



**Peter Franchot**  
Comptroller

**Andrew M. Schaufele**  
Director, Bureau of Revenue  
Estimates

March 2, 2018

Dear Members of the Board of Revenue Estimates:

We continue to research the federal tax changes and to enhance our analysis. In doing so, we have optimized our personal income tax model to best reflect the interplay between a taxpayer's decision to take the standard deduction at the federal level and the impact that decision has on their State taxes. Our new output reflects these enhancements as well as a small number of other technical improvements. Additionally, certain aspects have been updated to account for to-date guidance provided by the federal government since the report's initial release. These changes **do not have a material impact on the revenue generated** or the distribution of Maryland taxpayers that are paying less or more. Small changes have been made to our estimate for the business impact. The table below brings together all of our estimates, individual and business, in their current form. We realize that adding more tables and more numbers adds to an already complex report; however, we believe it best to bring all of the up-to-date figures into one document. These will drive our decision making for the TCJA impact as we pivot to the March revenue estimates.

Updated BRE Estimate for 60 Day Reports - By Fiscal Year - Updates & Consolidation			
Dollars in Thousands			
Item	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Personal Income Tax - State - General Fund	28,360	403,943	315,868
Sales Tax - State - General Fund	4,752	31,096	24,476
Corporate Income Tax - State - General Fund	2,408	76,557	58,931
<b>State Revenue General Fund - SubTotal</b>	<b>35,519</b>	<b>511,595</b>	<b>399,275</b>
Casinos - State - Education Trust Fund	750	4,906	3,862
Corporate Income Tax - State - Non General Funds	624	19,855	15,284
<b>State Revenue Total</b>	<b>36,894</b>	<b>536,357</b>	<b>418,421</b>
Local Income Tax Total	17,545	251,780	190,624
<b>Total State &amp; Local Taxes Impact</b>	<b>54,439</b>	<b>788,137</b>	<b>609,045</b>
Notes:			
(1) Fiscal Year 2019 is higher due to the fact that so much uncertainty exists. It is unlikely that estimated taxpayers will greatly affect their payments before the end of fiscal year 2018 for tax year 2018. Much of the impact is likely to occur later in the year as taxpayers adjust withholding and then "true up" upon filing their taxes. Could be substantial refunds for tax year 2018 in fiscal year 2019.			
(2) The fiscal years are a cash basis for State purposes; these are not intended for estimating local cash basis distributions.			

The optimized model is preferable, but was also necessary in order to accurately evaluate legislative proposals that seek to change laws related to itemized and standard deductions at the State level. Furthermore, the optimized model permits analysis by political subdivision. Going forward, this model will be used to evaluate all legislative proposals. One important difference between this model and the original report is that we assume 100% of taxpayers make the proper decision with regard to whether or not to itemize at the federal level and the impact that will have on their State return. In the original estimate, we had assumed that 80% would make the proper decision. The change reflects discussions with tax preparers and the greatly improved likelihood that preparers and software will accommodate the interplay.

In summary, we find a combined tax year 2014 State and local revenue impact of \$401.1 million under the optimized model relative to the original 2014 simulation estimate of \$376.8 million. For State and local taxes: 71.1% will have no impact, 22.5% would pay more, and 6.4% would pay less. This compares to the original model findings of 68%, 28%, and 4%, respectively. Again, the changes are generally immaterial for the big picture, but we find it beneficial for all stakeholders to know and understand the baseline from which we will be evaluating legislative and revenue proposals.

There are additional tables attached that provide additional detail.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Schaufele". The signature is fluid and cursive, with a large initial "A" and "S".

