

REVIEW & OUTLOOK

Millionaires Go Missing

Maryland's fleeced taxpayers fight back.

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Here's a two-minute drill in soak-the-rich economics:

Maryland couldn't balance its budget last year, so the state tried to close the shortfall by fleecing the wealthy. Politicians in Annapolis created a millionaire tax bracket, raising the top marginal income-tax rate to 6.25%. And because cities such as Baltimore and Bethesda also impose income taxes, the state-local tax rate can go as high as 9.45%. Governor Martin O'Malley, a dedicated class warrior, declared that these richest 0.3% of filers were "willing and able to pay their fair share." The Baltimore Sun predicted the rich would "grin and bear it."

One year later, nobody's grinning. One-third of the millionaires have disappeared from Maryland tax rolls. In 2008 roughly 3,000 million-dollar income tax returns were filed by the end of April. This year there were 2,000, which the state comptroller's office concedes is a "substantial decline." On those missing returns, the government collects 6.25% of nothing. Instead of the state coffers gaining the extra \$106 million the politicians predicted, millionaires paid \$100 million *less* in taxes than they did last year - even at higher rates.

No doubt the majority of that loss in millionaire filings results from the recession. However, this is one reason that depending on the rich to finance government is so ill-advised: Progressive tax rates create mountains of cash during good times that vanish during recessions. For evidence, consult California, New York and New Jersey (see [here](#)).

The Maryland state revenue office says it's "way too early" to tell how many millionaires moved out of the state when the tax rates rose. But no one disputes that some rich filers did leave. It's easier than the redistributionists think. Christopher Summers, president of the Maryland Public Policy Institute, notes: "Marylanders with high incomes typically own second homes in tax friendlier states like Florida, Delaware, South Carolina and Virginia. So it's easy for them to change their residency."

All of this means that the burden of paying for bloated government in Annapolis will fall on the middle class. Thanks to the futility of soaking the rich, these working families will now pay Mr. O'Malley's "fair share."

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