SB 611 Individual Income Tax Rates .pdf
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Position: FAV

LEAGUE OF WOMEN VOTERS® OF MARYLAND

TESTIMONY TO THE SENATE BUDGET AND TAXATION COMMITTEE

SB 611 – Individual Income Tax – Rates and Rate Brackets - Alterations

POSITION: Support

BY: Lois Hybl and Richard Willson – Co-Presidents

Date: February 24, 2021

Maryland League members understand the importance of the relationship between various revenue sources available to state government and the services provided by those revenues. A sound revenue system must allow the State to invest in essential public goods such as education, transportation, and health care.

The League testifies based on "Positions" that have been reached by study and consensus. Our most critical positions for taxes include support for: 1) a progressive tax system, and 2) an equitable and efficient fiscal structure. We strongly support a progressive income tax system.

Brackets and rates are not permanently "right" or "wrong." Everything changes including our economy. There has been much discussion as of late about the dual economy this pandemic has revealed. While certainly an oversimplification, there is something clearer of late to the maxim that "the rich get richer and the poor get poorer." This bill recognizes this reality.

A sound revenue system must allow the State to invest in essential public goods such as education, transportation, and health care. In all three of these areas there has been serious underinvestment as demonstrated in public health with this pandemic; our roads, bridges, and transit; and the findings of the Kirwan Commission. This bill recognizes this reality.

We urge a favorable report on SB 611.

SB 611_MDCEP_FAV.pdf
Uploaded by: Meyer, Christopher
Position: FAV

FEBRUARY 24, 2021

Reforming Maryland's Income Tax Will Bring a Fairer Revenue System and a Thriving State

Position Statement in Support of Senate Bill 611

Given before the Senate Budget and Taxation Committee

An effective revenue system is an essential tool to enable Maryland to invest in the foundations of our economy such as education, health care, and transportation—investments that are especially vital as we battle a pandemic and recession that are harming people across Maryland. Just as importantly, a fair tax system is essential to push back against the increasing concentration of wealth and power in a few hands. All Marylanders benefit when we have sufficient resources to invest in the basics, and these investments can be particularly important to break down the barriers—built through past and present policies—that hold back many Marylanders because of their race, gender, a disability, or another aspect of their identity. The Maryland Center on Economic Policy supports Senate Bill 611 because it would generate hundreds of millions of dollars in new revenue each year and make our revenue system more equitable.

Maryland has been underinvesting in the foundations of our communities ever since the Great Recession, and the fallout from the COVID-19 pandemic has only added to Marylanders' needs:

- The state failed to substantially rebuild funding for local health departments after deep cuts during the Great Recession, forcing staffing and service cuts in every county and weaking our ability to respond to the coronavirus pandemic.[i]
- By 2017, only six of the state's 24 school districts were close to full funding under the Thornton formula, down from 23 in 2008. More than half of the state's Black students went to school in a district that was underfunded by 15 percent or more.[ii]
- As of late 2017, legislative analysts estimated that state agencies were understaffed to the tune of about 2,500 workers.[iii]

Senate Bill 611 would strengthen our ability to invest in things like education, health care, and our state workforce by asking more of the small number of households with more than $500,000 in Maryland taxable income—approximately equivalent to the wealthiest 1 percent of Maryland households.[iv] Amid an economic downturn that has hit low-wage workers hardest even as wealthy investors see skyrocketing returns, improving our lopsided tax code is both the right choice for an equitable economy and the right choice for strong revenue growth.

Senate Bill 611 would make Maryland's revenue system more equitable. Today, our tax code is upside down, allowing the wealthiest 1 percent of households to pay a smaller share of their income in state and local taxes than the rest of us do.[v] Improving our income tax would make important progress toward turning our tax code right side up. Essentially all of the new revenue raised under Senate Bill 611 would come from the wealthiest 1 percent of Maryland households.