Andrew Schaufele

cc: Bernadette Benik  
Sharonne Bonardi  
Victoria Gruber  
Marc Nicole

### Additional Tables – Updated for Most Recent Estimates

Maryland Resident - State & Local Tax Impact - Assumes 100% Favor Impact of Fed&State&Local Combined								
Tax Year 2014								
Federal Adjusted Gross Income Class	No Change	Pay More State & Local Tax			Pay Less State & Local Tax			All
	Number of Taxpayers	Number of Taxpayers	Total Change in S&L Tax	Average Change in S&L Tax	Number of Taxpayers	Total Change in S&L Tax	Average Change in S&L Tax	Net Change in S&L Tax
0 or less	19,055	131	820,186	6,261	60	(11,827)	(197)	808,359
0 to 25,000	872,811	30,371	13,614,357	448	25,927	(2,860,647)	(110)	10,753,710
25,000 to 50,000	467,133	115,932	65,269,401	563	39,596	(7,183,023)	(181)	58,086,378
50,000 to 75,000	242,677	118,715	64,488,475	543	37,584	(12,444,229)	(331)	52,044,246
75,000 to 100,000	157,715	91,409	48,974,564	536	26,938	(13,491,628)	(501)	35,482,935
100,000 to 150,000	159,331	138,596	80,165,187	578	18,062	(8,905,719)	(493)	71,259,468
150,000 to 250,000	102,205	97,592	63,390,960	650	10,436	(6,143,034)	(589)	57,247,925
250,000 to 500,000	18,877	38,213	41,156,455	1,077	15,518	(4,453,297)	(287)	36,703,159
500,000 to 1,000,000	427	10,353	25,152,633	2,430	6,444	(3,393,610)	(527)	21,759,023
Greater than \$1M	185	4,290	68,062,087	15,865	3,309	(11,087,299)	(3,351)	56,974,788
<b>Total</b>	<b>2,040,416</b>	<b>645,602</b>	<b>471,094,305</b>	<b>730</b>	<b>183,874</b>	<b>(69,974,313)</b>	<b>(381)</b>	<b>401,119,992</b>

State and Local Income Tax - Taxpayers Positively Impacted By Tax Changes							
Tax Year 2014							
Federal Adjusted Gross Income Class	Number of Taxpayers	Share of Taxpayers by Class	Average AGI for Group	Total Tax Reduction	Average Tax Reduction	Average Tax Impact Share of Average AGI	
0 or less	60	0%	#N/A	(11,827)	(197)	#N/A	
0 to 25,000	25,927	3%	10,764	(2,860,647)	(110)	-1.0%	
25,000 to 50,000	39,596	6%	33,029	(7,183,023)	(181)	-0.5%	
50,000 to 75,000	37,584	9%	54,935	(12,444,229)	(331)	-0.6%	
75,000 to 100,000	26,938	10%	77,766	(13,491,628)	(501)	-0.6%	
100,000 to 150,000	18,062	6%	111,235	(8,905,719)	(493)	-0.4%	
150,000 to 250,000	10,436	5%	175,702	(6,143,034)	(589)	-0.3%	
250,000 to 500,000	15,518	21%	313,021	(4,453,297)	(287)	-0.1%	
500,000 to 1,000,000	6,444	37%	651,608	(3,393,610)	(527)	-0.1%	
Greater than \$1M	3,309	43%	2,627,614	(11,087,299)	(3,351)	-0.1%	
<b>Total</b>	<b>183,874</b>	<b>6%</b>	<b>148,691</b>	<b>(69,974,313)</b>	<b>(381)</b>	<b>-0.3%</b>	

Notes:

(1) Average AGI and average impact for those with negative AGI are generally distortive and meaningless.

