

## Testimony Relating to H-7225 Budget Article 6 Section 22

### Increasing Tax Exemptions for Retirement Income

#### House Committee on Finance

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**The Economic Policy Institute opposes Article 6 Section 22 of H-7225** which would increase from \$20,000 to \$50,000 the amount of pension and annuity income that would be exempt from personal income taxes.

**Tax rates ought to be based upon ability to pay and not on personal status.** For example, a retiree with earnings of a million dollars does not need her or his pension, annuity, or social security income to be made exempt from taxation. And individuals with little income, whatever the income source, ought to pay a correspondingly small amount in income taxes (they of course pay sales and property taxes). We need a fair tax code, rooted in the ability to pay – and there exist better ways to make our tax code less upside-down (upside-down in the sense that those who can least afford it pay a greater proportion of their income in overall state taxes than do those with the highest incomes).

While we applaud the fact that the current law does include an income provision limiting the exemption to individual filers with adjusted gross income of \$95,800 and joint filers with income of \$119,750, it would be best to treat all income in a similar manner, based on ability to pay.

Furthermore, **if this legislation is enacted, the state would face an estimated revenue loss of \$3.0 million in FY2025 and \$6.2 million in FY2026**, possibly resulting in either program cuts or a need to raise the revenue in other, perhaps more regressive ways.