



A Union of Professionals
AFT-Maryland

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**Written Testimony from the AFT-Maryland
SB 216 - Income tax – Carried Interest – Additional Tax
Senate Budget and Taxation Committee
January 29, 2020**

SUPPORT

Good afternoon Mr. Chair and members of the Senate Budget and Taxation Committee. On behalf of the 20,000 state, municipal, and public education workers residing in Maryland, AFT-Maryland enthusiastically calls for a favorable report for SB 216, the bill that closes the tax loophole which allowed investment fund managers to be taxed at an artificially low tax rate.

AFT-Maryland is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities. We have historically supported bills such as these in previous years precisely because of this principle. We believe that in order to have a strong democracy that protects the common good, each community must have the proper resources to provide needed services. This means local and state governments, as well as the federal government, should design fair, efficient, and transparent revenue systems that require the wealthy and corporations to live up to their responsibilities. Currently, the tax treatment of private equity and hedge funds does not meet this standard.

However, this year, with the public having very important discussions on how the state can pay for fundamental residential and educational services—including, but not limited to, funds needed to adequately meet the needs of our state’s students as judged by the Kirwan Commission, as well as resources necessary to assure proper staffing in state agencies—, passage of bills like these that work to close tax loopholes is vital. Maryland can no longer afford loopholes such as these where a limited few—largely quite privileged and wealthy—are given fiscal advantages that are unavailable to the typical resident. According to a study by the Institute on Taxation and Economic Policy, Maryland has the 38th most unfair state and local tax system in the country. This means a disproportionate share of state and local taxes are paid by middle and low income residents. To wit, the study found that in 2015 the richest one percent in the state—those tax filers making more than \$481,000 per year—paid 6.7% of their family income in state and local taxes. The bottom 99 percent paid taxes ranging from a high of 10.3% (for those making between \$44,000 and \$67,000) to a low 8.5 percent (for those making between \$11,000 and \$211,000) of their family income in state and local taxes. No income group pays less as a share of their family income in state and local taxes than the top one percent in the state.¹

It is for these reasons, AFT-Maryland calls for a favorable report of SB 216 from this committee.

¹ Institute on Taxation and Economic Policy, “Who Pays? Maryland” (2015)
<http://www.itep.org/whopays/states/maryland.php>