State and Local Income Tax - Taxpayers Negatively Impacted By Tax Changes							
Tax Year 2014							
Federal Adjusted Gross Income Class	Number of Taxpayers	Share of Taxpayers by Class	Average AGI for Group	Total Tax Increase	Average Tax Increase	Average Tax Impact Share of Average AGI	
0 or less	131	1%	#N/A	820,186	6,261	#N/A	
0 to 25,000	30,371	3%	10,764	13,614,357	448	4.2%	
25,000 to 50,000	115,932	19%	33,029	65,269,401	563	1.7%	
50,000 to 75,000	118,715	30%	54,935	64,488,475	543	1.0%	
75,000 to 100,000	91,409	33%	77,766	48,974,564	536	0.7%	
100,000 to 150,000	138,596	44%	111,235	80,165,187	578	0.5%	
150,000 to 250,000	97,592	46%	175,702	63,390,960	650	0.4%	
250,000 to 500,000	38,213	53%	313,021	41,156,455	1,077	0.3%	
500,000 to 1,000,000	10,353	60%	651,608	25,152,633	2,430	0.4%	
Greater than \$1M	4,290	55%	2,627,614	68,062,087	15,865	0.6%	
<b>Total</b>	<b>645,602</b>	<b>22%</b>	<b>124,427</b>	<b>471,094,305</b>	<b>730</b>	<b>0.6%</b>	

Notes:  
(1) Average AGI and average impact for those with negative AGI are generally distortive and meaningless.

Disposition of Taxpayers Negatively Impacted on State Taxes																
Assumes that 100% Prioritize Their Net Bottom Line																
Tax Year 2014																
Federal Adjusted Gross Income Class	Paying More S&L Tax			Paying More S&L Tax - Net Tax Cut						Paying More S&L Tax - Net Tax Increase						
	Taxpayers Expected to Pay More State Tax	Share of All Taxpayers	Average S&L Tax Increase	# Taxpayers	Share of All Taxpayers	Share of Paying More S&L	Average S&L Tax Increase	Average Federal Change	Average Net Impact	# Taxpayers	Share of All Taxpayers	Share of Paying More S&L	Average S&L Tax Increase	Average Federal Change	Average Net Impact	
0 or less	131	1%	6,261	8	0%	6%	6,323	(40,468)	(34,145)	123	1%	93.9%	6,257	22,692	28,948	
0 to 25,000	30,371	3%	448	2,543	0%	8.4%	193	(491)	(298)	27,828	3%	91.6%	472	285	756	
25,000 to 50,000	115,932	19%	563	39,807	6%	34.3%	294	(780)	(487)	76,125	12%	65.7%	704	652	1,356	
50,000 to 75,000	118,715	30%	543	60,329	15%	50.8%	334	(1,151)	(817)	58,386	15%	49.2%	759	918	1,677	
75,000 to 100,000	91,409	33%	536	58,978	21%	64.5%	374	(1,605)	(1,232)	32,431	12%	35.5%	831	1,140	1,971	
100,000 to 150,000	138,596	44%	578	97,761	31%	70.5%	441	(2,271)	(1,830)	40,835	13%	29.5%	907	1,269	2,177	
150,000 to 250,000	97,592	46%	650	74,079	35%	75.9%	488	(3,415)	(2,927)	23,513	11%	24.1%	1,157	1,961	3,119	
250,000 to 500,000	38,213	53%	1,077	34,543	48%	90.4%	727	(11,331)	(10,604)	3,670	5%	9.6%	4,368	12,364	16,732	
500,000 to 1,000,000	10,353	60%	2,430	8,231	48%	79.5%	1,079	(15,991)	(14,911)	2,122	12%	20.5%	7,666	28,417	36,083	
Greater than \$1M	4,290	55%	15,865	2,608	34%	60.8%	3,195	(50,207)	(47,011)	1,682	22%	39.2%	35,511	135,870	171,381	
<b>Total</b>	<b>645,602</b>	<b>22%</b>	<b>730</b>	<b>378,887</b>	<b>13%</b>	<b>58.7%</b>	<b>465</b>	<b>(3,499)</b>	<b>(3,034)</b>	<b>266,715</b>	<b>9%</b>	<b>41.3%</b>	<b>1,106</b>	<b>2,203</b>	<b>3,309</b>	

