SB0766 FAIR SHARE Favorable.pdf

Uploaded by: Anita Lampel
Position: FAV

BILL#SB0766_AnitaLampel_FAV

Date of Hearing: Feb. 21, 2024
Anita Lampel
Bethesda, MD, 20817

TESTIMONY ON SB# 0766- POSITION: FAVORABLE

Fair Share for Maryland Act of 2024

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

FROM: Anita Lampel

My name is Anita Lampel. I am a resident of District 16. I am submitting this testimony in support of SB#0766, Fair Share for Maryland Act of 2024.

I am a member of Adat Shalom Reconstructionist Congregation, the Women's Democratic Club of Montgomery County, and a philanthropic organization giving funding to local nonprofits that serve impacted communities. My Jewish values teach me that working for a better community means giving my fair share towards the cost of education, health care, transportation, and a clean environment.

When I moved to Maryland from California seven years ago, I thought I was coming to a state that held progressive values and supported those through policies, such as the Blueprint for Education and reducing the carbon footprint. I have witnessed those policies withering away because of lack of funding. I saw what a stranglehold on tax reform did to public education and infrastructure in California. It was shameful, especially because the impact, AS ALWAYS, fell on poor communities that had no means of raising funds outside the state tax system. Do not let that happen here.

I will be one of those paying the de minimis increase in personal taxes so that children can have the education, clean air, improved environment, and public transportation that they need for their future. I consider it my gift to my grandchildren.

The revised tax structure will be effective, cause no real financial harm to those paying more, and improve everyone's life.

I respectfully urge this committee to return a favorable report on SB#0766.

SB0766-HB1007_FAV_AnnaLevy_02-21-2024.pdf
Uploaded by: Anna Levy
Position: FAV

February 21, 2024
Anna T. Levy
Rockville, MD 20852

TESTIMONY ON SB0766 - POSITION: FAVORABLE
Fair Share for Maryland Act of 2024

TO: Chair Guzzone and Vice Chair Rosapepe, and Members of the Senate Budget and Taxation Committee

FROM: Anna T Levy

My name is Anna T Levy and I am a resident of District 16 in North Bethesda. I am submitting this testimony in support of SB0766, the Fair Share for Maryland Act of 2024.

I have been a Maryland resident for most of my life, growing up in Prince George's County, later as a working parent in a two-income family in Montgomery County, and now as a retired federal employee and "empty nester". I have been fortunate to have had and continue to have sufficient income to need to pay taxes. These taxes support much of what makes Maryland a good place to live; our schools, libraries, social services, parks, roads and transportation infrastructure, and more. My Jewish traditions teach me that those who benefit the most from society have the most obligation to finance it. But that responsibility is not fairly shared in today's Maryland. Our unfair tax system supports an increasing wealth gap that perpetuates historic racial inequities and places the burden of growing and maintaining our communities on working families and small businesses.

We must ensure that all of Maryland's children have the tools to succeed in the future. Passing SB0766 will mean that additional revenue will be available to provide critical funding to support our education system and fully fund the Blueprint for education.

We must reduce and ultimately eliminate child poverty. We must make sure that all Marylanders are able to keep enough of their earnings to live in stable housing and put healthy food on their tables. Passing SB0766 will help working families earning $80,000 or less to keep more of their incomes. Marylanders should have the opportunity to build strong financial futures in economically strong communities.

We must make sure that everyone pays their fair share. Passing SB0766 will close loopholes that allow large, wealthy corporations to avoid paying taxes, and level the playing field for local, Maryland-based small businesses. It will include minimal tax increases for those earning $250-340,000 per year and, on average, increases of less than 1% of income for those earning over $775,000 per year.

We can and must ensure that Maryland has the revenue needed to strengthen our economy, and that our communities are places where everyone can thrive.

I respectively urge this committee to return a favorable report on SB0766, The Fair Share for Maryland Act of 2024.

