



# MARYLAND STATE & D.C. AFL-CIO

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## **HB 201 – Income Tax Rates – Capital Gains Income House Ways and Means Committee January 21, 2021**

### **SUPPORT**

**Donna S. Edwards**

**President**

**Maryland State and DC AFL-CIO**

Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support of HB 201 – Income Tax Rates – Capital Gains Income. My name is Donna S. Edwards, and I am the 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.

All wealth is built on labor. Every product that you buy, or service for which you contract, requires labor to produce it. Therefore, capital is only possible with the hard work of the men and women who create it. However, capital gains income is taxed lower, at the Federal level, than income earned through the work that actually created those gains. The wealthiest Americans make their money by investing money and receive a lower tax burden than those of us who create that wealth for them.

HB 201 adds a 1% surtax on capital gains income for State taxes. This would increase based on income level, from 2% to 3% at the lowest end, up to 6.75% (from 5.75%) for income greater than \$250,000 (\$300,000 if filing jointly). Considering that capital gains income is taxed at nearly half of working income at the Federal level, a 1% surtax at the State level is a very modest tax increase for the wealthiest among us, but, last year it was estimated that this would increase state revenues between \$120 million to \$151 million, annually.

HB 201 also protects the livelihoods of working Marylanders. Unlike a similar bill (HB 222) from the 2020 legislative session, HB 201 exempts the sale of a primary residence (under \$1 million) as well as any sources of pension or retirement income, from this increase. It is targeted specifically at those who make money from money, and not at the workers who have built equity in their personal homes and their retirement accounts.

Asking those who build their wealth on investing money to pay a 1% surtax on capital gains income is more than reasonable and will greatly benefit Maryland.

**We urge a favorable report on HB 201.**