

MARYLAND FAIR FUNDING COALITION

Testimony in Support of Senate Bill 216 Senate Budget and Taxation Committee

Tax Income of Investment Managers at the Same Rate

The Maryland Fair Funding Coalition is a growing coalition of 25 organizations across the state that are committed to the state raising revenue to provide the resources it needs to make significant new investments in education funding and other essential services.

The Fair Funding Coalition supports proposals focused on eliminating loopholes and tax breaks that benefit special interests and fixing our upside-down tax code, which allows the wealthiest individuals to pay the smallest share of their income in state and local taxes. Fixing our tax system will support significant new state investments in education and ensure that large corporations and wealthy individuals are paying their share for the public services we all rely on.

Our coalition supports SB216, which will close the carried interest loophole that allows wealthy fund managers to pay a special, low tax rate on this income.

This special treatment violates core principles of effective tax policy by taxing similar activities at different rates, shifting tax responsibility away from those who can best afford to pay, and costing the state millions of dollars that could be used to support our schools and other vital public investments.

This legislation would eliminate this special tax break and ask wealthy fund managers to pay their fair share. It would also increase revenue by more than \$40 million annually, according to the fiscal note provided by the Department of Legislative Services. This is new revenue that could significantly contribute to the state's share of the proposed funding needed for the Kirwan commission policy recommendations.

The Kirwan Commission's proposals can only succeed if policymakers back them with sufficient resources. With a wide range of state services stretched thin, the best way to support needed investments in education is to reform Maryland's tax code to make it more effective and more equitable. This is a once-in-a-generation opportunity to invest in our children and our economy.

Therefore, we urge a favorable report on SB216.