



## Maryland Legislature Approves New Taxes Across the Board: A Regional Comparison of the Three Possible Alternatives

*Fiscal Fact No. 112*

by **William Ahern**

November 13, 2007

There's now little or no chance that the tax package being debated in Annapolis will include a tax cut for anyone. Lawmakers in both the Senate and House have raised every major tax, and both houses discarded the two smallish tax cuts that Governor O'Malley had offered. Those were a low-end income tax break worth about \$150 for each couple and a cut in property taxes worth \$90 for each \$100,000 of home value.

The three biggest tax hikes will be general sales, personal income on high earners, and corporate income. The tables below compare current law in Maryland to its border states, and they also give the change in rate and rank that will occur according to each of the three alternative tax hikes: the governor's, the Senate's, and the House's.

### **General Sales Tax: O'Malley, Senate or House?**

*All Agree on 6% Rate; Virginia Will Now Have Advantage in Every Type of Tax*

State	State-Local Sales Tax Rate and Regional Rank*							
	Current Law		O'Malley		Senate		House	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Maryland	5%	3	6%	2	6%	2	6%	2
Pennsylvania	6.22%	1						
West Virginia	6%	2						
Virginia	5%	3						
Delaware	zero	5						
* Under current law, Maryland ties for third highest with Virginia; under new law Maryland will tie for second highest rate with West Virginia.								
Source: State and local tax forms.								

### Personal Income Taxes for Median Household: O'Malley, Senate or House?

*No Change with Any Version—Maryland Still Most Expensive State in the Region for Taxpayers*

State	State-Local Tax Rate and Regional Rank for Median Household*							
	Current Law		O'Malley		Senate		House	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Maryland	7.48%	1	7.48%	1	7.48%	1	7.48%	1
Delaware	6.82%	2						
West Virginia	6.50%	3						
Virginia	5.75%	4						
Pennsylvania	4.35%	5						

\* Maryland's local income tax rate averages 2.73%, and most of the population pays over 3%. Maryland comptroller has county-by-county table:  
<http://individuals.marylandtaxes.com/incometax/localtax.asp>.

Source: State and local tax forms.

### Personal Income Taxes for High Earners: O'Malley, Senate or House?

*Regional Tax Disparity Widens Most with the Governor's Version*

State	State-Local Tax Rate and Regional Rank for High-Earning Household*							
	Current Law		O'Malley		Senate		House	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Maryland	7.48%	1	9.48%	1	8.23%	1	8.48%	1
Delaware	6.82%	2						
West Virginia	6.50%	3						
Virginia	5.75%	4						
Pennsylvania	4.35%	5						

Maryland's local income tax rate averages 2.73%, and most of the population pays over 3%. Maryland comptroller has county-by-county table:  
<http://individuals.marylandtaxes.com/incometax/localtax.asp>.

\*Each version defines "high-income" differently, with higher rates kicking in somewhere between \$125K and \$500K for singles and between \$175K and \$500K for couples.

Source: State and local tax forms; and *Washington Post*.

## Corporate Income Taxes: O'Malley, Senate or House?

*Still Not as High as Pennsylvania, but Tax Disparity Between Maryland and Virginia Widens*

State	State Tax Rate and Regional Rank							
	Current Law		O'Malley		Senate		House	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Maryland	7%	4	8%	4	8%	4	8.75%	3
Pennsylvania	9.99%	1						
West Virginia	9%	3						
Delaware	8.7%	2						
Virginia	6%	5						

Source: State and local tax forms; and *Washington Post*.

© 2007 Tax Foundation

Tax Foundation  
2001 L Street NW, Suite 1050  
Washington, DC 20036  
Ph: (202) 464-6200  
Fax: (202) 464-6201  
[www.taxfoundation.org](http://www.taxfoundation.org)