Senate Bill 611 would improve racial equity in our tax code because it asks more of households whose income comes primarily from wealth rather than work. Maryland households with Maryland adjusted gross income of at least $500,000 derive only 40 percent of their income from wages and salaries, compared to 29 percent from partnerships, 17 percent from capital gains, and 7 percent from interest, dividends, estates, and trusts.[vi]

Meanwhile, the 99 percent of households with Maryland AGI under $500,000 derive three-quarters of their income from a job and only 5 percent from built-up wealth. Centuries of discriminatory policies have concentrated nearly two-thirds of all household assets among the wealthiest 10 percent of white households, leaving little for everyone else—including the large majority of white households as well as nearly all households of color.[vii]

Strong evidence from credible research as well as from other states' experience tells us that asking the wealthiest individuals to contribute to the services we all rely on is consistent with a vibrant economy:

- The bulk of empirical research finds little link between state tax policy and where people want to live.[viii] This is consistent with common sense: For most of us, factors like good jobs, affordable housing, great schools, pleasant weather, and being close to relatives are far more important than tax rates.
- Careful research shows that wealthy individuals relocate less often than other families, and that taxes aren't an economically important driver of where they settle down.[ix] This, too, is little surprise: Uprooting your life to reduce your tax responsibilities may not be an attractive option if you have invested time and money in a good job, a business, or a comfortable home, or if you are embedded in your community's civic life.
- An analysis by the Institute on Taxation and Economic Policy compared the economic performance of the nine states with the highest statutory income tax rates to the nine states that do not levy a personal income tax.[x] This analysis found that from 2006 to 2016, the states with high statutory income tax rates saw faster per-capita growth than the no-income tax states in GDP, personal income, disposable personal income, personal consumption, and prime-age employment.

As Marylanders consider the major investments we will need to recover from the current crisis and strengthen the foundations of our economy in future years, we should look first to reforms that can raise significant revenue while making Maryland's tax code more equitable. Senate Bill 611 would represent an important first step in that direction.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make a favorable report on Senate Bill 611.

Equity Impact Analysis: Senate Bill 611

Bill summary

Senate Bill 611 creates new individual income tax brackets applying to household income in excess of $500,000, $750,000, $1 million, and $1.5 million for single filers (somewhat higher for joint and head of household returns), with rates ranging from 6.00 percent to 7.50 percent. This income is currently taxed at a rate of 5.75 percent.

Background

The bulk of empirical research finds little link between state tax policy and where people want to live. Careful research also shows that wealthy individuals relocate less often than other families, and that taxes aren't an economically important driver of where they settle down. An analysis by the Institute on Taxation and Economic Policy found that the states with the highest statutory income tax rates performed better across a range of economic indicators than states with no personal income tax between 2006 and 2016.

The COVID-19 recession has hit low-wage workers hardest while leaving wealthy individuals comparatively unscathed. In this environment, taxes on wealthy households will have the strongest revenue performance.

Equity Implications

Senate Bill 611 would bring significant equity benefits:

- Today, the wealthiest 1 percent of Maryland households pay a smaller share of their income in state and local taxes than the rest of us do. Senate Bill 611 would make our tax code more balanced by asking more of these high-income households.
- Improving Maryland's income tax would generate revenue that could be invested in things like public health, world-class schools, and sufficient child care assistance. Investing in these basics strengthens our economy and can dismantle the economic barriers that too often hold back Marylanders of color.
- Maryland households with more than $500,000 Maryland AGI derive about half of their income from built-up assets, including 29 percent from partnership net income, 17 percent from capital gains, and 7 percent from interest, dividends, estates, and trusts. Meanwhile, the other 99 percent of households derive three-quarters of their income from a job and only 5 percent from built-up wealth. Centuries of discriminatory policies have concentrated nearly two-thirds of all household assets among the wealthiest 10 percent of white households, leaving little for everyone else—including the large majority of white households as well as nearly all households of color.

Impact

Senate Bill 611 would likely **improve racial and economic equity** in Maryland.

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[i] Christopher Meyer, "Lessons from the Great Recession: Policymakers Must Reject Deep Budget Cuts for a Strong Recovery," Maryland Center on Economic Policy, 2020, http://www.mdeconomy.org/recession-budget-cuts/

[ii] Christopher Meyer, "Budgeting for Opportunity: How our Fiscal Policy Choices Can Remove Barriers Facing Marylanders of Color and Advance Shared Prosperity," Maryland Center on Economic Policy, 2018, http://www.mdeconomy.org/budgeting-for-opportunity/

[iii] David Juppe et al., "Executive Branch Staffing Adequacy Study," Department of Legislative Services, 2018, http://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Executive-Branch-Staffing-Adequacy-Study.pdf

[iv] Maryland TY 2016 Statistics of Individual Income reports that 7,943 resident tax returns had Maryland AGI of $1 million or more. A subset of these had taxable income of at least $1 million. Throughout this testimony, "households," "families," and "individuals" refer to tax units.

