

February 23, 2023

The Honorable Vanessa E. Atterbeary
Chair, House Ways and Means Committee
Room 131, House Office Building
Annapolis, MD 21401

***RE: Letter of Opposition – House Bill 741 – Corporate Income Tax – Rate Reduction
(Economic Competitiveness Act of 2023)***

Dear Chair Atterbeary and Members of the Committee:

The Maryland Department of Transportation (MDOT) respectfully opposes House Bill 741 due to the negative impact it will have on transportation infrastructure in Maryland.

House Bill 741 provides for a phased decrease in the corporate income tax rate from the current rate of 8.25% to 6.25% in tax year 2027 and beyond. Corporate income tax revenues are shared by the State's General Fund, the Transportation Trust Fund, and the Higher Education Investment Fund.

Under House Bill 741, revenue to the Transportation Trust Fund would decrease by approximately \$303 million over the next five fiscal years and MDOT would be required to reduce a comparable amount of funding from its six-year capital program or issue debt of an equal amount. Corporate income tax revenues are one of the revenues that are pledged to the holders of MDOT's bonds and reducing funding available for the repayment of MDOT's bonds may result in a negative action by credit rating agencies.

The Transportation Trust Fund's share of corporate income tax revenues is shared with local jurisdictions through highway user revenue grants. House Bill 741 would reduce transportation funding to local jurisdictions by \$55 million. Over the last several years, the Maryland Association of Counties and the Maryland Municipal League have been advocating for an increase in highway user revenue grants to increase funding available to local jurisdictions for transportation infrastructure. Chapter 240 of 2022 increased transportation funding to local jurisdictions; however, House Bill 741 would negate part of those gains.

For these reasons, The Maryland Department of Transportation respectfully requests that the Committee grant House Bill 741 an unfavorable report.

Respectfully submitted,

Jaclyn Hartman
Chief Financial Officer
Maryland Department of Transportation
410-865-1035

Pilar Helm
Director of Government Affairs
Maryland Department of Transportation
410-865-1090