Testimony Relating to H-7127 Budget Article 5, Section 6

Taxation of Social Security Income

Senate Committee on Finance

April 30, 2026

Alan Krinsky, Director of Research and Fiscal Policy

Regarding the proposal in **Article 5, Section 6 to modify the taxation of Social Security income**, the Economic Progress Institute **supports the first stage** while **opposing the second and third stages.**

The first stage – to allow Social Security beneficiaries below full retirement age to be eligible for the low-income taxation exemption – is long overdue, as it will help lower-income seniors who likely elected to take their benefits early because they had few or no other options for income.

However, we think the exemption otherwise works fine as is, helping those seniors with the lowest incomes and greatest needs. The second stage would significantly expand the income limit for exemptions, and the third stage would eliminate altogether the taxation of Social Security income – *even for millionaires*.

This move would indeed most benefit those with the highest incomes. At the request of the Economic Progress Institute (EPI), the Institute on Taxation and Economic Policy (ITEP) analyzed the Governor's proposal and estimated that **91 percent of the benefit from this proposal would go to the top 20 percent in income**, those with total income of $151,000 and above. Furthermore, **35 percent of the benefit would go to the top five percent**, **and close to seven percent of the benefit would go to the top one percent**. The **average income of those who benefit would be $429,300**.

Furthermore, while the first stage of the plan would cost only an estimated $3 million in state revenue annually, **the full proposal would reach a cost of more than $60 million in FY2030**. At a time when the budget is tight, and with drastic cuts in federal assistance anticipated, **this is not the time to give a tax break to those who need it least**.

We urge you to include in the final budget the first stage of this proposal while removing the rest of the proposal.