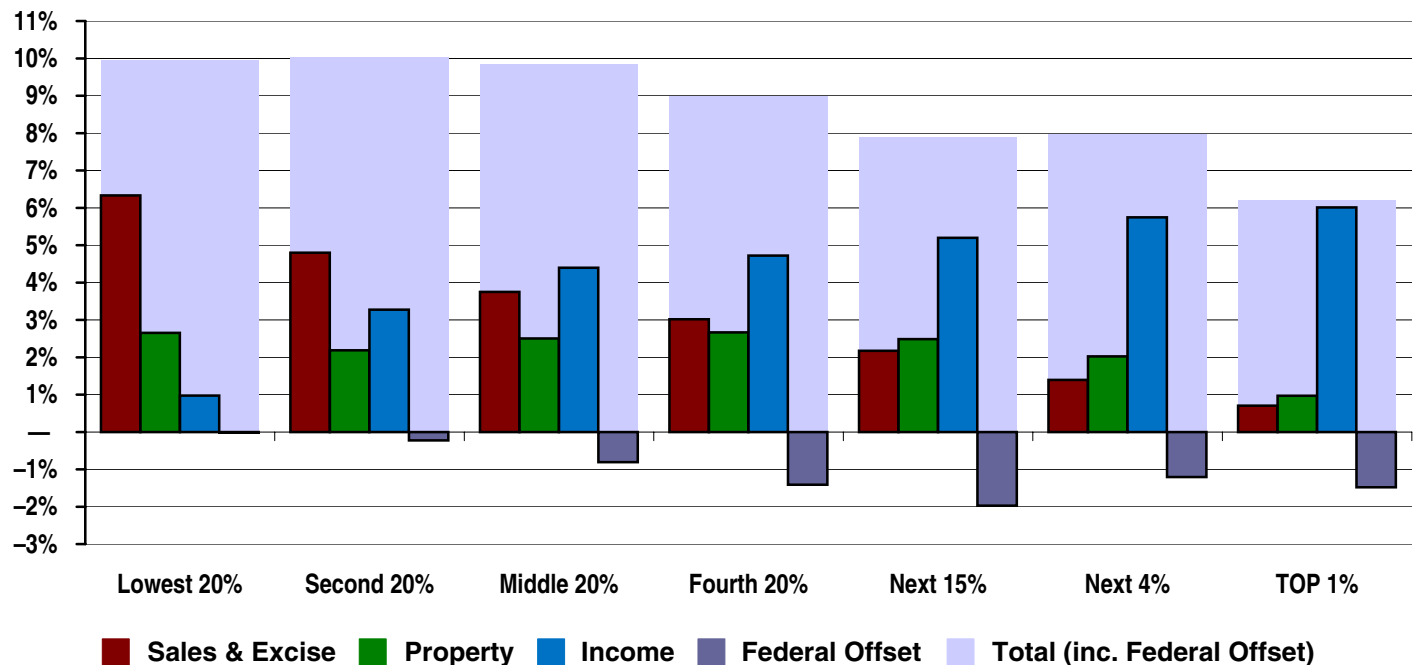


Maryland

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



| Income Group | Lowest 20% | Second 20% | Middle 20% | Fourth 20% | Top 20% | | |
|---------------------------------|--------------------|---------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------|
| | | | | | Next 15% | Next 4% | TOP 1% |
| Income Range | Less than \$22,000 | \$22,000 – \$41,000 | \$41,000 – \$64,000 | \$64,000 – \$107,000 | \$107,000 – \$209,000 | \$209,000 – \$476,000 | \$476,000 or more |
| Average Income in Group | \$12,100 | \$31,500 | \$51,500 | \$83,000 | \$143,400 | \$305,600 | \$1,848,200 |
| Sales & Excise Taxes | 6.3% | 4.8% | 3.8% | 3.0% | 2.2% | 1.4% | 0.7% |
| General Sales—Individuals | 2.6% | 2.2% | 1.8% | 1.6% | 1.2% | 0.8% | 0.4% |
| Other Sales & Excise—Ind. | 1.8% | 1.2% | 0.8% | 0.6% | 0.4% | 0.2% | 0.1% |
| Sales & Excise on Business | 2.0% | 1.5% | 1.1% | 0.9% | 0.6% | 0.4% | 0.2% |
| Property Taxes | 2.7% | 2.2% | 2.5% | 2.7% | 2.5% | 2.0% | 1.0% |
| Property Taxes on Families | 2.6% | 2.2% | 2.5% | 2.6% | 2.4% | 1.9% | 0.5% |
| Other Property Taxes | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 0.1% | 0.5% |
| Income Taxes | 1.0% | 3.3% | 4.4% | 4.7% | 5.2% | 5.7% | 6.0% |
| Personal Income Tax | 1.0% | 3.3% | 4.4% | 4.7% | 5.2% | 5.7% | 5.8% |
| Corporate Income Tax | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% |
| TOTAL TAXES | 10.0% | 10.3% | 10.7% | 10.4% | 9.9% | 9.2% | 7.7% |
| Federal Deduction Offset | -0.0% | -0.2% | -0.8% | -1.4% | -2.0% | -1.2% | -1.5% |
| TOTAL AFTER OFFSET | 9.9% | 10.0% | 9.8% | 9.0% | 7.9% | 8.0% | 6.2% |

