

MARYLAND FAIR FUNDING COALITION

Testimony in SUPPORT of HB 507

Del. Anne Kaiser, Chair

House Ways & Means Committee

The Maryland Fair Funding Coalition (MFFC) is a statewide coalition of 25 organizations dedicated to supporting policy proposals that modernize our state tax code and raise revenue to fund our public school system.

We strongly believe that the state can fund the necessary investments detailed in the Blueprint for Maryland's Future by eliminating corporate loopholes and tax breaks that benefit special interests and fixing our upside-down tax code, which allows the wealthiest individuals to pay the smallest share of their income in state and local taxes.

Our coalition supports HB 507, which would limit the special treatment of the income from very large, profitable "pass-through" businesses and generate more than \$300 million in state revenue per year.

Companies such as LLCs are not required to pay corporate income taxes on their profits and instead pass the business income through to shareholders. Very large businesses are increasingly using pass-through structures to reduce their tax responsibilities.

In addition, the 2017 federal Tax Cut and Jobs Act handed a massive tax break to individuals who receive pass-through income—on top of the special treatment this income already received. The benefits of this change overwhelmingly went to a small number of very wealthy households. HB 507 would partially offset this special treatment and make Maryland's tax system more equitable.

We are all better off when our communities have the resources they need to thrive. Cleaning up Maryland's tax code to make it more effective and equitable will allow us to invest more in our schools and build a stronger future for Maryland.

Therefore, we urge a favorable vote on HB 507.