

Maryland PIRG

Maryland Public Interest Research Group

HB 357 Income Tax - Pass-Through Entity - Additional Tax

Ways and Means Committee

January 28th, 2021

Position: Favorable

Maryland PIRG's mission is to deliver persistent, result-oriented public interest activism that protects consumers, encourages a fair, sustainable economy, and fosters responsive, democratic government. We are a Baltimore based, statewide, non-partisan, non-profit, citizen-funded public interest advocacy organization with thousands of members across the state.

Many large multi-state corporations slash or eliminate the taxes they pay to Maryland by organizing as S-corporations, LLCs, or other so-called pass-through entities can avoid paying corporate income tax, no matter how large or profitable they become.

This deprives Maryland of revenue needed for critical services like education and health care, or forces others in the state to pay higher taxes to make up the difference. Those engaging in this practice gain an unfair advantage over companies doing business solely in Maryland.

This legislation would partially offset that special treatment by levying a 4 percent tax—just under half the corporate tax rate—on the largest pass-through businesses.

Closing the pass-through/LLC loophole would help level the playing field for Maryland's local businesses. Smaller, Maryland-based businesses don't have the ability to engage in the schemes to avoid taxes. Reforming the system would help local businesses compete, and make sure big companies pay for the services that help them do business in Maryland.

We respectfully request a favorable report.

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