.0		Somerset	0.3	0.2	0.5
Charles	5.6	3.5	9.0		Talbot	3.6	1.6	5.2
Dorchester	0.7	0.4	1.1		Washington	2.9	1.7	4.6
Frederick	8.2	4.9	13.1		Wicomico	2.0	1.3	3.3
Garrett	0.6	0.3	0.9		Worcester	1.6	0.4	2.0

Notes: May not sum due to rounding; Static, no adjustment for shifting entity structures (PTE to Corp and vice versa); Only includes items in simulation; Simulation is one year of data, use caution between years; Does not include other Leg Changes

Impact – TY 2014 – Share of Base Tax

Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ		Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ
Statewide	3.6%	3.4%	3.5%					
Allegany	3.0%	2.7%	2.9%		Harford	2.9%	2.7%	2.8%
Anne Arundel	2.9%	2.7%	2.8%		Howard	3.0%	2.8%	2.9%
Baltimore County	3.9%	3.6%	3.8%		<i>Kent</i>	<i>5.9%</i>	<i>4.7%</i>	<i>5.4%</i>
Baltimore City	4.0%	3.6%	3.8%		Montgomery	3.6%	3.2%	3.4%
Calvert	3.0%	2.8%	2.9%		<i>Prince George's</i>	<i>5.6%</i>	<i>5.2%</i>	<i>5.4%</i>
Caroline	3.9%	3.4%	3.7%		Queen Anne's	4.0%	3.6%	3.8%
<i>Carroll</i>	<i>2.5%</i>	<i>2.4%</i>	<i>2.5%</i>		<i>St. Mary's</i>	<i>2.6%</i>	<i>2.4%</i>	<i>2.5%</i>
Cecil	4.0%	2.9%	3.5%		Somerset	3.6%	3.1%	3.4%
Charles	3.5%	3.3%	3.4%		<i>Talbot</i>	<i>7.0%</i>	<i>6.0%</i>	<i>6.7%</i>
Dorchester	3.9%	3.4%	3.7%		<i>Washington</i>	<i>2.6%</i>	<i>2.5%</i>	<i>2.6%</i>
Frederick	2.8%	2.7%	2.7%		Wicomico	3.4%	3.0%	3.2%
Garrett	3.2%	2.8%	3.0%		Worcester	3.6%	3.1%	3.5%

Notes: May not sum due to rounding; Static, no adjustment for shifting entity structures (PTE to Corp and vice versa); Only includes items in simulation; Top and Bottom 3 are in italics (simulation is one year of data, use caution between years)

Impact – TY 2014 – Share of Taxable Inc

Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ		Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ
Statewide	0.16%	0.10%	0.26%					
Allegany	0.12%	0.08%	0.20%		Harford	0.13%	0.08%	0.21%
Anne Arundel	0.13%	0.07%	0.20%		Howard	0.14%	0.09%	0.23%
Baltimore County	0.18%	0.10%	0.28%		<i>Kent</i>	<i>0.23%</i>	<i>0.13%</i>	<i>0.36%</i>
Baltimore City	0.17%	0.11%	0.28%		Montgomery	0.16%	0.10%	0.26%
Calvert	0.14%	0.08%	0.21%		<i>Prince George's</i>	<i>0.24%</i>	<i>0.16%</i>	<i>0.40%</i>
Caroline	0.15%	0.09%	0.24%		Queen Anne's	0.18%	0.11%	0.29%
Carroll	0.12%	0.07%	0.19%		<i>St. Mary's</i>	<i>0.12%</i>	<i>0.07%</i>	<i>0.19%</i>
Cecil	0.13%	0.08%	0.21%		Somerset	0.14%	0.09%	0.23%
Charles	0.16%	0.10%	0.25%		<i>Talbot</i>	<i>0.32%</i>	<i>0.14%</i>	<i>0.46%</i>
Dorchester	0.16%	0.08%	0.24%		<i>Washington</i>	<i>0.11%</i>	<i>0.07%</i>	<i>0.18%</i>
Frederick	0.13%	0.08%	0.21%		Wicomico	0.14%	0.09%	0.23%
Garrett	0.13%	0.07%	0.20%		<i>Worcester</i>	<i>0.15%</i>	<i>0.04%</i>	<i>0.19%</i>

Notes: May not sum due to rounding; Static, no adjustment for shifting entity structures (PTE to Corp and vice versa); Only includes items in simulation; Top and Bottom 3 are in italics (simulation is one year of data, use caution between years)

