



Peter Franchot
Comptroller

David F. Roose
Director
Bureau of Revenue Estimates

November 23, 2009

Senator Verna L. Jones
Miller Senate Office Building, Room 420
11 Bladen Street
Annapolis, MD 21401

Delegate Henry B. Heller
House Office Building, Room 429
6 Bladen Street
Annapolis, MD 21401

Dear Senator Jones and Delegate Heller:

During Comptroller Franchot's October 7 briefing to the Joint Committee on the Management of Public Funds, we were asked about the number of wealthy individuals who may have left the State as a result of the enactment of the new individual income tax brackets. I indicated that we would be analyzing that issue after the tax returns filed by the October 15 filing extension had been processed. From tax data, we can determine the number of returns for any given year over \$1 million of net taxable income (NTI), whether or not those taxpayers filed a return in following years, whether or not their return was a part-year return, and what their NTI was in following years. There are several reasons a return may not be filed in following years including, among others, leaving the State, death of the taxpayer, and simply not filing a return or filing a delinquent return. We cannot readily determine the reason a return is not filed and, even if we know a taxpayer has left the State, we cannot determine why.

For every tax year, some taxpayers with NTI in excess of \$1 million ("millionaires" for purposes of this report) do not file a return the following year. In tax year 2000, for example, there were 3,802 millionaires. In tax year 2001, 111 of those 3,802 taxpayers filed a part-year return, and 133 of them did not file a return. So 6.4% of tax year 2000 millionaires either left the State or did not file a return in tax year 2001. As the table below indicates, this ratio ranged from 6.4% for tax year 2000 millionaires to 5.3% in several years, and back up to 5.6% for tax year 2006 millionaires. For tax year 2007 millionaires, this ratio increased to 7.7%. For the sake of consistency, delinquent returns have been ignored for every tax year. It is possible that a larger proportion of tax year 2008 returns are delinquent than in past years; if so, the actual increase in millionaires leaving the State or not filing a return may ultimately be smaller.

As a point of information, the total number of millionaires in the State fell from 7,067 in tax year 2007 to 4,910 in tax year 2008 (at the equivalent point following the extension due date), a drop of 30.5%.

Maryland Millionaires

Tax Year	Millionaires	Part-Year or Nonfilers in Following Tax Year	
		Number	%
2000	3,802	244	6.4%
2001	3,042	168	5.5%
2002	2,780	171	6.2%
2003	3,336	176	5.3%
2004	4,643	246	5.3%
2005	5,581	298	5.3%
2006	6,366	359	5.6%
2007	7,067	542	7.7%

Of the 3,558 tax year 2000 millionaires who did file a resident return for tax year 2001, 48.1% were also millionaires in that year, while 51.9% were not—their returns showed less than \$1 million of NTI. The ratio of millionaires for any given tax year who also were millionaires the following tax year increased steadily, as the table below shows, until it was 69.1% for tax year 2003 millionaires (they also had \$1 million of NTI in tax year 2004). That ratio then settled at about 65% for three years. For tax year 2007 millionaires, it shrank to 49.5%—just under half of those millionaires who filed a resident return in tax year 2008 had \$1 million of NTI, and just over half had less.

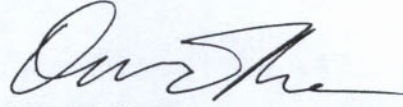
Status of Resident Millionaires in Succeeding Tax Year

Tax Year	Millionaires	Resident Return in Following Year	Over \$1 Million NTI	Under \$1 Million NTI
2000	3,802	3,558	48.1%	51.9%
2001	3,042	2,874	56.2%	43.8%
2002	2,780	2,609	65.6%	34.4%
2003	3,336	3,160	69.1%	30.9%
2004	4,643	4,397	64.7%	35.3%
2005	5,581	5,283	65.6%	34.4%
2006	6,366	6,007	66.0%	34.0%
2007	7,067	6,525	49.5%	50.5%

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Our analysis of high-income taxpayers will continue as they have become a more crucial component of Maryland's tax base than ever before. If you have any questions, please do not hesitate to contact me at 410 260-7450.

Sincerely,



David F. Roose

cc: Senator Ulysses Currie
Senator Jennie M. Forehand
Senator Larry E. Haines
Delegate D. Page Elmore
Delegate Carolyn J.B. Howard
Delegate Murray D. Levy
Len Foxwell
Linda Tanton