MLU written testimony - HB 766 Fair Share for Mary
Uploaded by: Carlos Orbe, Jr.
Position: FAV

MARYLAND LATINOS UNIDOS

February 20, 2024

Position: SUPPORT
HB 766 Fair Share for Maryland Act of 2024
Budget and Taxation Committee:

Honorable Members of the Legislative Body,

I stand before you today on behalf of Maryland Latinos Unidos (MLU), a coalition dedicated to advocating for the Latino and immigrant communities across our state. Our mission is clear: to address disparities, champion equity, and foster justice for all Marylanders. The "Fair Share for Maryland Act of 2024" embodies our commitment to these principles and presents a significant opportunity to uplift our communities and benefit our state as a whole.

The Latino and immigrant populations in Maryland face unique challenges, including economic disparities, limited access to essential services, and systemic barriers to success. Through collaborative efforts and strategic advocacy, the "Fair Share for Maryland Act" aims to address these issues head-on and create a more equitable and inclusive future for all residents.

One key aspect of this bill is its focus on tax reform, particularly in areas such as estate tax, income tax, and corporate tax laws. By adjusting the unified credit limit for estate tax purposes and expanding eligibility for tax credits, we can ensure that more Marylanders have access to vital financial resources and support. Additionally, the inclusion of certain sales of tangible personal property in the sales factor for corporations will promote fairness and transparency in taxation, benefitting both businesses and consumers alike.

Furthermore, the "Fair Share for Maryland Act" emphasizes the importance of community engagement and capacity building. Through initiatives like collaborative grantmaking, civic engagement, and technical assistance for nonprofit organizations, we can strengthen the infrastructure of our communities and empower individuals to thrive.

In conclusion, I urge you to support the "Fair Share for Maryland Act of 2024" and demonstrate our state's commitment to justice, equity, and opportunity for all. By working together and standing united, we can build a brighter future for Maryland and ensure that every resident, regardless of background or circumstance, has the chance to succeed. Thank you.

Respectfully,
Carlos Orbe, Jr.
Communications and Public Affairs Specialist
Maryland Latinos Unidos

February 20, 2024

Carol Stern
4550 North Park Avenue, Apt T106
Chevy, Chase, MD 20815

TESTIMONY ON SB0766 - POSITION: FAVORABLE
Fair Share for Maryland Act of 2024

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

FROM: Carol Stern

My name is Carol Stern. I am a resident of District 16. I am submitting this testimony as a member of Adat Shalom Reconstructionist Congregation. I also provide this testimony as a taxpayer, who believes in paying my fare share.

The Jewish text that shapes my religious and moral conviction comes from a 20th Century rabbi and leading Torah scholar in Israel, **Eliezer Yehuda Waldenberg.** After his intensive study of taxation in Jewish law, Rabbi Waldenberg concluded that the Jewish approach toward taxation must be that almost all communal taxes are assessed by progressive means—the wealthy paying more, both in sum and in percentage, than the poor. **SB0766 will ensure the wealthiest 1% of households in Maryland pay their fair share in taxes** (those earning ~$775,000/year or more). This bill will **support local, Maryland-based businesses** by ensuring a level playing field so that their large corporate competitors are also paying their fair share in state and local taxes. They would see an average increase of less than 1% of their income. This type of tax structure is exactly what my Jewish values says we should support.

The Fair Share for Maryland Plan SB0766 will raise $1.7 billion in revenue each year to support good schools, health care, transportation, and the state workforce needed to deliver high-quality services. It will **cut taxes for more than 1 million Marylanders** with a family income of $106,000 or less. Boosting working families' incomes will reduce child poverty and strengthen our economy.

The Fair Share for Maryland Plan will advance economic and racial justice by addressing aspects of Maryland's tax system that disproportionately benefit wealthy, white households at the expense of Marylanders of color.

I respectfully urge this committee to return a favorable report on SB0766.

