

Fact Sheet on Maryland's Regressive Tax Structure

Maryland's overall tax structure is unfair. When all taxes are considered (income, property, sales, etc.), the overall tax rate is higher on the poor and the middle class than on the wealthy – the hallmark of a regressive tax system.

Economic grouping of Marylanders	Overall effective state and local tax rate¹
Wealthiest 1% (>\$1.1 million income)	7.6% (5.1% after federal deductions without AMT)
Middle Class (\$33,000-51,000 income)	9.5% (8.8% after federal deductions without AMT)
Low-income families (<\$19,000 income)	9.4% (no or very little federal offset)

Today, Maryland's income tax is essentially a flat tax. All income over \$3,000 is subject to the highest tax rate. These brackets were established in 1967.

How do we create a fairer tax system?

The Governor's plan includes a fairly modest version of proposals that have been introduced in recent years to make the income tax fairer.

Tax rate	Current brackets	Proposed brackets for single	Proposed brackets for married
2%	\$0 - \$1,000	\$0 - \$1,000	\$0 - \$2,000
3%	\$1,000 - \$2,000	\$1,000 - \$2,000	\$2,000 - \$4,000
4%	\$2,000 - \$3,000	\$2,000 - \$15,000	\$4,000 - \$22,500
4.75%	\$3,000 +	\$15,000 - \$150,000	\$22,500 - \$200,000
6%	--	\$150,000 - \$500,000	\$200,000 - \$500,000
6.5%	--	\$500,000 +	\$500,000 +

Who pays less in the Governor's income tax proposal? Who pays more?

Only incomes above \$150,000/\$200,000 pay more under the Governor's plan. 95% pay less. The increases on high incomes will offset only a small fraction of the Bush tax cuts, which average \$124,000/year for millionaires²!

What do Marylanders think?

Poll results indicate that this is one of the most popular parts of the Governor's plan. Our poll asked two questions about making the income tax fairer along the lines of the Governor's plan. 63% and 68% supported the proposals, with only 29% and 31% opposed.

For more information, including full poll results broken down by region and political party, visit www.AllianceforTaxFairness.org.

¹ Source: "Maryland Tax Options in 2003", Citizens for Tax Justice, www.ctj.org/pdf/md0303an.pdf

² Source: "Tax Returns: A Comprehensive Assessment of the Bush Administration Tax Cuts," Center on Budget and Policy Priorities, www.cbpp.org/4-23-04tax.pdf