[v] Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf Maryland-specific data available at https://itep.org/whopays/maryland/

[vi] Maryland TY 2016 Statistics of Individual Income.

[vii] Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy

[viii] Michael Mazerov, "State Taxes Have a Negligible Impact on Americans' Interstate Moves," Center on Budget and Policy Priorities, 2014, https://www.cbpp.org/research/state-budget-and-tax/state-taxes-have-a-negligible-impact-on-americans-interstate-moves

[ix] Cristobal Young, Charles Varner, Ithai Lurie, and Richard Prisinzano, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," *American Sociological Review 81*(3), 2016, https://web.stanford.edu/~cy10/public/Jun16ASRFeature.pdf
See also Cristobal Young, *The Myth of Millionaire Tax Flight: How Place Still Matters for the Rich*, Stanford: Stanford University Press, 2018

[x] Carl Davis and Nick Buffie, "Trickle-Down Dries Up: States without Personal Income Taxes Lag behind States with the Highest Tax Rates," Institute on Taxation and Economic Policy, 2017, https://itep.org/trickle-down-dries-up/

SB0611_Tax_Rates_and_Brackets_MLC_FAV.pdf
Uploaded by: Plante, Cecilia
Position: FAV

MARYLAND
LEGISLATIVE
COALITION

TESTIMONY FOR SB0611
INDIVIDUAL INCOME TAX – RATES AND RATE BRACKETS - ALTERATION

Bill Sponsor: Senator Pinsky
Committee: Budget and Tax
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Cecilia Plante, co-chair
Position: FAVORABLE

I am submitting this testimony in favor of SB0611 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

Our members are very much aware that Marylanders who are at the top of the income scale pay less taxes as a percent of their income than those who make substantially less. The upside-down nature of our tax system must be addressed, not only to get rid of the inequities that cause residents who are struggling to pay more in taxes than those who live comfortably, but also to make sure that Maryland has enough revenue to pay for schools, and other basic services.

This bill will increase rates for people who earn more than $500,000 from 5.75% to 6% and specifies specific brackets up to $1,500,000. The highest bracket is 7.5%. We believe that the progressive nature of the brackets is fair and will ensure that those who have more income pay their fair share of taxes.

We support this bill and recommend a **FAVORABLE** report in committee.

SB 611 Individual Tax Rates.pdf

Uploaded by: Riley, Denise

Position: FAV

A Union of Professionals
AFT-Maryland

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Marietta English
PRESIDENT

Kenya Campbell
SECRETARY-TREASURER

**Written Testimony Submitted to the
Maryland Senate Budget and Taxation Committee
SB 611 - Individual Income Tax - Rates and Rate Brackets - Alterations
February 24, 2021**

SUPPORT

Chair Guzzone and members of the committee, on behalf of the American Federation of Teachers - Maryland (AFT-MD), which represents more than 20,000 educators, government, and healthcare workers across Maryland, we urge a favorable report on SB 611.

A fair revenue system is a vital tool to allow Maryland to provide essential services for our economy including education, health care and public safety. In addition, it is needed to combat ever increasing concentration of wealth and power in the hands of a few and further divide us by income, race, gender, and disability.

The Maryland State government is already understaffed, our education system is suffering under the pandemic, and Marylanders with disabilities are unable to access supports that could help them succeed in the workforce. SB 611 would strengthen our ability to invest in jobs by restructuring our income tax to make the wealthy pay their fair share and make Maryland's revenue system more equitable.

Our tax code asks more of working families than of those who inherit their wealth. The 1 percent of Maryland households with the highest incomes derive about half their income from built-up assets and only 40 percent from salaries. Centuries of discriminatory policies have concentrated nearly two-thirds of all household assets among the wealthiest 10 percent of white households, leaving little for everyone else.

Major investments are needed to strengthen the foundations of our economy in future years from world-class schools to high-quality health care, we should look first to reforms that can raise significant revenue while making Maryland's tax code more equitable. We ask for a favorable report on SB 611.

