Maryland's future is not as a retirement community no matter how generous the tax breaks | COMMENTARY

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Surveys show that Maryland is not a state packed with senior citizens. Baltimore is no Daytona Beach, Florida, nor has it ever been. It's not even Lancaster, retiree mecca of Central Pennsylvania. The most recent population estimates suggest Maryland ranks in the bottom 10 of states for its percentage of seniors with just 15.9% of its 6.177 million residents age 65 or older. And that's actually an increase from the past. According to the U.S. Census, the 65-and-over share in Maryland was just 11.3% in 2000 and 10.8% in 1990. There are likely any number of reasons for this including weather that is reliably too hot and humid in the summer and too cold in the winter. But surely the most likely reason of all is cost. Maryland is both a high income and high cost-of-living state, a tribute to its robust economy and educated workforce but a potential problem for those living on a fixed income as so many older Americans do.

That's why the centerpiece of Gov. Larry Hogan's tax cutting plan — to reduce all state income taxes for seniors regardless of income — as outlined at a Tuesday news conference is misguided, at best, and shameless pandering at worst. It is, however, consistent. Mr. Hogan has been promising an elimination of taxes on retirement income altogether since he first campaigned for governor. Would the policy keep all those aging baby boomers in Maryland or perhaps even attract seniors from elsewhere who always dreamed of spending their golden years in the Greater Patapsco River drainage basin? We think not. Here's why.

First, Maryland already gives seniors some significant tax breaks. The first $30,000 of income from pensions and 401(k) or 403(b) accounts, for example, does not face the state income tax. And Maryland does not tax most Social Security income (although at least a dozen states do). Combined, the various targeted personal income tax breaks already cost the state treasury hundreds of millions of dollars. So why the continued outflow of retirees? Because income taxes aren't really the problem. Maryland's top personal income tax rate of 5.75% is still less than half of California's and doesn't kick in until the taxpayer hits an income of $250,000 (or $300,000 for couples filing jointly). People with that kind of retirement income can afford to live in any darn state they please.

No, what hits seniors far harder than taxes is the high cost of basics — housing, utilities and consumer goods. Maryland consistently makes the top 10 list in cost-of-living rankings along with states like New York, California, Alaska, Massachusetts and Hawaii. And it's high, in large part, because median household income is high, too. It's simple economics. And it's also a sign of prosperity. Not universally, of course. There are still pockets of poverty — as Baltimore knows all too well. But Maryland is home to a lot of well-paying jobs thanks to factors like how the federal government is in our backyard along with some top hospitals, biotech research facilities and defense contractors like Lockheed Martin. Even Governor Hogan acknowledges the state's economy is already doing well under current tax rates.

Given those circumstances, one must ask: What is the best way for Maryland to move forward and to capitalize on its assets while making life better for all including seniors? One way would be to use existing tax revenue judiciously. So when Maryland faces a major expense like the Blueprint for Maryland's Future, the much-needed education reform effort that boosts K-12 spending by $4 billion, it doesn't steer the budget toward long-term deficits as a permanent $4 billion tax cut inevitably would. Considering how much of the current state budget surplus is a product of onetime federal largesse, it's simply better to scale down new benefits, whether in the form of tax breaks or spending (on health care, for example), to seniors who need it most — those in the lower and moderate income brackets who probably don't have the option of moving to Florida.

Democratic lawmakers are certain to reject Governor Hogan's proposal. This is not idle speculation as he's submitted similar measures before and they've rejected those as well. His Retirement Tax Reduction Act of 2020 never made it out of committee two years ago. But that rejection should not be construed as a lack of empathy for older Marylanders living on retirement income. There are still nearly a million Maryland residents age 65 and older and they vote. Politicians would ignore them at their peril. But these same seniors also care about their sons and daughters, grandchildren and great-grandchildren and making Maryland a better, more prosperous place for them. No doubt they'd appreciate any tax break but they'll probably appreciate upgraded public schools for their families just as much or more.

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