

ERIC LUEDTKE  
*Legislative District 14*  
Montgomery County

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MAJORITY LEADER

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Ways and Means Committee

Chair, Revenues Subcommittee



The Maryland House of Delegates  
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## THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

### **Sponsor Testimony**

#### **House Bill 172 - Income Tax – Determination of Taxable Income – Union Dues and Expenses to Influence Collective Bargaining**

Madame Chair, members of the Committee,

The past two years have demonstrated the importance of labor organization in creating safe work environments where employees are fairly compensated. Collective bargaining is a fundamental right that has unfortunately been under attack in the United States for decades. House Bill 172 seeks to protect this right.

It has long been a principle of taxation that business expenses, the costs necessarily incurred by a business in normal operations, should be deductible from taxable income. In essence, this principle states that a business should be taxed on its net revenue rather than its gross revenue. The same should be true for workers and an employee should be taxed only on their net rather than their gross earnings, accounting for the costs of their employment such as union membership. We currently recognize this latter principle in various ways through our tax code. As an example, we allow teachers to deduct the cost of classroom supplies they've purchased personally. And until the passage of the federal Tax Cuts and Jobs Act (TCJA) in 2017, union members were able to deduct their union dues on their income taxes.

However, since the passage of the TCJA, union members are unable to deduct these necessary expenses. But in an example of how our tax code treats unions fundamentally unfairly, companies are able to deduct the cost of hiring union-avoidance consultants from their profits. That is, expenses incurred to influence the decisions of employees about whether or not to unionize. Taken together, these policies force the taxpayers to subsidize efforts to prevent collective bargaining while increasing the ultimate cost of joining a union. In my view, we have this completely backwards.

House Bill 172 seeks to correct these injustices in our tax code. The bill would restore the ability of Maryland union members to deduct dues from their state taxable income and remove the ability of companies to deduct the cost of union-avoidance consultants. The implementation

of this legislation would move our state closer to the goal of ensuring that workers are able to fully exercise their right to engage in collective bargaining.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eric Luedtke". The signature is written in a dark ink and is positioned above the printed name.

Delegate Eric Luedtke