Considerations and Warnings

- Simulation is one year of data!!!
 - Know your tax base, understand the changes and how they relate to your tax base
 - Everything you need to know about your base is in our [SOI Reports](#) (dated because of data lag) and [Summary Reports](#) (more timely but less detail)
- How to grow it??
 - State estimate increased by 2.8% annually
 - I don't know your jurisdiction well enough to support that decision
 - My estimated growth based on taxpaying population growth, age demographics, home ownership, income growth, income growth to deduction growth ratio
- Simulation excludes certain items, small in scale, but should not be overlooked (e.g., 529 plans, NOL changes); items are described and estimated in our [comprehensive report](#)
- Makes no adjustment for macroeconomic impacts: (1) short-term increase in econ activity; (2) borrowing \$1.5 trillion, increased inflation, and increased interest rates
- No adjustment for changing entity structures, e.g., S-Corps shifting to C-Corps (little impact for State, but would impact locals)

Maryland Legislative Considerations

- I may not know all of the considerations, but I do know that these were on their mind:
 - Started Session with ~\$300M structural deficit, ballooning to \$1.3B in FY23!!!!
 - Uncertainty with regard to the federal tax impacts, direct & macroeconomic
 - Does the \$1.5 trillion cut create need for future federal spending cuts
 - A big “ASK” is likely coming from the Kirwan Commission
 - Two school shootings, including @ Great Mills High here in Maryland, triggered push to fund school safety initiatives
- Tremendous interest in 9% of Maryland residents that would pay more in “net-net” tax; meaning their State tax increase is not offset by federal tax decrease
 - Found that the 9% could not be solved without allowing all taxpayers to itemize and re-instating miscellaneous deductions
 - Would have almost removed the entire revenue increase for State

Maryland Legislative Responses

- SB187 – BRFA – Sets aside \$200M for Kirwan
- SB318 – Increase and Indexing of Standard Deduction
 - Increases SD from \$2k to \$2.5k for singles and from \$4k to \$4.5k for joint filers
 - Moderate tax impact, for those that get full benefit, \$40 and \$80 break, respectively
 - Indexing is excellent policy step forward!
 - Based on \$50 increments, but they elected to round down ☹️
 - 2% inflation may not trigger a \$50 increment in the first indexed year
- SB184 – Ensures no ambiguity for State personal exemptions
- SB1154 – Funds the Film Tax Credit
- SB647 – Decouples State from Federal EIC and by expanding EIC to Taxpayers under 25 with no children

Maryland Legislative Responses (cont)

- SB996 – Expands retirement income subtraction for Military, veterans, and “Hometown Heros”
- SB134 – Tax credit for small businesses (under 25 employees), that offer certain benefits to employees making less than \$30k
- SB1090 – Phases in Single Sales Factor Apportionment for Corporations
- Myriad smaller scope bills

Impact – TY 2014 – \$ In Millions – Incl Standard Deduction Change

Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ		Jurisdiction	State Tax Δ	Local Tax Δ	S&L Tax Δ
Statewide	233	140	373					
Allegany	0.9	0.6	1.5		Harford	7.4	4.6	12.0
Anne Arundel	20.1	10.3	30.5		Howard	15.7	9.7	25.4
Baltimore County	37.1	20.5	57.6		Kent	1.0	0.5	1.5
Baltimore City	13.7	8.9	22.5		Montgomery	63.2	38.8	102.1
Calvert	3.0	1.7	4.7		Prince George's	35.5	24.0	59.4
Caroline	0.6	0.3	0.9		Queen Anne's	2.2	1.4	3.6
Carroll	4.8	3.0	7.7		St. Mary's	2.7	1.6	4.3
Cecil	2.3	1.3	3.6		Somerset	0.2	0.2	0.4
Charles	5.2	3.2	8.4		Talbot	3.5	1.5	5.0
Dorchester	0.6	0.3	0.9		Washington	2.4	1.4	3.8
Frederick	7.5	4.5	12.0		Wicomico	1.7	1.1	2.8
Garrett	0.5	0.2	0.7		Worcester	1.4	0.4	1.8

Notes: May not sum due to rounding; Static, no adjustment for shifting entity structures (PTE to Corp and vice versa); Only includes items in simulation; Simulation is one year of data, use caution between years; Does not include other Leg Changes

Thank You

- [Link to Detailed Reports](#)

- Simulation Results by County – PreSession



- Simulation Results by County – With SD Incr



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