Notes:  
(1) For the 378,887 paying more in S&L Tax but receiving a net tax cut: all are receiving a federal tax cut for an average cut of \$3,499  
(2) For the 266,715 paying more in S&L Tax but receiving a net tax increase: 5,018 (2%) pay same federal tax; 197,940 (74%) pay more federal tax, \$3,022 more on average; 63,757 (24%) pay less federal tax, \$341 less on average

**Maryland Resident - State & Local Tax Impact - Assumes 100% Favor Impact of Fed&State&Local Combined**

**Tax Year 2014**

Subdivision	No Change		Pay More State & Local Tax				Pay Less State & Local Tax				All
	Number of Taxpayers	Share of Taxpayers	Number of Taxpayers	Share of Taxpayers	Total Change in S&L Tax	Average Change in S&L Tax	Number of Taxpayers	Share of Taxpayers	Total Change in S&L Tax	Average Change in S&L Tax	Net Change in S&L Tax
Allegany	23,076	77%	4,966	17%	2,561,789	516	1,855	6%	(694,367)	(374)	1,867,422
Anne Arundel	187,458	70%	61,322	23%	40,084,600	654	18,466	7%	(7,084,195)	(384)	33,000,405
Baltimore	294,002	71%	96,013	23%	73,105,616	761	25,525	6%	(11,234,417)	(440)	61,871,199
Baltimore City	208,191	79%	42,994	16%	28,569,166	664	12,578	5%	(3,511,019)	(279)	25,058,147
Calvert	29,421	70%	10,101	24%	6,048,459	599	2,798	7%	(948,249)	(339)	5,100,210
Caroline	11,391	77%	2,652	18%	1,403,812	529	757	5%	(291,310)	(385)	1,112,502
Carroll	57,619	70%	18,594	23%	10,687,865	575	5,556	7%	(2,123,807)	(382)	8,564,058
Cecil	33,085	73%	9,231	20%	5,039,349	546	3,056	7%	(991,618)	(324)	4,047,731
Charles	51,377	71%	16,251	23%	10,691,309	658	4,488	6%	(1,664,682)	(371)	9,026,626
Dorchester	11,936	79%	2,428	16%	1,386,847	571	800	5%	(299,209)	(374)	1,087,638
Frederick	84,165	71%	25,721	22%	16,138,273	627	8,147	7%	(3,029,828)	(372)	13,108,445
Garrett	10,457	78%	2,144	16%	1,176,075	549	804	6%	(296,237)	(368)	879,838
Harford	84,426	70%	27,921	23%	16,236,359	582	7,878	7%	(3,065,755)	(389)	13,170,603
Howard	97,968	67%	37,308	26%	31,186,652	836	10,227	7%	(4,415,904)	(432)	26,770,748
Kent	6,600	72%	1,965	21%	1,870,414	952	651	7%	(274,207)	(421)	1,596,207
Montgomery	343,374	67%	129,740	25%	125,721,689	969	40,773	8%	(18,577,366)	(456)	107,144,323
Prince George's	329,306	71%	109,697	24%	68,774,578	627	23,807	5%	(5,261,933)	(221)	63,512,646
Queen Anne's	15,987	69%	5,543	24%	4,511,130	814	1,584	7%	(707,476)	(447)	3,803,655
Somerset	6,885	80%	1,275	15%	646,908	507	411	5%	(142,338)	(346)	504,570
St. Mary's	34,867	72%	10,543	22%	5,786,289	549	3,190	7%	(1,013,480)	(318)	4,772,810
Talbot	13,373	71%	4,145	22%	6,044,918	1,458	1,444	8%	(851,936)	(590)	5,192,983
Washington	51,280	76%	12,173	18%	6,222,599	511	4,425	7%	(1,631,326)	(369)	4,591,273
Wicomico	33,906	77%	7,837	18%	4,235,215	540	2,392	5%	(918,309)	(384)	3,316,907
Worcester	20,266	74%	5,038	18%	2,964,393	588	2,262	8%	(945,346)	(418)	2,019,047
<b>Total</b>	<b>2,040,416</b>	<b>71%</b>	<b>645,602</b>	<b>22%</b>	<b>471,094,305</b>	<b>730</b>	<b>183,874</b>	<b>6%</b>	<b>(69,974,313)</b>	<b>(381)</b>	<b>401,119,992</b>

