



Testimony to the Senate Budget and Taxation Committee
HB 191: Income Tax – Payments of Fines, Penalties, and Other Amounts – Addition Modification
Position: Favorable (FAV)

March 29, 2023

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Budget and Taxation Committee

Honorable Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee:

Economic Action Maryland (formerly Maryland Consumer Rights Coalition) is a nonprofit organization that works to advance economic justice and equity statewide through direct service, research, education, and advocacy.

We write in support of House Bill 191.

At its core, economic theory deals with incentives and how they alter behavior amongst persons, government and society as a whole. Nearly any economic condition and activity present factors that lead to either incentivize conduct and likely lead to more of it – or disincentivize conduct to reduce how frequently it takes place. ¹

The concept of “pigouvian taxes” runs directly from this perspective. Our taxation systems can help incentivize or subsidize conduct that benefits society. This is particularly necessary when the rewards are diffuse and not included in the final market price. ²

Similarly, conduct that harms society should be disincentivized or penalized – especially when the costs are borne by society as a whole, not just those that engage in socially harmful conduct. The added costs imposed by taxing detrimental conduct can reduce its frequency and provide funds to correct the harms suffered by society.

House Bill 191 follows this basic economic principle and seeks to correct incentives. Persons should not benefit from incurring fines and penalties. Incentivizing harmful conduct will only lead to more of it. By

¹ <https://www.econlib.org/library/Topics/College/incentives.html>

²

<https://taxfoundation.org/tax-basics/pigouvian-tax/#:~:text=What%20is%20a%20Pigouvian%20Tax,sugar%20taxes%2C%20and%20carbon%20taxes.>

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capturing deductions taken for fines and penalties. House Bill 191 will help correct these perverse incentives and help to reduce harm to society.

For these reasons we urge a favorable report.

Respectfully submitted,
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Economic Action Maryland

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