MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

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Maryland's Poor Taxed More Than Rich; Communities of Color Feel Biggest Pinch

The state's highest income households pay the lowest percentage of their yearly earnings in state and local taxes compared to middle-class and low-income households. Residents struggling the most to make ends meet — Maryland's poor and minorities — also are being taxed to a greater extent than the wealthiest. This unfortunate reality reinforces both economic and racial inequalities in Maryland and policymakers should correct it. All Marylander's should pay their fair share to support our schools, public safety and other services we all benefit from.

Low- and moderate-income taxpayers — those making less than $67,000 and who are more likely to be people of color – pay the highest share of their household incomes in state and local taxes. The top 1 percent of Maryland taxpayers — those making more than $481,000 — are more likely to be white and pay the lowest share of their household income in state and local taxes. The result: a racially imbalanced tax structure.

- The poorest 20 percent of Marylanders—those with incomes below $24,000 per year—pay an average of 9.7 percent of their incomes in state and local taxes.
- The richest 1 percent of Marylanders—those making at least $481,000, and whose average income is $1.6 million—pay only 6.7 percent of their income in state and local taxes, on average.
- African American Marylanders are nearly twice as likely as white Marylanders to be among the poorest 20 percent.
- By contrast, white Marylanders are almost twice as likely as African Americans to be in the richest 20 percent, with income greater than $111,000. This group is the least taxed as a share of their income. White Marylanders are more likely to be in this earning category than in any other.
- African American and Hispanic Marylanders are more likely to be in an earnings bracket that pays more in taxes as a share of their income than whites.
- Hispanics are significantly less likely to be in the richest 20 percent compared to whites.

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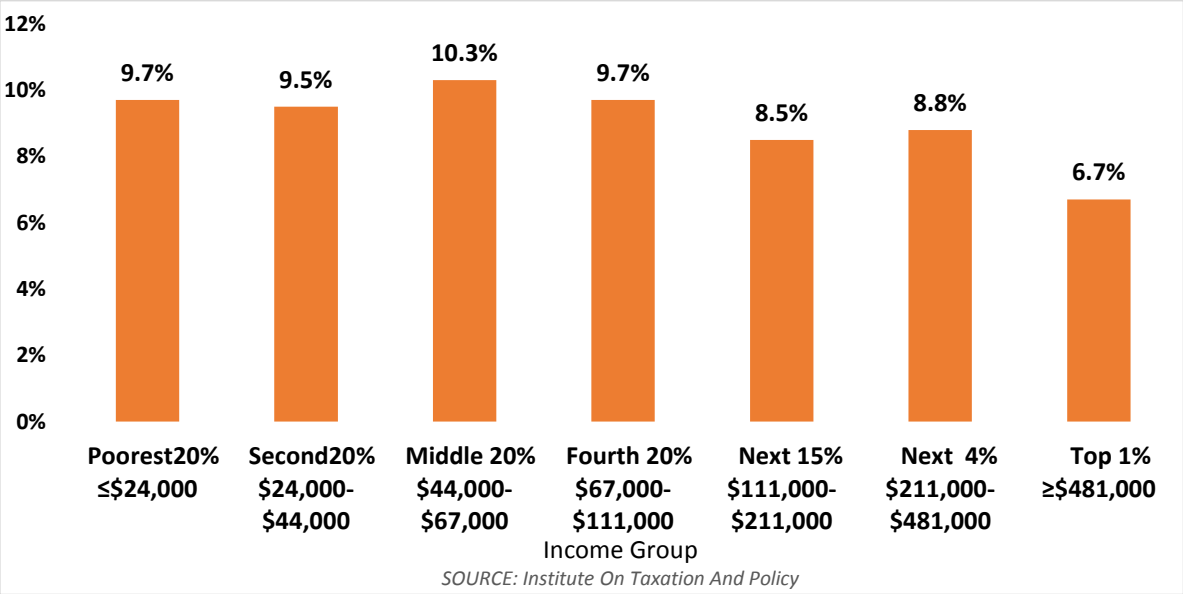
POOR PAY MORE IN TAXES AS SHARE OF INCOME