Impact on State Revenues for Current Fiscal Year And Budget Year									
Certain Business Related Impacts -- By Provision, Tax Type, and Fund									
Provision	Personal Income Tax					Corporate Income Tax			
	General Fund		General Fund			Transportation Trust Fund		Higher Education Investment Fund	
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2019	
Bonus Depreciation	-	(734,137)	-	(2,421,303)	-	(445,018)	-	(182,957)	
179 Expensing	(488,750)	(5,337,834)	(628,832)	(8,071,407)	(115,575)	(1,483,465)	(47,515)	(609,885)	
Domestic Production Activity Deduction	-	-	-	-	-	-	-	-	
Small Business Accounting Reform	(2,369,063)	(10,598,438)	(4,667,572)	(30,953,373)	(857,865)	(5,689,002)	(352,688)	(2,338,875)	
Interest Deduction Limitation	2,618,438	17,580,938	5,803,758	79,041,650	1,066,688	14,527,272	438,539	5,972,484	
NOL Deduction	*	*	-	18,793,120	-	3,454,037	-	1,420,031	
Meals & Entertainment Expenses	498,750	2,618,438	982,647	8,057,704	180,603	1,480,946	74,250	608,850	
Transportation Fringe Benefits	374,063	1,932,656	736,985	6,368,779	135,452	1,170,535	55,688	481,233	
Other Income Tax Provisions	25,237	1,125,429	180,741	5,741,441	33,219	1,055,235	13,657	433,830	
Estate Tax Credit	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>658,674</b>	<b>6,587,052</b>	<b>2,407,727</b>	<b>76,556,610</b>	<b>442,522</b>	<b>14,070,540</b>	<b>181,931</b>	<b>5,784,712</b>	

Notes: NOLs for the individual income tax were included in the January 60 day report.

Long Term Impact on State Revenues										
Certain Business Related Impacts -- By Provision & Tax Type										
Dollars in Thousands										
	Personal Income Tax					Corporate Income Tax				
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Bonus Depreciation	-	(734)	(906)	(508)	(473)	-	(3,049)	(33,640)	(14,585)	(11,915)
179 Expensing	(489)	(5,338)	(5,454)	(2,804)	(2,160)	(792)	(10,165)	(16,344)	(7,262)	(5,597)
Domestic Production Activity Deduction	-	-	-	-	-	-	-	-	-	-
Small Business Accounting Reform	(2,369)	(10,598)	(4,676)	(2,198)	(1,820)	(5,878)	(38,981)	(30,427)	(12,994)	(10,519)
Interest Deduction Limitation	2,618	17,581	19,576	19,607	22,841	7,309	99,541	79,432	78,678	89,279
NOL Deduction	*	*	*	*	*	-	23,667	24,691	25,759	26,873
Meals & Entertainment Expenses	499	2,618	2,213	2,252	2,305	1,238	10,148	12,066	11,385	11,385
Transportation Fringe Benefits	374	1,933	1,668	1,703	1,756	928	8,021	9,434	8,941	9,467
Other Income Tax Provisions	25	1,125	2,796	4,191	8,904	228	7,231	29,004	38,662	75,947
<b>Total</b>	<b>659</b>	<b>6,587</b>	<b>15,218</b>	<b>22,244</b>	<b>31,353</b>	<b>3,032</b>	<b>96,412</b>	<b>74,215</b>	<b>128,583</b>	<b>184,920</b>

Impact on General Fund from Increased Federal Estate Tax Credit							
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
<b>Total</b>	-	-	(35,000,000)	(47,800,000)	(49,600,000)	(51,500,000)	(53,300,000)