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Written Testimony Submitted to the
Maryland House Ways and Means Committee
HB 495 - Income Tax - Internal Revenue Code Amendments and the Federal CARES Act - Decoupling
February 4, 2021

SUPPORT

Chair Kaiser and members of the committee, on behalf of the American Federation of Teachers - Maryland (AFT-MD), which represents more than 20,000 educators, government, and healthcare workers across Maryland, we urge a favorable report on HB 495.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in March 2020, included several costly federal tax breaks for businesses that will also reduce Maryland's revenues because their tax codes are tied to the federal code.

Several of these tax breaks allow businesses to get refunds of taxes they owed for the 2018 and 2019 tax years, before the pandemic hit. Five states — Colorado, Georgia, Hawaii, New York, and North Carolina — have already "decoupled" their tax laws from these provisions to avoid having to give back revenue they have already collected. Maryland should do the same.

Some of these tax breaks have questionable merit at the federal level and make even less sense for states, which must balance their budgets each year. An extremely challenging task given their sharp revenue declines since the pandemic hit.

States need to increase tax revenues to minimize cuts in education, health care, childcare, infrastructure, and other critical services. Maryland's priority must be to preserve existing revenue sources by avoiding unnecessary and unwarranted tax cuts.

Major investments are needed to strengthen the foundations of our economy in future years from world-class schools to high-quality health care, we should look first to reforms that can raise significant revenue while making Maryland's tax code more equitable. We ask for a favorable report on HB 495.

Marietta English
President