Marietta English
President

SB 611 - Fair Funding Coalition - Fav 2.pdf
Uploaded by: Slayton, Kevin
Position: FAV

MARYLAND
FAIR FUNDING
COALITION

Testimony in <u>SUPPORT</u> of SB 611
Senator Guy Guzzone, Chairman
Budget and Tax Committee

The Maryland Fair Funding Coalition (MFFC) is a statewide coalition of more than 25 organizations that support policy proposals to equitably and sustainably raise revenue in order to make significant investments in public education and other essential services.

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

Our coalition supports SB 611, which would make significant improvements in our upside-down tax structure by reforming personal income taxes.

Currently, Maryland the state asks the least of those who have the most – the top 1 percent pay a smaller share of their income in state and local taxes than anyone else. Restructuring our personal income tax is the most effective way to make our tax system more equitable while raising significant revenue to meet community needs. If enacted, this legislation would make our tax system more equitable by asking the wealthiest Marylanders – those earning more than $500,000 – to pay their fair share in state taxes. It would also raise significant revenue to support essential public services, like world-class public schools and robust public health offices.

Despite doubling their slice of the economic pie over the last 40 years, the wealthiest households simply do not pay their fair share for the public services we all rely on. Our tax code further concentrates wealth and power in a few hands and does nothing to reduce the economic barriers that hold back many Marylanders, especially people of color. Therefore, this legislation is an opportunity to double down on our commitment to equity both by making our tax system more equitable and supporting investments like the Blueprint for Maryland's Future that will increase opportunity for Marylanders.

Our coalition urges our legislators to commit to Maryland families and the future of our economy by supporting measures like HB 435 that raise much-needed revenue and investing in our community needs.

Therefore, we urge a <u>favorable report</u> on SB 611

SB611_StrongFutureMaryland_FAV.pdf
Uploaded by: Wilkerson, Alice
Position: FAV

A sustainable, just, and prosperous economic future for all Marylanders

Testimony in Support of SB 611 –
Individual Income Tax - Rates and Rate Brackets - Alterations
(Sen. Pinsky)

FAVORABLE

February 24, 2021

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

On behalf of Strong Future Maryland, we write in support of SB 611. Strong Future Maryland works to advance bold, progressive policy changes to address systemic inequality and promote a sustainable, just and prosperous economic future for all Marylanders. Today, the wealthiest 1 percent of Maryland households pay a smaller share of their income in state and local taxes than the rest of us do. Senate Bill 611 proposes a graduated, taxable income rate for incomes over $500,000. We believe this legislation is a good start to making our tax code more balanced.

Last November, a new analysis[1] by the Institute for Policy Studies (IPS) and Americans for Tax Fairness showed that the total wealth gain of America's billionaires has surpassed the $1 trillion mark, a 34% rise since mid-March 2020, the approximate start of the COVID-19 pandemic. During the worst economic crisis since the Great Depression, the total wealth of these 650 billionaires has grown by a third. Put another way, these 650 billionaires now have twice as much wealth[2] as the bottom 50% of all U.S. households.

In addition, included in the $2.2 trillion CARES stimulus package by Republicans and against the objection of Democrats was a controversial tax cut that conferred over 80 percent of the benefits to just over 43,000 taxpayers, each earning at least $1 million per year.[3]

[1] https://docs.google.com/spreadsheets/d/1NrKJZ--Qi6ifavDYXWEdGjLKXwfRzybMUEI8HXHqKQQ/edit#gid=0

[2] https://www.commondreams.org/newswire/2020/11/25/us-billionaires-surpass-1-trillion-wealth-gains-during-pandemic-essential-0

[3] https://www.whitehouse.senate.gov/imo/media/doc/116-0849.pdf

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Meanwhile, income inequality in the U.S. is the highest of all the G7 nations,[4] according to data from the Organization for Economic Cooperation and Development. The wealth gap between America's richest and poorer families more than doubled from 1989 to 2016, according to the Pew Research Center.[5]

Implementing a more progressive wealth tax is the right solution. According to the Center for Budget and Policy Priorities[6] (CBPP):

> Targeted income tax hikes at the top don't harm a state's ability to compete economically with its neighbors, real-world experience shows. Of the eight states (including the District of Columbia) that have enacted lasting millionaires' taxes since 2000:
>
> - seven have had per capita personal income growth at least as strong as their neighbors since raising taxes;
> - six have had growth in private-sector gross domestic product about as good as or better than their neighbors (see chart); and
> - five added jobs at least as quickly as their neighbors.

