

2011 LEGISLATIVE PROGRAM OF MARYLAND NARFE

The Maryland Federation of Chapters, National Active and Retired Federal Employees Association (MD-NARFE), represents more than 300,000 federal employees and 147,000 federal employee annuitants living in Maryland.

Maryland's 65+ population is expected to grow by 104% between 2005 and 2030, from 653,730 to 1,321,390; in contrast, the population as a whole is expected to grow 21% during that time period (Maryland Department of Planning, 2007). Thus, there is an urgent need to find new solutions to the challenges posed by an expanding older adult population, many of whom are struggling to age in place and maintain an acceptable standard of living in one of the highest cost areas in the nation. Their situation is made worse by the impact of the national financial crisis on savings, investments, and home values. In the latter case, many are still paying property taxes based on outdated assessments levied before the housing market collapsed.

For economic, social, and cultural reasons Maryland needs to create an environment which will encourage seniors to **stay in Maryland**. Seniors pay taxes which help pay for infrastructure such as schools and parks. Studies show that seniors generate up to three jobs per capita. Community service donated by seniors is almost double the national median for all ages – 96 hours vs.

52 hours annually. Senior volunteers in libraries, schools, hospitals, theaters, non-profits and cultural venues provide a large, unpaid work force which helps extend city, county and state budgets.

Some states recognize the value of their senior population and many openly encourage senior immigration, offering tax incentives to retirees ranging from total exemption from state and local income taxes to reduced tax rates. We strongly recommend the formation of a task force to measure the economic and other benefits generated by Maryland's senior population.

For 2011 Maryland NARFE wants to provide some degree of tax relief to seniors by (1) closing the unfair income tax gap between certain classes of seniors, (2) establishing a property tax structure for seniors which enables seniors to age in place, and (3) providing an annual \$200 deduction for purchase and retention of long term care insurance.

EQUALIZE TAX EXEMPTION FOR MARYLAND SENIORS

ISSUE: In the 2007 Special Session of the General Assembly, the special exemption that a taxpayer could claim for an elderly (age 65 or older) **non-spousal dependent** was increased to \$3,200. The special exemption **for elderly taxpayers and their spouses** by contrast, remains at \$1,000, unchanged for over **20 years**. We see no justification for this inequitable treatment.

IMPACT: The \$2,200 gap in the amount of the exemption costs senior taxpayers approximately \$175 more in state and local income taxes annually than the taxpayer claiming an elderly non-spousal dependent, an unintended consequence of the late 1990's tax reform which has cost most seniors over \$1500 in additional income tax.

LEGISLATIVE SOLUTION: Equalize the two exemptions such that all seniors receive the same benefit by increasing the exemption in phases beginning in 2013. This benefit would be subject to the same means testing as applied to standard exemptions.

ANNUAL TAX CREDIT FOR LONG TERM CARE INSURANCE PREMIUMS

ISSUE: Maryland's senior population age 60+ will increase to more than 1.6 million by 2030 from 1 million in 2010. Alzheimer's and other mental and physical conditions requiring institutional or full time home care will increase proportionately. Most will not have adequate funds to cover cost of care; 55% of residents currently in Maryland nursing homes are on Medicaid which is above the national average.

IMPACT: Since most of the current senior and "Boomer" populations do not have long term care insurance, Maryland's Medicaid costs, already among the highest in the nation, will increase the burden on taxpayers.

LEGISLATIVE SOLUTION: To encourage purchase and retention of long term care insurance, replace the current one time \$500 tax credit with an annual \$200 tax credit on policies purchased in 2012 and after.

REDUCE THE PROPERTY TAX BURDEN ON SENIOR HOMEOWNERS

ISSUE: Most retirees live on fixed incomes. Rising food, fuel, power, and health care costs are outpacing any cost of living increases. Their plight is compounded by losses in their pension funds and investments. The collapse of the housing boom, which drove up property values, has resulted in a large decline in home values yet many property assessments continue to reflect the double digit increases of the boom years and property owners in many areas of Maryland now face double digit increases in their property assessments.

IMPACT: These factors are making it increasingly difficult for many seniors to maintain their standard of living. One solution - emigration from Maryland to a state perceived as more senior-friendly - results in economic, civic and social losses to Maryland.

LEGISLATIVE SOLUTIONS:

1. Require reassessment of residential properties in a county when median home sales prices fall by more than 10 percent from the previous year.

2. Increase the Homeowners Tax Credit (HTC) assessment limit from the current \$300,000 to \$450,000, make changes in the HTC formula to increase the amount of the tax credit for eligible homeowners and adjust other factors for inflation.
3. Reduce the state-wide cap on the rate of increase for Homestead Tax Credits to 5% from 10%.

OTHER AREAS OF SUPPORT

We will work on behalf of bills to:

- Equalize tax exemption for pensions of public service employees and military retirees
- Reform corporate tax policies (combined reporting)
- Criminalize false claims
- Institute open government
- Initiate public funding of candidates for the General Assembly



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