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## GOP Blames Tax for Drop in Million-Dollar Earners

By John Wagner ..../wp-dyn/content/article/2009/05/13/AR2009051303442\_pf.t

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The number of self-reported million-dollar earners in Maryland has dropped by roughly a third compared with this time last year, renewing debate yesterday about whether the state's year-old "millionaires' tax" is driving rich people beyond its borders.

The data from April's tax filings, released by the comptroller's office, came with a couple of big caveats. At least part of the drop-off in Marylanders whose returns showed more than \$1 million in taxable income was certainly due to the recession and the decline it has brought in earnings from capital gains and real estate. And the figures do not include taxpayers who filed for extensions.

Still, the "substantial decline" in million-dollar earners filing on time was enough for the comptroller's office to announce that it will "be thoroughly analyzing these returns and their implications." And it was enough for opponents of the state's new surcharge to say, in essence, "I told you so."

"I don't think anyone can dispute that some people have left Maryland," said Senate Minority Leader Allan H. Kittleman (R-Howard). "That's what we were trying to explain when we were voting on this."

Among the skeptics, however, was Warren Descheneaux, the chief fiscal adviser to the legislature, which last year raised the state's top marginal tax rate, applied to income above \$1 million, from 5.5 percent to 6.25 percent.

The new rate, which is set to expire after three years, was expected to affect roughly 6,000 taxpayers, about 40 percent of whom reside in Montgomery County, based on the previous year's tax data.

"I'm not persuaded there was a mass exodus across the Potomac," Descheneaux said, adding that other states that previously imposed additional taxes on high-end earners lost some people, but not many.

Comptroller Peter Franchot (D), whose office released the data, said he, too, suspects that the more likely explanations are "the savaging of the stock market by the economic downturn" and possibly a larger number of people filing for extensions on complex tax returns. His office said it would have a more complete picture after October, when those extensions are due.

The number of individuals with more than \$1 million in taxable income who filed by last month declined to about 2,000 from roughly 3,000 a year ago.

Sen. Richard S. Madaleno Jr. (D-Montgomery), chairman of the county's Senate delegation, said he thinks it is too soon for people to be moving from Maryland to Virginia, where individual income taxes are lower.

"Trying to sell a high-end house right now is not the easiest thing to do," Madaleno said.

House Minority Leader Anthony J. O'Donnell (R-Calvert) countered that the drop-off was so significant that people moving had to be part of the explanation. "People are going to protect their interests. People are going to move," he said.

The information was included in a letter from Franchot to Gov. Martin O'Malley (D) and legislative leaders that included other dismal news about the state's tax collections. Total general fund revenue was down last month by more than 16 percent compared with the previous April.

A sharp decline in income tax collections was the largest of several concerns, Franchot noted in his letter. Sales tax collections, another major source of state revenue, were also lagging.

During an interview on WAMU radio (88.5 FM) yesterday, O'Malley said an additional \$200 million in budget cuts could be necessary in coming months. He provided no details as to where he would go for the latest round of reductions in the state's \$14 billion general fund.

"The reality of a contracting economy . . . is a huge challenge," O'Malley said.

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