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## Analysis: Five-and-dime tax talk

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The families of the developmentally disabled have been making a compelling case for what has seemed impossible. They want to raise the alcohol taxes that haven't been touched in decades in order to fund services to more than 40,000 people in Maryland who are retarded, autistic, and brain-injured.

More than 2,000 people have attended eight town meetings across the state, and dozens have put a human face on the disabled needing services, many in wheelchairs.

"I think we're really getting the attention of people," said Cristine Marchand, executive director of the Arc of Maryland. In the latest round of budget cuts, the governor spared services to the developmentally disabled, after reducing them by \$29 million earlier in the year.

Repeated efforts to increase alcohol taxes to fund addiction treatment have failed, but the town hall meetings attended by legislators seemed to be creating a momentum for dedicated tax hikes for a worthy cause. It's only 5 cents per drink, they say.

Then last week, the Maryland Health Care for All Coalition doubled up the bet, asking for 10 cents a drink to reduce consumption and raise \$200 million in taxes. Two years ago, the group had successfully proposed doubling tobacco taxes to expand health care coverage, and now the tax on a single cigarette is 10 cents as well.

Hidden behind the five-and-dime talk is the reality that 5 cents a drink essentially quadruples the current per-gallon taxes paid by distributors and 10 cents per bottle of beer or glass of wine is actually raising the tax 700 percent. Cutting consumption of alcohol by as much as five percent also translates into loss of jobs and income for distributors who are already seeing flat sales.

### Working Maryland

At the end of the week, Progressive Maryland and the Maryland Budget and Tax Policy Institute, part of the state association of nonprofits, issued their annual report on "The State of Working Maryland." No surprise that real wages are down, and blue and pink-collar workers (in jobs traditionally held by women) are taking a bigger hit from the recession than white-collar professionals.

The groups' policy recommendations include raising the minimum wage, broadening the living wage requirement to any company doing business with the state and increasing unionization.

The groups also favor making permanent the income tax surcharge on millionaires that is scheduled to expire next year. People with taxable incomes over \$1 million pay 6.25 percent on that amount on top of the \$52,000 they pay on the first \$1 million. The support for the levy on millionaires comes despite the comptroller's report that the number of those taxpayers fell by 30 percent this year, though much of that has been blamed on the tough economy.

"There's just no strong evidence that millionaires in large numbers are fleeing because of this tax," said Neil Bergsman of the Tax Policy Institute, saying the comptroller's data was "badly misinterpreted."

The progressive groups also want to pass the combined reporting method of corporate taxation, which might raise another \$100 million from those corporations actually making money.

A Business Tax Reform Commission is studying the tax issue, with recommendations due at the end of next year. But Sean Dobson of Progressive Maryland said this "phony, baloney tax commission was set up because [legislators] want to cozy up to big campaign contributors."

"An all-cuts solution to the state's budget shortfalls will lead to unacceptable losses to the state's education, health care, transportation and public safety services as well as critical supports for vulnerable individuals and families," said the report.

Faced with a potential \$2 billion deficit next year, exactly what do all these groups want to cut? Other than "tax

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loopholes" and "outdated tax breaks," pretty much nothing.

The advocates for the disabled know the handicapped also benefit from education services and from Medicaid health insurance, Marchand said, so they are very supportive of both education aid and Health Care for All. Progressive Maryland and the Tax Policy Institute even recommend increasing the inflation factor on Thornton K-12 education aid, and higher funding for financial aid for education.

So their proposals are basically no cuts, higher taxes and increased aid.

This does not seem to be a winning formula in the same week Senate President Mike Miller said yet again that there will be no new taxes passed in the next session. Gov. Martin O'Malley has refused so far to take a position on the millionaire's tax. Is extending an expiring tax increase a new tax?

Republican legislators have been sympathetic to the plight of the disabled, but favor rearranging priorities over new taxes.

What looked like a simple, well-organized and self-contained push for a long-neglected tax hike to help the obviously needy is now just one part of a morass of proposals that raise taxes generally and spending as well.

Having already raised the income, sales and corporate taxes in 2007, the appetite of legislators for another tax increase was already limited. Adding another tax hike to the list as they head into their re-election campaigns may be 5 cents a drink too far.

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