SB0766_Fair_Share_for_Maryland_Act_of_2024_MLC_FAV
Uploaded by: Cecilia Plante
Position: FAV

MARYLAND LEGISLATIVE COALITION

TESTIMONY FOR SB0766
Fair Share for Maryland Act of 2024

Bill Sponsor: Senators Hettleman, Rosapepe, M. Washington, and Lewis Young
Committee: Budget and Taxation
Organization Submitting: Maryland Legislative Coalition
Person Submitting: Aileen Alex, co-chair
Position: FAVORABLE

I am submitting this testimony in favor of SB0766 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists, and our Coalition supports well over 30,000 members.

As the state faces growing budget deficits in the coming years, we face a choice between cutting the public services our communities rely on, like public schools and transit service, or raising the revenue we need.

The Fair Share for Maryland Act will help fund the public services our communities need to thrive while making our tax system more equitable. MLC supports such a bill that:

- Closes corporate tax loopholes most other states have closed, leveling the playing field for small businesses
- Fixes our upside-down tax system by ensuring the wealthiest 1% of Marylanders pay their fair share in taxes
- Expands working family tax credits
- Raises $1.6 billion per year in new revenue

Because Maryland is one of the most expensive states to live in, we cannot put more tax burden on those who cannot afford to pay. We support this bill and recommend a **FAVORABLE** report in committee.

IL Written Testimony SB 766 of 2024.pdf
Uploaded by: Chris Kelter
Position: FAV

Senate Bill 766: Fair Share for Maryland Act of 2024

Testimony of Maryland Centers for Independent Living

SUPPORT

Senate Budget & Taxation Committee, February 21, 2024

The seven Centers for Independent Living (CIL) were established by federal law and work to ensure the civil rights and quality services of people with disabilities in Maryland. Centers for Independent Living are nonprofit disability resource and advocacy organizations located throughout Maryland operated by and for people with disabilities. CIL staff and Boards are at least 51% people with disabilities. We are part of a nationwide network which provides Information and Referral, Advocacy, Peer Support, Independent Living Skills training, and Transition Services.

The Independent Living Network submits this written testimony in strong **support** of SB 766.

We believe our tax system should ask everyone to pay their fair share for the public services we all rely on, and we should remove policies that benefit powerful special interests at the expense of the rest of us, especially people with disabilities.

SB 766 seeks to alter the state’s tax system by closing corporate tax loopholes, addresses the estate tax on millionaires, addresses capital gains taxes, expands working family tax credits, and cracks down on tax fraud.

If enacted, SB 766 would generate significant revenue for the state and this revenue could be provided for critical public services such as education and transportation systems. This additional revenue would benefit the low-income and marginalized communities that nonprofits serve.

If enacted, SB 766 would reduce taxes on low-income Marylanders. People with disabilities are disproportionately represented in low-income Marylanders.

This much-needed legislation will create a fairer tax system, deliver tax cuts to help children in poverty and low-income Marylanders, and raise the revenue the state needs to build a Maryland that works for everyone, so that Maryland can continue to grow and thrive.

A fairer tax system promotes equity and social justice for all Maryland residents. Equity and social justice for people with disabilities is good for all Marylanders.

The Maryland Independent Network strongly **supports** SB 766 and urges a **favorable** report.

Contact Information:
Chris Kelter, Executive Director
Accessible Resources for Independence
443-713-3914
ckelter@arinow.org

