

Maryland's Tax Code Shouldn't Penalize Marriage

Written Testimony for the Maryland House Ways and Means Committee on HB 1277

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Chairwoman Kaiser and Members of the Committee:

About 38,000 Maryland couples will tie the knot this year, many of them vowing themselves to each other “for richer, for poorer” — but they might not be aware that the state’s tax code could make them a little poorer simply because of their nuptials. Because bracket widths for Maryland’s individual income tax are not doubled for joint filers, married filers can wind up paying more than they did, on the same income, while filing separately. Long ago, Maryland used to impose a [special tax on bachelors](#) to encourage them to marry; today, the state essentially imposes a surtax on married couples. The time has come for Maryland’s tax code to get out of the marriage business altogether.

In Maryland, married taxpayers may elect to file their taxes on one return (“married filing jointly”) or separately (“married filing separately”). This option, however, does not eliminate the sting of the marriage penalty, as the state requires that taxpayers use the [same filing status](#) they chose when filing their federal taxes. A couple for whom “married filing jointly” is the best choice at the federal level is required to file the same way in Maryland even if that means paying more in state taxes than if the couple was unmarried or filed separately.

Current Maryland Rates and Brackets

| Single Filers | | | Joint Filers | | |
|---------------|---|-----------|--------------|---|-----------|
| 2.00% | > | \$0 | 2.00% | > | \$0 |
| 3.00% | > | \$1,000 | 3.00% | > | \$1,000 |
| 4.00% | > | \$2,000 | 4.00% | > | \$2,000 |
| 4.75% | > | \$3,000 | 4.75% | > | \$3,000 |
| 5.00% | > | \$100,000 | 5.00% | > | \$150,000 |
| 5.25% | > | \$125,000 | 5.25% | > | \$175,000 |
| 5.50% | > | \$150,000 | 5.50% | > | \$225,000 |
| 5.75% | > | \$250,000 | 5.75% | > | \$300,000 |

Filing separately can also impact whether and how a couple can claim various other deductions and credits. This is particularly true at the federal level, where the allocation of exemptions, deductions, and credits often makes joint filing the best option even if it entails both a federal and a state marriage penalty.

There is nothing Maryland can do about the [federal marriage penalty](#), but there is also no reason why the state should impose its own. The tax code should be neutral regarding marriage, and certainly should not penalize matrimony.

Statistically, higher earners and small business owners are particularly likely to be married, meaning that marriage penalties have the potential to affect a significant share of pass-through businesses. Twenty-three states and the District of Columbia have marriage penalties built into their brackets, so Maryland is not alone in discriminating against married couples in its tax code. It is, however, treating some filers differently than others for no good reason, and in the process hurting the state's competitiveness.

[House Bill 1277](#) would double bracket widths for all taxable income above \$6,000. Ideally the legislation would double bracket widths throughout the entire tax schedule. This means that most married filers would still owe \$52.50 more than if they filed separately, before applying any tax preferences. Nevertheless, it remains an important step in the right direction, since under current law, middle-class families could see additional tax burdens running into the hundreds of dollars or more.

Happy families, wrote Tolstoy, are all alike—but at least in Maryland, they are not all taxed alike. Reducing the marriage penalty would be a victory for both competitiveness and fairness.

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