

A FAIR, LONG-TERM SOLUTION TO MARYLAND'S STRUCTURAL DEFICIT

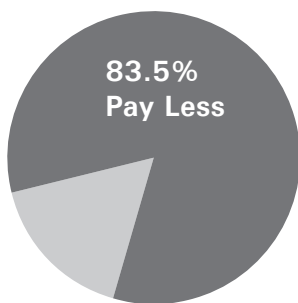
THE PROBLEM: A STRUCTURAL DEFICIT

- Maryland faces an inherited \$1.7 billion structural deficit next year.
- The problem has been 10 years in the making. A \$1 billion income tax cut in 1997, combined with \$1.5 billion in increased education spending with the Thornton law, has opened up a \$1.7 billion hole in next year's budget.
- Over the past few years, the problem has been masked by tuition hikes, fee increases, and raids on open space and transportation funds.

THE SOLUTION: STRUCTURAL REFORM

Governor O'Malley is proposing:

- A fair plan that protects middle-class families, education and public safety.
- It starts with \$280 million in spending cuts and eliminates 147 government positions – and reduces spending growth by \$1 billion over the next 2 years.
- Most families will pay less in taxes, as we keep Maryland competitive.
- And it represents long-term structural reform that will get our fiscal house in order, not a short-term gimmick.
- The Maryland Department of Budget and Management estimates that 83.5% of Marylanders will pay less – savings from income and property tax reductions will exceed the penny sales tax increase.



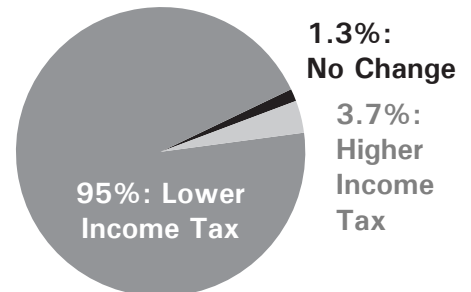
THE COMPONENTS

Reforming Progressive Income Tax:

Add new brackets for wealthiest Marylanders, and reduce taxes for 95% of households.

Reduce Property Tax:

Reduce income taxes by \$177 million for homeowners and other property owners struggling with rising assessments.



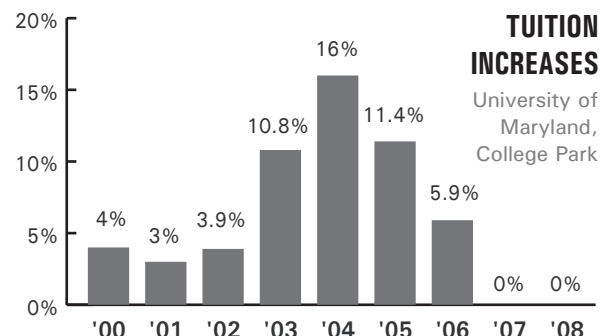
Close Corporate Loopholes:

End gimmicks that allow half of Maryland's largest corporations to pay \$0 in corporate income tax, and enable corporations to sell a \$120 million building with no transfer tax, while someone selling a \$200,000 home must pay a \$4,000 transfer tax.

Invest In Maryland's Critical Infrastructure:

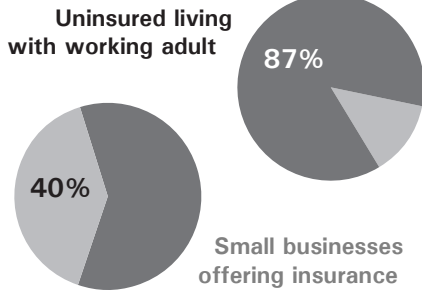
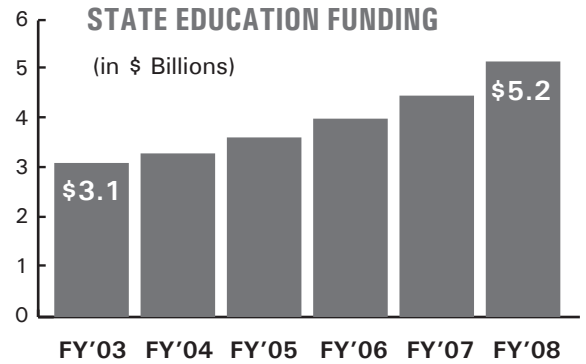
Split a 1% increase in the corporate tax – which will still keep us below neighboring states – between:

- Making college affordable for middle class families;
- And improved transportation to reduce traffic and improve our quality of life – also includes additional Transportation Trust Fund increases.