SB766_Maryland Center on Economic Policy_FAV.pdf

Uploaded by: Christopher Meyer

Position: FAV

MDCEP
MARYLAND CENTER ON ECONOMIC POLICY

FEBRUARY 21, 2024

Pass Fair Tax Reform for a Healthy, Equitable Maryland Economy

Position Statement in Support of Senate Bill 766

Given before the Senate Budget and Taxation Committee

Senate Bill 766 Will Ultimately Raise $1.6 Billion Per Year		
Provision	**Revenue ($ millions)**	**Source**
Combined Reporting (water's edge)	$224.6 in FY29	SB 766 of 2024 Fiscal & Policy Note
Combined Reporting (worldwide)	About $313	Institute on Taxation and Economic Policy (2019)
Throwback Rule	$86.7 in FY29	SB 766 of 2024 Fiscal & Policy Note
LLC Loophole	About $744	HB 357 of 2021 Fiscal & Policy Note, adjusted for rate change
Income Tax Reform	$439.2 in FY29	SB 766 of 2024 Fiscal & Policy Note
Capital Gains Surtax	Up to $160.4 in FY29	SB 622 Fiscal & Policy Note (before exemptions)
Millionaires' Estate Tax	$91.8 in FY29	SB 622 Fiscal & Policy Note
Child Tax Credit	–$345.6 in FY29	SB 622 Fiscal & Policy Note
Earned Income Tax Credit	–$112.8 in FY29	SB 622 Fiscal & Policy Note
Total	**About $1,600**	

No matter what we look like or where we come from, most Marylanders believe in caring for our families and leaving things better for the generations to come. However, the upside-down tax system we have today makes it harder for our communities to thrive. For decades, wealthy corporations have rigged the rules to avoid paying taxes, putting most of the responsibility for funding our schools, health care, roads and transit on working families and small businesses. Now, one-third of the largest corporations in the state pay zero income taxes in a typical year, and the wealthiest 1% of Marylanders pay a smaller share of their income in taxes than the rest of us. This system is as ineffective as it is unfair, falling billions short of the revenue needed in coming years to implement the Blueprint for Maryland's Future and support other bedrock public services. Lawmakers must choose: ask large corporations and wealthy individuals to pay their fair share, or abandon promises made to Maryland families. **Once fully phased in, Senate Bill is likely to raise about $1.6 billion per year. For these reasons, the Maryland Center on Economic Policy supports Senate Bill 766.**

Senate Bill 766 takes several steps to make Maryland's tax code fairer and more effective:

- **Closes corporate tax loopholes** that allow big businesses to artificially shift profits to domestic or offshore tax havens. Most states have already cracked down on domestic tax avoidance by requiring combined reporting, and the worldwide approach provides stronger protection. The bill also eliminates corporate "nowhere income" by adopting the throwback rule.

- **Closes the LLC loophole** that currently allows large businesses to avoid paying *any* corporate income tax by organizing as an LLC or other non-incorporated business form. Requiring the largest LLCs and other "pass-through" businesses to pay an 8.25% tax on profits exceeding $1 million would raise substantial revenue while continuing to exempt true small businesses.

- **Asks the wealthiest individuals to pay their fair share** by increasing income tax rates starting at $250,000 for individuals ($300,000 for married couples), creating a millionaires' bracket, and partially offsetting special treatment of capital gains in the federal tax code.

- **Fixes the estate tax on multimillionaire heirs** by exempting the first $2 million in assets, double the exemption used until 2014.

- **Expands tax credits for working families**, including a $750 child tax credit for qualifying children up to age five and broader earned income tax credit eligibility for workers not claiming dependent children on their taxes.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make a favorable report on Senate Bill 766.

SB 766_ Fair Share MD Act_BHSB_FAVORABLE.pdf
Uploaded by: Dan Rabbitt
Position: FAV

Behavioral Health System Baltimore

February 21, 2024

Senate Budget & Tax Committee
TESTIMONY IN SUPPORT

SB 766 - Fair Share for Maryland Act of 2024

Behavioral Health System Baltimore (BHSB) is a nonprofit organization that serves as the local behavioral health authority (LBHA) for Baltimore City. BHSB works to increase access to a full range of quality behavioral health (mental health and substance use) services and advocates for innovative approaches to prevention, early intervention, treatment and recovery for individuals, families, and communities. Baltimore City represents nearly 35 percent of the public behavioral health system in Maryland, serving over 100,000 people with mental illness and substance use disorders (collectively referred to as “behavioral health”) annually.

BHSB supports SB 766 - Fair Share for Maryland Act of 2024 as a well-designed initiative to bring in new revenues from progressive sources. Maryland faces a structural budget deficit and numerous demands for new funding allocations. More revenue will be needed to meet Maryland’s obligations and the Fair Share for Maryland Act is a strong proposal to fund these needs.