Furthermore, research confirms state personal income taxes don't harm growth.[7] A comprehensive literature review by two Oklahoma State University tax experts in 2018 looked at 36 studies, including ten published since 2014. [20] Regarding state tax policies overall, they concluded:

> The overall state and local tax burden is not a major driver of economic growth differences across states. The vast majority of the academic studies that examined the relationship between state and local taxes and economic growth found little or no effect. Where [statistically] significant effects were found, they generally were modest at most.

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[4] https://www.cfr.org/backgrounder/g7-and-future-multilateralism

[5] https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/

[6] https://www.cbpp.org/blog/millionaires-taxes-a-smart-way-for-states-to-invest-in-their-future

[7] https://www.cbpp.org/research/state-budget-and-tax/raising-state-income-tax-rates-at-the-top-a-sensible-way-to-fund-key

As for state personal income tax taxes in particular, the researchers found evidence suggesting that “states recently reducing their personal income taxes more likely harmed economic growth and states increasing their personal income taxes more likely spurred their economic growth.”

On the other hand, research indicates that high-income tax increases can generate substantial revenues for investments in people and communities that provide economic and social benefits over the long term.

Voters across the country support increasing taxes on the wealthiest to provide critical services. Just this past November, Arizona voters approved proposition 208[8] 52-48%, which will increase income taxes on higher earners to raise revenue for education funding and teacher salaries. The law will add a 3.5% tax surcharge on taxable annual income over $250,000 for single filers and $500,000 for joint filers (the current marginal rate is 4.5%). The state Joint Legislative Budget Committee estimated that it would generate $827 million in the first full year of implementation.[9]

Here in Maryland, according to a poll conducted for Strong Future Maryland by Targetsmart in January and February of this year:

- 64% of respondents said they feel: “State government in Maryland should invest more in the state and its residents, ensuring they are safe, healthy, and economically secure, even if it means corporations and the wealthy have to contribute more in taxes.”
- Only 13% disagreed.
- 62% of respondents feel wealthy individuals and families pay too little in taxes.
- 82% of respondents feel that government should play a role in reducing income inequality.
- 79% outright support raising income taxes on individuals making at least $1 million per year, including majorities of Democrats, Independents, and Republicans.

Our tax system is broken and it’s time we start fixing it. Please issue a favorable report on SB 611.

John B. King Jr.	*Alice Wilkerson*
Founder and Board Chair	*Executive Director*

[8] https://apps.arizona.vote/info/assets/18/0/BallotMeasures/I-31-2020.pdf

[9] https://www.azleg.gov/jlbc/20novI-31-2020fn730.pdf

SB 611 - Individual Income Tax - Rates and Rate Br
Uploaded by: Zwerling, Samantha
Position: FAV

MARYLAND STATE EDUCATION ASSOCIATION

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Testimony SUPPORT of Senate Bill 611
Individual Income Tax - Rates and Rate Brackets – Alterations

Senate Budget & Taxation Committee
February 24, 2021

Samantha Zwerling
Government Relations

The Maryland State Education Association supports SB 611, which alters the personal income tax rate and rate brackets, that will benefit the General Fund in ways that can be used to implement the new school funding formula our students and schools need.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our 896,837 students for careers and jobs of the future. MSEA also represents 39 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

MSEA supports passage of an adequate, sustainable, predictable revenue stream that will adequately fund both the operating and construction costs of our public schools. A great public school for every child means our students have updated technology, small manageable classes, safe and modern schools, proper healthcare and nutrition, and have highly qualified and highly effective educators. The Blueprint for Maryland's Future outlines improvements to access to Pre-K and Career Technology Education, as well as expansion of the educator workforce and increased salaries to help deliver individualized instruction and recruit and retain the best workforce in the country.

Senate Bill 611 would create more fairness in the tax code by ensuring that higher income families pay their fair share into the services that make Maryland a great place to live, learn, and do business. Implementing the Kirwan Commission's recommendations and making up for the learning loss and social and emotional effects of the pandemic will take considerable resources. Senate Bill 611 is part of that funding solution.