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

Maryland

State & Local Taxes

Features, Developments, and Comparisons

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a partially refundable earned income tax credit (EITC)
- ✓ Sales tax base excludes groceries

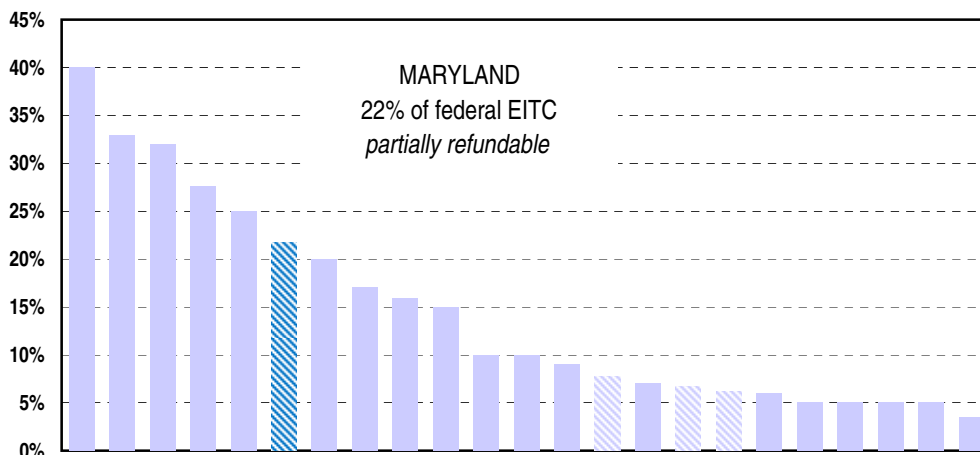
Regressive Features

- ✗ Fails to index income tax provisions to inflation
- ✗ Fails to use combined reporting as part of its corporate income tax

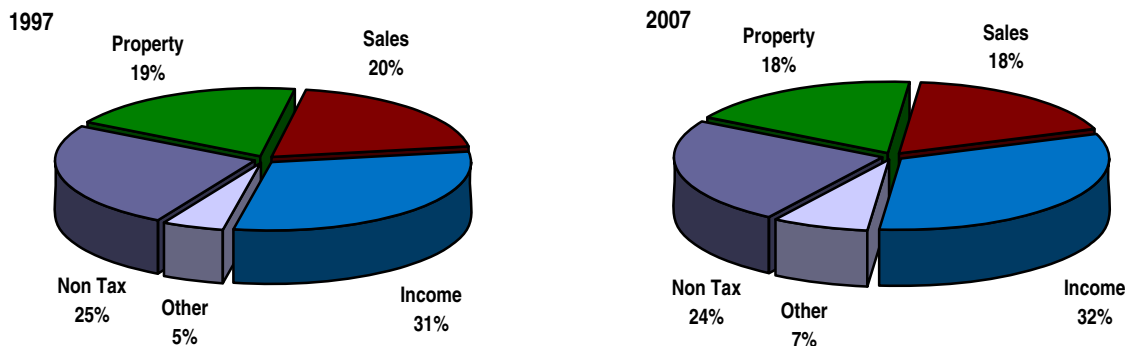
Recent Developments

- ▲ Created three new permanent (and one temporary) top income tax brackets, increased the personal exemption for low-income taxpayers, and expanded eligibility for its refundable EITC
- ▲ Raised sales and corporate income tax rates

Effective State Earned Income Tax Credit (EITC) Rates



Change in the Composition of Revenue



Source: U.S. Census Bureau, Government Finances