BHSB has seen the demand for mental health services increase significantly during the COVID-19 pandemic and its aftermath. This increased need for services is most pronounced among youth and school-aged children, but it is seen across age groups. The state needs additional mental health professionals now more than ever, exacerbating an already significant workforce shortage. This shortage has caused salaries to increase far more than inflation and led to critical positions remaining unfilled for months. Community mental health centers are struggling to meet these increased costs and need support from the state to address our communities’ mental health needs.

The state will need new resources to incentivize individuals to enter the mental health profession and to stay to work in Maryland. The state can use different strategies, from targeted incentivizes to increased rates, but virtually all will require new funding. Addressing this priority, along with the all the other demands in the education, transportation, and other sectors, will be impossible without new revenues.

The Fair Share for Maryland Act is a reasonable proposal to bring in new resources. This bill is crafted to make Maryland’s tax system fairer for middle- and working-class families and small businesses by closing corporate loopholes and raising taxes on millionaires and the top 1% of earners. The provisions of SB 766 will bring in $1.6 billion in new revenues annually to address behavioral health and other critical state priorities.

BHSB urges the Senate Budget & Tax Committee to support SB 766 to fund our state’s critical health and human service needs.

For more information, please contact BHSB Policy Director Dan Rabbitt at 443-401-6142

SB0766_DavidFriedman_FAV.pdf
Uploaded by: David Friedman
Position: FAV

February 21, 2024
David M. Friedman
Silver Spring, MD 20905

TESTIMONY ON SB0766 - POSITION: FAVORABLE
Fair Share for Maryland Act of 2024

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

FROM: David M. Friedman

My name is David Friedman. I am a resident of District 14 in Colesville/ Cloverly. I am submitting this testimony in support of SB0766, Fair Share for Maryland Act of 2024.

I am an active member of Oseh Shalom, a Jewish Reconstructionist congregation in Laurel, MD. Jewish tradition has taught me that in a just world, all people - regardless of race, income, or zip code - would have what the Torah calls *dei machsoro,* resources sufficient for their needs. I strongly support SB0766 because it will provide resources that Maryland communities need while also ensuring that wealthy corporations and individuals are contributing their fair share to the public services from which we all benefit.

The Fair Share for Maryland Act will:

- Raise $1.6 billion in revenue each year when fully phased in to support good schools, health care, transportation and the state workforce needed to deliver high-quality services
- Cut taxes for more than 1 million Marylanders with a family income of $80,000 or less through expanding the Child Tax Credit and the Earned Income Tax Credit
- Close corporate tax loopholes to ensure wealthy multinational corporations can't avoid paying Maryland state taxes, ensuring a level playing field for Maryland's small businesses
- Balance our upside-down tax system by making sure our wealthiest residents pay their fair share and yet would only see an average tax increase of less than 1% of their income

We can't grow our economy in Maryland if we are forced to cut back things like child care, community colleges, and transit service. Businesses and the Maryland workers they employ value these services and it is only fair that everyone contributes their fair share. And it is ethically wrong that the wealthiest 1% of Marylanders pay a smaller share of their income in state and local taxes than those in any other income group. SB0766 will help address this challenge.

I respectfully urge this committee to return a favorable report on SB0766.

SB 766_AFSCME3_FAV.pdf
Uploaded by: Denise Gilmore
Position: FAV

Council 3 AFSCME MARYLAND

190 W. Ostend St., #101
Baltimore, MD 21230
Phone: 410-547-1515
Email: info@afscmemd.org

Patrick Moran – President

SB 766 – Fair Share for Maryland Act of 2024

Budget and Taxation Committee
February 21, 2024

FAVORABLE

AFSCME Council 3 supports SB 766. This legislation raises $1.6 billion in revenue each year to support good schools and colleges, health care, transportation, and the state workforce to deliver high-quality services. AFSCME represents nearly 45,000 state, county, and municipal employees across who dedicate their careers to serving Marylanders, and often in their most vulnerable times. Unfortunately, the Moore administration inherited record-high staffing shortages, soaring caseloads, and extremely high overtime costs due to years of neglect under the Hogan Administration and budget cuts during the Great Recession. A study commissioned by the Department of Budget and Management also recently found that the Standard and Correctional Pay Scales were significantly below the wages in neighboring jurisdictions for comparable jobs. To recover, modernize, and rebuild our state government and provide the high-quality services Marylanders rely on and expect, a major investment is needed.

