

[Progressive, nonprofits push for permanent “millionaires’ tax”](#)

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Several tax watchdogs and policy analysts concerned about the state of Maryland’s economy and buoyed by a new report urged delegates to revisit a just-expired method of raising more money — extending the tax surcharge on millionaires.

Enacted in 2008, the “millionaires’ tax” taxes all net income above \$1 million at a rate of 6.25%. The base tax rate for everything less than \$1 million is 5.5%. The surcharge passed in 2008 to replace the sales tax on computer services was to last only three years, expiring at the end of 2010.

Del. Jolene Ivey, D-Prince George’s County, proposed [a bill](#) to make the 6.25% tax rate permanent. Maryland has the second largest population of millionaires in the United States, Ivey said, and millionaires will already be saving \$61,000 in taxes because of federal tax cuts. But making the extra tax permanent will bring in \$73.5 million in new revenues in 2012, she said.

“In a time when all we talk about is cuts, this is a way that we can bring money to the state, and it’s fair to all the people in the state,” Ivey said.

According to [a study](#) released on Wednesday by the Institute on Taxation and Economic Policy in Washington, the “millionaires’ tax” impacts less than 1% of all Marylanders. However, the wealthiest pay a smaller proportion of their earnings in taxes. Most Marylanders pay about 10% in their income as taxes, while the wealthiest pay just 6%, the study says.

The study also shows that while Maryland’s total number of [millionaires went down](#) in the years the tax surcharge was in effect, it is not because people are moving out of state. In 2008, Maryland had 2,260 fewer millionaires than in 2007. However, 3,404 of them just didn’t make more than \$1 million in 2008, potentially due to the weak economy. Meanwhile, 1,592 new millionaires moved into the state in 2008.

Henry Bogdan from Maryland Nonprofits said that making the surcharge permanent would impact fewer than 5,000 people and corporations filing income taxes.

“Cuts in public services, from transportation to public safety, impact families,” said Rion Dennis, executive director of Progressive Maryland. “Poll after poll shows this surcharge is preferred to cuts in services.”

But Del. Andrew Serafini, R-Washington County, worried that making the millionaires’ tax permanent might not be fair to the state’s highest wage earners.

“They are less than 1% of the population of the state, but they contribute between 15-30% of the total taxes paid,” Serafini said. “When we are talking about fair share, that concerns me somewhat.”

Neil Bergsman from the Maryland Budget and Tax Policy Institute responded that the 1 percent of millionaires makes between 30 to 40% of all of the state’s income, so the surcharge is perfectly fair.

Dee Hodges of the Maryland Taxpayers Association defended the millionaires. If their tax rates stay lower, she said, they can afford to invest more into their businesses and into the state. Millionaires who invested the extra money they would be paying under this bill into their businesses could create a minimum of 1,100 new jobs in the state, Hodges said.

Del. Ron George, an Anne Arundel County Republican, said he had spoken to accountants about millionaires living in Maryland. When the millionaires’ tax was initially enacted, George said CPAs told him several of their millionaire clients left the state.

Ron Wineholt of the Maryland Chamber of Commerce said that he had heard of similar millionaire migrations from CPAs. Many of those millionaires own homes in other states, and can get out of higher taxes in Maryland by staying elsewhere a little longer, he said.

Besides, Wineholt said, there is no need to be raising extra money now. The budget proposal from Gov. Martin O’Malley is balance as required, and therefore the state should concentrate on appearing open for new business.

“Competition matters once again, and taxes matter,” he said.

Read more: <http://marylandreporter.com/2011/03/11/progressive-nonprofits-push-for-permanent-millionaires-tax/#ixzz1OnW9wKVm>

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