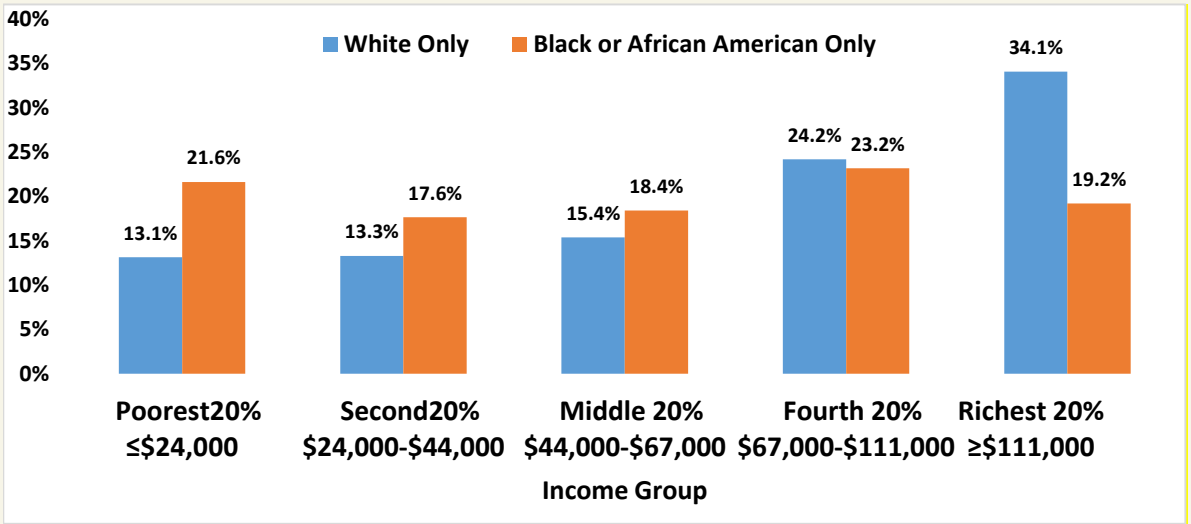
Maryland State & Local Taxes
As a Share of Family Income In 2015
Elderly Taxpayers Excluded



SOURCE: Institute On Taxation And Policy

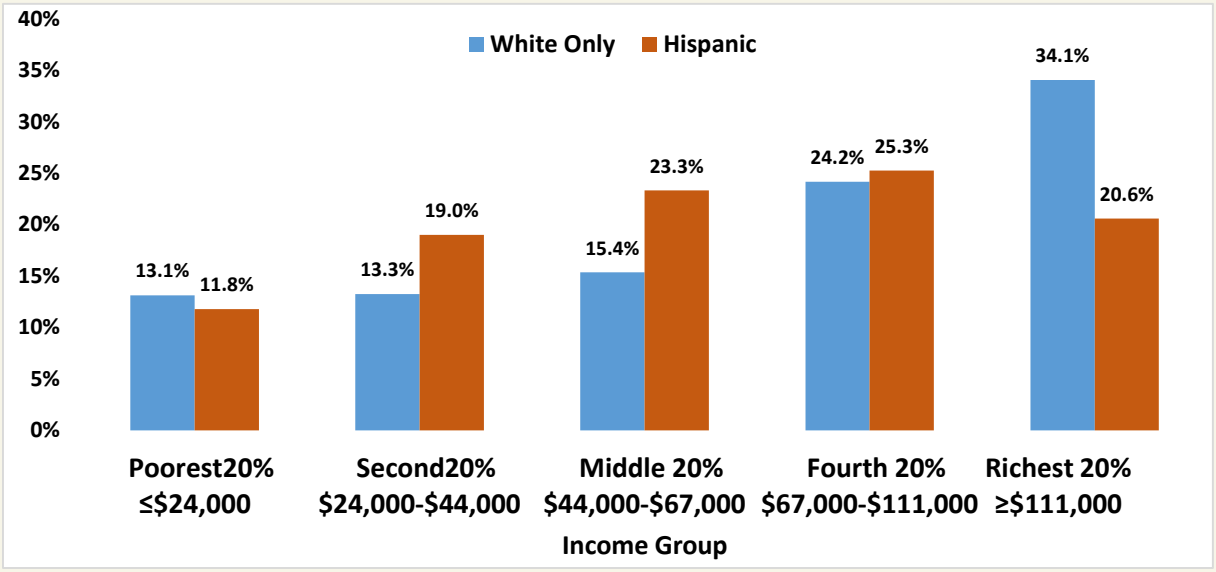
AFRICAN AMERICANS MORE LIKELY TO BE IN HIGH TAX GROUP

Maryland State & Local Taxes
As a Share of Family Income In 2015
Elderly Taxpayers Excluded



