

## Maryland is a Wealthy Yet Low-Tax, Small-Government State

The U.S. Census reports that Maryland has the fourth highest per capita income in the nation.

But is too much of this income taxed by state government?

No. Maryland's status as a low-tax state is absolutely clear in the 2000 U.S. Census data, the most recent year for comprehensive information on revenues for all 50 states. These data show that:

- Maryland ranks almost at the bottom - 48<sup>th</sup> out of the 50 states - when state and local taxes and other revenues (excluding federal aid) are taken as a percentage of personal income.
- Maryland's own-source revenues in 1999 were 13.5% of personal income, as compared to the national average of 15.3%.
- Only two states – Tennessee and New Hampshire – had lower percentages when state revenues are compared to total personal income.
- Maryland's neighboring states – West Virginia; New Jersey; Delaware; Pennsylvania; Virginia and North Carolina – all had higher percentages.

Maryland is one of only a very few states where taxes and revenues have not kept pace with the state's economic growth.

- From 1979 to 1999, state and local revenues in Maryland declined by 7% in real terms as a share of personal income.
- Only one other state – Massachusetts – showed a greater percentage decline during this same period.
- Between 1979 and 1999, state and local revenues increased as a percentage of personal income in 45 other states, including New Jersey, Pennsylvania, Virginia, Delaware, North Carolina and West Virginia.

Can efficiencies still be found in Maryland's lean budget? Of course. The Alliance for Tax Fairness applauds Gov. O'Malley for instituting the StateStat program; we applaud Del. Dan Morhaim for the procurement reform legislation he has advanced in recent years; and we eagerly await the *Green Scissors* report, which will soon be published by environmental advocates. All these will identify government practices that can be made more efficient and even eliminated.

But, as this chapter documents, Maryland is low-tax, small-government state with many unmet social and environmental needs. Thus, there is a limit -- quickly reached -- beyond which cuts would begin to slice muscle, not fat, from state government. The "doomsday" budget scenario presented by the Department of Legislative Services in June – included in this chapter -- would do just that. If implemented, it would severely harm Maryland and its people.

To summarize: as a wealthy yet low-tax state, Maryland clearly has the capacity to raise more revenue for public investment.