

# Maryland Politics

News and Notes on Politics in Annapolis and the D.C. Suburbs

Posted at 7:26 PM ET, 03/10/2011

## Return of the Maryland millionaire's tax?

*By Aaron Davis*

Add the millionaire's tax back into the mix of Maryland's budget battle.

A bill that would permanently return the state's top-tier tax bracket to 6.25 percent received a hearing Thursday in front of the House Ways and Means Committee. The tax increase was one of several signed into law by Gov. Martin O'Malley (D) early in his first term to close ongoing budget shortfalls, but the provision expired last year.

Millionaires "get a pass this year, but hopefully we can do something about it next year," said author of the bill, Del. Jolene Ivey (D-Prince Georges).

Ivey introduced the same legislation last year, but it died in committee in the run up to the election. This year a similar proposal is working its way through the state Senate as part of a sweeping package of \$827 million in potential state tax increases. More than a dozen other separate pieces of legislation would increase taxes on gas, alcohol, cigarettes and corporations.

On the campaign trail last fall, O'Malley promised to introduce a budget this year that relied on no taxes. He did so, but left the door open to approving tax increases if legislature did so.

With only a few weeks remaining before state lawmakers must begin making final decisions on how to close a \$1.6-billion shortfall, dozens of tax bills remain in play.

State budget analysts predicted the millionaires tax would bring in about \$75 million annually from Maryland's top 7,000 earners. The state's top tax bracket is 5.5 percent for anyone making over \$500,000.

Republican critics of the legislation charged that it would unduly burden small business owners who may report over a million dollars in annual earnings, but actually make a much smaller profit.

"You may report income of \$1 million, but you forget the costs involved. Your profit might only be \$50,000," said Del. Kathryn Afzali, (R-Frederick).

Both Republican and some moderate Democratic lawmakers said they were also concerned about conflicting reports that the state's last millionaires tax prompted wealthy residents to switch their residency to other states or leave Maryland altogether.

But representatives for the state's largest public employees' union, nonprofits and the needy argued that a millionaires' tax amounted to making Maryland's richest pay their fair share.

Advocates cited studies that with county and local taxes added on, most state residents pay about 10 percent of their income in Maryland taxes, but millionaires pay about 7 percent.

By Aaron Davis | March 10, 2011; 7:26 PM ET

[http://voices.washingtonpost.com/annapolis/2011/03/return\\_of\\_the\\_maryland\\_million.html](http://voices.washingtonpost.com/annapolis/2011/03/return_of_the_maryland_million.html)