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**HB2 – Income Tax -Modification Union Dues
Ways and Means Committee
January 24th, 2023
SUPPORT**

AFSCME Council 3, Council 67 and Ace-AFSCME Local 2250 representing over 50,000 state, county, and municipal employees stand in of supports HB 2.

This bill creates a tax credit against the State income tax for an individual who pays specified agency shop fees and union dues. The value of the credit is equal to the eligible fees and dues paid multiplied by the sum of the marginal State income tax rate and county income tax rate imposed on the individual. If the amount of the credit exceeds the tax liability imposed in the year, the taxpayer can claim a refund in the amount of the excess.

Prior to tax year 2018, a taxpayer who elected to itemize deductions could deduct certain miscellaneous expenses. Unreimbursed employee expenses, including specified union dues and expenses, qualified for the deduction. Qualified union dues and expenses included union membership dues and initiation and certain assessments for benefit payments to unemployed union members.

In 2017 the federal Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017, and enacted significant changes to federal taxes, including the personal income tax. Although the Act reduced personal income taxes overall, several provisions reduce or eliminate several existing income tax benefits, including the elimination of the miscellaneous expense’s deduction in tax years 2018 through 2025. Given the Act eliminated the deduction, an individual may not deduct union dues and expenses in these tax years. Because state law dictates that we follow federal law on itemized tax credits, it effectively eliminated the State tax credit for union dues, as well in Maryland.

The Comptroller’s Office reports that it will incur a one-time general fund expenditure increase of \$55,000 in fiscal 2020 to add the tax credit to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

In today’s economy, corporations are thriving, bringing in record profits to their organizations and shareholders, while the average American is still making less. In past years, Congress have passed tax bills to aid corporations and the 1% while average working Americans. By passing this income tax credit for working families, you can balance this inequity, and provide further assistance for those whom need it the most.

For these reasons, we ask for a **FAVORABLE** report on HB 2.