The Fair Share for Maryland Act of 2024 increases revenue in a fair and equitable way by increasing taxes on the wealthiest households in the state while cutting taxes for more than 1 million Marylanders with incomes under $80,000 for the household. With starting salaries of around $35,000 in state government, many of our members will qualify for this. This legislation closes loopholes that allows wealthy multinational corporations to avoid paying hundreds of millions annually in taxes to Maryland where they do business and make a lot of income.

We cannot grow our economy if we cut from our seniors, or our community colleges, or transit services. It's wrong to pursue cuts, when the wealthiest 1% of Marylanders, those earning more than $700,000 per year, pay a smaller share of their income in state and local taxes than those in any other income group. The Fair Share for Maryland Act will help address this.

We urge the committee to provide a favorable report on SB 766.

SB 766 - Fair Share for Maryland Act of 2024.pdf
Uploaded by: Denise Riley
Position: FAV

A Union of Professionals
AFT-Maryland

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md.aft.org

Kenya Campbell
PRESIDENT

LaBrina Hopkins
SECRETARY-TREASURER

Written Testimony Submitted to the Maryland Senate Budget & Taxation Committee
SB 766 - Fair Share for Maryland Act of 2024
February 21, 2024

SUPPORT

Chair Guzzone and members of the Committee. AFT-MD asks for a favorable report on SB 766, a comprehensive bill that represents a critical step towards ensuring fairness, equity, and sustainability in our state's tax system.

As Maryland faces revenue short-falls, AFT-MD is very concerned that once again, the burden of balancing the budget will be placed on the state workers. Our members have endured furloughs, increased costs of benefits, staffing shortages, low-pay, and loss of their retiree prescription plan. It would be wrong to ask them for additional sacrifices when the wealthiest and corporations in Maryland are not even asked to pay their fair share, while taking advantage of all this state offers them.

We commend the bill's provisions for altering the State income tax rate on taxable income for certain individuals and imposing an additional State individual income tax rate on net capital gains. These measures demonstrate a commitment to progressive taxation, ensuring that those with higher incomes contribute their fair share to support essential public services and initiatives.

Furthermore, the bill's expansion of eligibility for the Maryland earned income tax credit is a much needed effort to provide support to individuals without children. By adjusting income thresholds and phase-out amounts and indexing them to inflation, the bill ensures that the credit remains effective in lifting working families out of poverty and promotes economic security.

The bill includes corporate income tax reform that requires corporations to compute Maryland taxable income and allows for the filing of combined income tax returns for certain groups of corporations. These measures aim to enhance tax compliance, reduce complexity, and level the playing field for all businesses operating in the state.

We urge the Committee to support this bill for the betterment of our state and its residents. Thank you.

SB 766 (Griswold_FAV 2024-02-21).pdf
Uploaded by: Don Griswold
Position: FAV

Center on Budget and Policy Priorities

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February 21, 2024

Worldwide Combined Reporting Would End Corporate Tax Avoidance in Maryland

Testimony of Don Griswold, Senior Fellow, Center on Budget and Policy Priorities, Before the Maryland Senate Budget and Taxation Committee

Chair Guzzone, Vice Chair Rosapepe, and members of the Senate Budget and Taxation Committee, thank you for the opportunity to submit this testimony.

My name is Don Griswold. I'm a senior fellow at the nonpartisan Center on Budget and Policy Priorities, a nonprofit research and policy institute that pursues federal and state policies designed to reduce poverty and inequality and to restore fiscal responsibility in equitable and effective ways. We apply our expertise in budget and tax issues and in programs and policies that help low-income people by informing policy debates to achieve better policy outcomes.

