



MARYLAND STATE & D.C. AFL-CIO

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SB 66 – Income Tax - Credit for Small Businesses - State Minimum Wage Increase Senate Budget and Taxation Committee January 15, 2020

OPPOSE

**Donna S. Edwards
President
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Mister Chairman and members of the Committee, thank you for the opportunity to provide testimony in opposition to SB 66 – Income Tax - Credit for Small Businesses - State Minimum Wage Increase. My name is Donna Edwards, President of the Maryland State and DC, AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

SB 66 is a massive step backwards. It would provide businesses with 50 or fewer employees to receive a tax credit for every worker that earns the State minimum wage. The credit would be equal to the product of the 5.75% withholding tax and the difference between State minimum wage and \$10.10/hour, on all hours worked in a year. At full phase-in, these employers would pocket an extra \$568 per year on each of their minimum wage workers. In addition, if their total tax credits are greater than their tax burden for the year, they may claim a refund for the excess.

This bill would create a perverse incentive for businesses to keep their workers at minimum wage, because one penny more than minimum wage would mean the employer loses their tax credit. If the State is willing to pay you for each of your workers, why would you ever give them a raise, and lose your tax credit? Why would you start new workers at better salaries if it means you lose out on an additional \$568 per year? Moreover, this tax credit is designed to last for ten years, continuing to push down wages and reward businesses for paying their workers as low as they legally can.

This is a bad deal for Maryland workers and taxpayers. SB 66 asks all of us in Maryland to pay employers for their workers. Pay and benefits are the responsibility of the employer, not the tax payer. “Fight for Fifteen” was a compromise bill, that will take six years for a total phase-in. That is more than enough time for businesses of all sizes to adapt and absorb increased labor costs.

We urge an unfavorable report on SB 66.