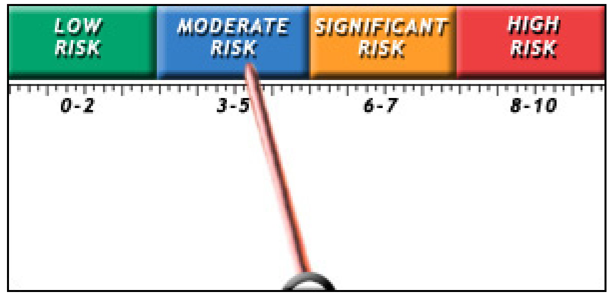
CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

MARYLAND



Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Maryland is rated as having a moderate risk of a structural deficit based on its score of five on the risk scale for structural deficits.

- Maryland's sales tax covers less household services than the average state.
- The top bracket of Maryland's income tax starts at a relatively low level making it a less progressive tax. An individual earning $30,000 in Maryland pays income tax at the same rate as someone earning $300,000.
- During 1994-2000, Maryland reduced its personal income tax rates. Then during 2001-2004, it increased its cigarette tax and, to a lesser extent, its corporate income tax, and continued to cut its personal income tax. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.
- Maryland has a limit on local assessment increases.
- Two other national studies (Hovey 1998 and Besendorf & Kottlikoff 2002) found that Maryland has a structural gap.
- Lastly, although this paper did not categorize Maryland as having unusually high spending needs, it does face some spending pressures from: Medicaid and a growing elderly population.