Our kids can't wait any longer. The revenue generated in this bill is an important part of investing in Maryland's future. **MSEA urges a favorable report of Senate Bill 611.**

SB611-02.24.21- Income Tax- Individual Income Tax-

Uploaded by: Fry, Donald

Position: UNF

gbc POSITION STATEMENT

TESTIMONY PRESENTED TO THE SENATE BUDGET & TAXATION COMMITTEE

SENATE BILL 611 – INDIVIDUAL INCOME TAX – RATES AND RATE BRACKETS - ALTERATIONS
Sponsor – Senator Pinsky

February 24, 2021

DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE

Position: Oppose

The Greater Baltimore Committee (GBC) opposes Senate Bill 611, which increase the Maryland income tax rate on taxable income over $500,000. Under current law, the top income tax rate of 5.75% applies to any income earned in excess of $250,000. The bill would create four new tax brackets as follows:

- 5.75% of Maryland taxable income of $250,001 through $500,000
- 6% of Maryland taxable income of $500,001 through $750,000
- 6.5% of Maryland taxable income of $750,001 through $1,000,000
- 7% of Maryland taxable income of $1,000,001 through $1,500,000
- 7.5% of Maryland taxable income in excess of $1,500,000.

According to the Maryland Public Policy Institute, IRS tax migration data show that between 1992-2018, Maryland lost an average of about $655 million in Adjusted Gross Income annually, as high-income earners left for friendlier tax climates, including Florida, Virginia, the Carolinas, and Pennsylvania. The Maryland Economic Development and Business Climate Commission released a report in 2016 which concluded that the state's "tax structure is a detriment to [its] competitiveness in attracting and retaining businesses as well as in creating jobs and expanding the revenue base of the government itself."

Raising income tax rate on high earning Marylanders is a significant risk as many may choose to move to other jurisdictions for lower tax rates. This group would have not only the incentive to move in order to lessen their tax burden, but they are also more likely than the average Marylander to have the flexibility to make such a move. In addition to losing the current Maryland taxpayers' income tax revenues there would also be a corresponding loss of philanthropic and non-profit support.

For these reasons, the Greater Baltimore Committee urges an unfavorable report on Senate Bill 611.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

NFIB - PIT increase - SB611 (2021).pdf
Uploaded by: O'Halloran, Mike
Position: UNF

SB611

NFIB-Maryland – 60 West St., Suite 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: Senate Budget and Taxation Committee

FROM: NFIB – Maryland

DATE: February 24, 2021

RE: **OPPOSE SENATE BILL 611** – Individual Income Tax – Rates and Rate Brackets – Alteration

Founded in 1943, NFIB is the voice of small business, advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. With more than 250,000 members nationwide, and nearly 4,000 here in Maryland, we work to protect and promote the ability of our members to grow and operate their business.

On behalf of Maryland's small businesses, NFIB-Maryland strongly opposes Senate Bill 611 – legislation that will alter the rates and rate brackets of the State's income tax law.

Small business owners, organized as pass-through-entities (PTE) would be negatively impacted under SB611. PTEs generally consist of the following: sole proprietorship, general partnership, limited partnership, limited liability company, or an S-corporation. Those businesses organized as one of the preceding entities are overwhelmingly small business owners.

These small business owners pay "business taxes" through their personal income tax returns. According to the Tax Foundation, Maryland ranks 45th on their personal income tax rate. Additionally, it is 42nd on property tax rates.

Should the tax brackets be reorganized as called for in SB611, those rates would send Maryland to the bottom of the charts when it comes to business friendliness – something this legislature and administration has fought hard to improve in recent years.

NFIB strongly supported legislation last year establishing a commission to evaluate the State's current tax systems and make recommendations to ensure Maryland's tax policy is competitive with surrounding jurisdictions and encourages business growth and job creation. Our members and their workers have faced financial hardships not seen in generations because of the COVID-19 pandemic.

We encourage the General Assembly to revisit the idea of such a commission before passing legislation like SB611 which creates more of a financial web small business owners must work through to ensure they remain competitive and financially viable.

If SB611 were to pass it would send a negative message to entrepreneurs and would-be small business owners hoping to create a future for themselves, their employees and their families.

For these reasons **NFIB opposes SB611** and requests an unfavorable committee report.