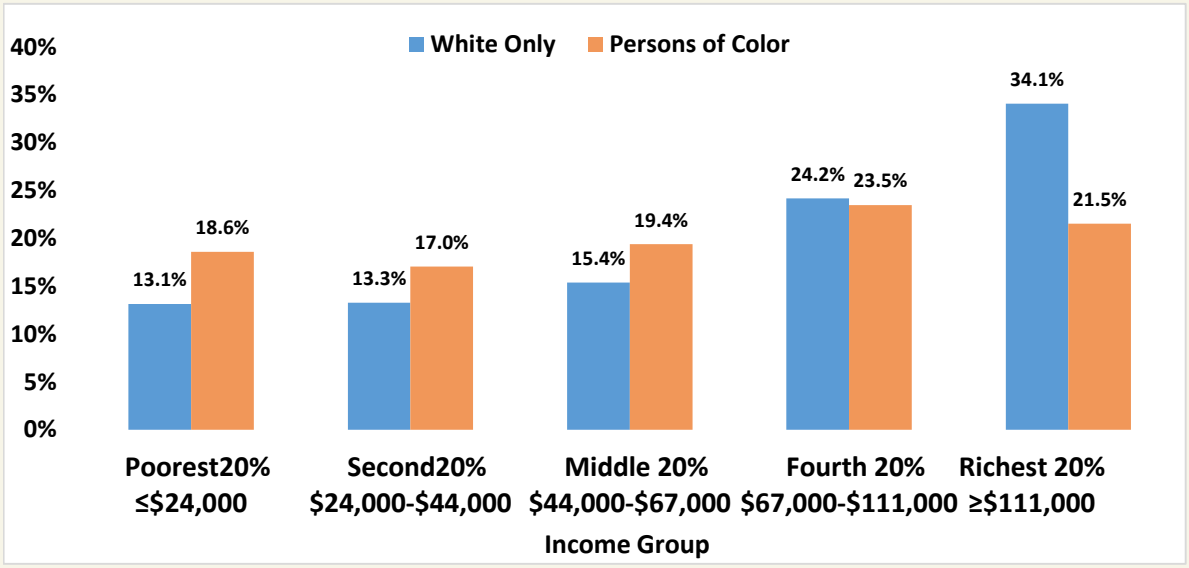
HISPANICS ALSO PAY GREATER SHARE IN TAXES

Maryland State & Local Taxes
As a Share of Family Income In 2015
Elderly Taxpayers Excluded



WHITES MORE LIKELY TO BE IN LOW TAX GROUP

Maryland State & Local Taxes
As a Share of Family Income In 2015
Elderly Taxpayers Excluded



There are both moral and practical reasons why policymakers should correct this inequity. The most pressing reason is that our current tax system prevents the state from raising the funds necessary to make important investments in education, roads and other infrastructure, public safety, and healthcare—investments that help build a strong economy. In addition, asking the most of those least able to pay limits opportunity for thousands of residents trying to climb the income ladder.

Addressing this tax inequity should be the priority of every policymaker. Maryland's demographics are changing. The state will be a "majority-minority" state (where whites make up less than 50 percent of the population) by 2020.[1] Consequently, the majority of Marylanders will be disproportionately taxed.

The 2015 General Assembly is considering legislation (House Bill 240/Senate Bill 389) that would be a modest step in the right direction. This proposal would lower the tax rate on income below $50,000 for couples and $25,000 for individuals, and slightly increase taxes on the top 1 percent. This change would reduce taxes for up to 92 percent of Marylanders. In addition to advancing tax equity, the legislation will also raise about $135 million for schools, roads, and safer communities.

When evaluating tax-related legislation, policymakers need to consider how their decisions may disproportionately affect the financial well-being of different races. Focusing on the interests of all Marylanders means a tax system that meets the state's growing needs and does so equitably.

1 Teixeira, R; Frey, W.; Griffin, R. Center for American Progress. "States of Change: The Demographic Evolution of the American Electorate, 1974-2060". February 24, 2015. Available from: https://www.americanprogress.org/issues/progressive-movement/report/2015/02/24/107261/states-of-change/

2 Davis, C.; Davis, K.; Gardner, M.; Wiehe, M. The Institute of Taxation and Budget Policy. "Who Pays: Distributional Analysis of the Tax Systems in 50 States". Fifth Edition. January, 2015. Available from: http://www.itep.org/pdf/whopaysreport.pdf