SB 223

Want $1 billion for Maryland schools? Modernize Maryland tax code to pay for Kirwan Commission education overhaul | COMMENTARY

By BENJAMIN ORR and WARREN DESCHENAUX
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With the Maryland General Assembly underway, legislative leaders are expressing strong support for a plan the Commission on Innovation and Excellence in Education, also known as the Kirwan Commission, to make Maryland's education system among the best in the world.

The commission's blueprint provides a thoughtful roadmap for strengthening our public schools to ensure every child in our state has the opportunity for a highcaliber education. The plan would propel Maryland to the forefront in national education reform, and legislators, both Democrat and Republican, have supported the blueprint.

As policymakers prepare to adopt these much-needed reforms, they must also identify how they will pay for them while balancing the many other needs of Marylanders.

Policymakers must identify a fair and sustainable revenue package to ensure we can give our schools the resources they need. Otherwise, we run the risk of falling back into old patterns of underinvestment over time. Sustaining our investments in health care, transportation and public safety, along with improving our schools, requires commonsense steps that polls show enjoy strong support from Marylanders.

A positive first step would be to better publicize the annual cost of implementing the blueprint and a recognition that our current revenue system is both upside down in terms of people's ability to pay, and built in large part on a 1950s understanding of how the economy works.

We have decades of experience analyzing state budget and tax policy and we are confident that, with this honest accounting of the state's finances, Maryland can raise the revenue we need to improve our schools by modernizing our tax code to reflect the realities of our 21st Century economy and cleaning up the tax breaks that have been forced in by special interests.

Let's begin by ending loopholes that allow large, profitable, multi-state corporations to use accounting gimmicks to avoid paying income taxes in Maryland. About one-third of the largest corporations in Maryland pay no state income taxes in a given year. Closing two of those loopholes may generate $135 million annually, according to state analysts. Ending or reforming a variety of ineffective business tax credits would net the state another $40 million each year. Neither of these steps would affect average Marylanders, but would ensure that the largest businesses in the state are contributing to the services they benefit from in the same way small, Maryland-based businesses do.

We should also address the state's upside-down tax system. Today, the wealthiest 1% of Marylanders — those earning more than $535,000 per year — pay a smaller share of their income in state and local taxes than the rest of us.

This means bringing rates down for those earning below the state's median income — giving hard-working families some tax relief — while ensuring the wealthiest 1% pay their share and restoring the highest tax bracket for annual income over $1 million. This, along with other tweaks, like removing a loophole that allows hedge fund managers to pay a lower tax rate on their earnings, would help make our tax code more equitable and ensure that everyone is paying their fair share.

Those changes to the individual income tax system would bring in roughly $1 billion a year to improve our schools and make Maryland stronger.

The options with the greatest potential for success, that poll strongest among Marylanders, and that would also make our tax system more equitable, are closing loopholes carved out by special interests.

When we talk to people around the state about the areas where our tax system falls short, most find it outrageous that large, profitable companies can pay no income tax but benefit from state and local services — including public schools.

Taking these steps to clean up our tax code and ensure we all pay our fair share would take Maryland a long way toward fully funding the Kirwan Commission's vision.

We can't make the same mistake we made a decade ago when the General Assembly failed to adequately support the recommendations advanced by the
Thornton Commission, a similar panel that produced a major reform package. That plan was never fully funded and we are seeing the results now as our school system's performance declines along with our national rankings.

Let’s also be leaders in making our tax system fairer to pay for the vital investments our kids and our state deserve.

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