Protect Education:

Ensure accountability for results and long-term security following the state’s historic \$1.5 billion increase in our annual education investment through the Thornton law.



Source: Maryland Healthcare Commission

Make Healthcare Affordable:

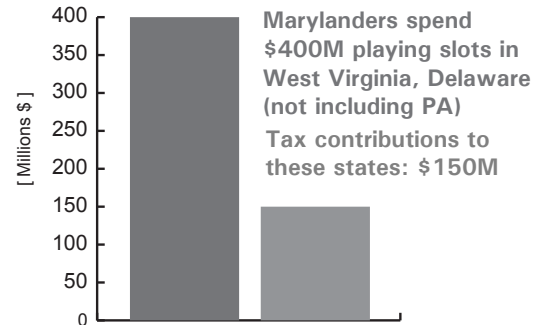
Increase tobacco tax by \$1 to reduce smoking and invest in making healthcare coverage more affordable and accessible for Marylanders – including small businesses.

Protecting Maryland’s Seniors:

Double the senior citizen income tax exemption from \$1,000 to \$2,000, and create a new \$50 sales tax rebate for seniors and others earning less than \$30,000.

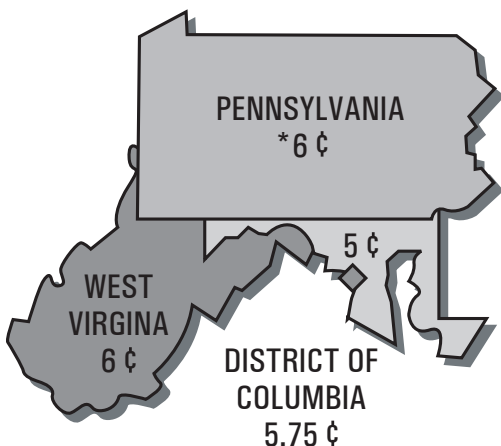
Recapture Slots Revenue For Maryland Priorities:

Achieve consensus on a compromise slots bill to protect more than 600,000 acres in horse-related open space, 18,000 racing-related jobs and capture more than \$400 million dollars spent by Marylanders in other states for our priorities.



Modernize Sales Tax:

Remain competitive with surrounding states by increasing sales tax by a penny, while expanding to a handful of services – while creating permanent sales tax holidays for back-to-school clothes and energy efficient appliances.



* One additional cent in Pittsburgh and Philadelphia

HOW DOES THIS AFFECT ME?

The Governor’s plan provides a long-term solution through which most Maryland families will pay slightly less

**A Fair Plan:
Typical Middle
Class Families
Pay Slightly Less**

MARRIED WITH 2 CHILDREN

Income	Progressive Income Tax	3 Cent Property	1 Cent Sales	Net IMPACT
25,000	-141		66	-75
50,000	-175	-45	101	-119
75,000	-176	-69	135	-110
125,000	-176	-114	212	-78
250,000	-72	-225	212	-85
750,000	7,028	-675	212	6,565

SINGLE ADULT

Income	Progressive Income Tax	3 Cent Property	1 Cent Sales	Net IMPACT
25,000	-90		66	-24
50,000	-90	-45	101	-34
75,000	-90	-69	135	-24
125,000	-90	-114	212	8
250,000	771	-225	212	758
750,000	7,997	-675	212	7,534

Sources:

Income and property tax, Maryland Department of Budget and Management

Sales tax, Maryland Department of Legislative Services