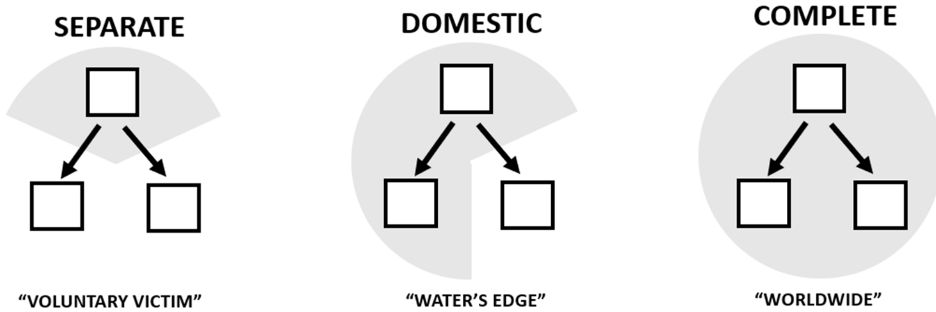
Prior to joining CBPP, state corporate tax avoidance was my career for three decades. I was executive tax counsel at Berkshire Hathaway, leader of a 600-person "state tax minimization" group, and adjunct professor at Georgetown University Law Center, where I taught my students that Maryland tax avoidance is perfectly legal, and very easy, for aggressive multinational corporations.

At CBPP, I analyze the policy implications for states that, like Maryland, still make corporate income tax virtually optional for powerful global corporations. I'm here to speak in favor of the Fair Share for Maryland bill, focusing on the part that closes a massive tax loophole. This loophole disadvantages small businesses, shifts far too much tax responsibility onto hardworking Maryland families, and rigs the system in favor of a small number of immensely powerful global corporations who are abusing their power by not paying their fair share.

I educate policymakers about the one simple policy solution that closes the loophole, puts Maryland small business on a level playing field with global power players, and brings in a substantial amount of revenue to help fund programs that transform education, build inclusive prosperity, and create the opportunity for financial dignity for all Marylanders.

The solution is Worldwide Combined Reporting.

This simple snapshot illustrates the legislature's three policy options when it comes to corporate tax reporting, which I'll explain below.



Let's discuss the problem, the solution, why you should care, and why this is the time to act.

The Problem Is Profit-Shifting

It's common knowledge that powerful multinationals have for decades avoided hundreds of billions of dollars in federal and state income tax. They pay huge fees to sophisticated advisers to develop an endless variety of complex schemes that shift their profits offshore — beyond the reach of federal and state tax authorities — into tax havens that brazenly cannibalize other jurisdictions' revenues.

In each of the three diagrams above, a tax avoider's profit-shifting scheme is represented by two arrows leading from the parent (top box) of the multinational enterprise down to two subsidiary shell companies:

- A shell company (each box on the lower left) operates as a tax haven in a state outside Maryland. The left arrow represents profit-shifting within the U.S. — perhaps a royalty paid (and deducted) by the parent to the domestic shell company in exchange for the right to use trademarks dropped into it earlier.
- Similarly, a foreign shell company (each box on the lower right) operates as an offshore tax haven. The right arrow represents offshore profit-shifting — perhaps a royalty paid (and deducted) by the parent to the foreign shell company in exchange for the right to use patents the parent had transferred to it earlier.

Maryland corporate income tax, like that of most other states, piggybacks on federal tax calculations. The result is that profit-shifting for federal tax avoidance also produces Maryland tax avoidance. Some sobering facts, based on economic studies and forensic accounting by respected experts:

- The federal government lost $60 to $94 billion of tax revenues in 2017 to offshore profit-shifting by multinationals with U.S. parents. (That number doesn't include offshoring by the U.S. subsidiaries of foreign multinational parent corporations — like household names Subaru, Nestle, and German-owned T-Mobile.)[1]

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[1] Kimberly Clausing, "Profit Shifting Before and After the Tax Cuts and Jobs Act," *National Tax Journal*, December 2020.

- Speaking of household names, U.S.-parent multinationals Apple, Cisco, eBay, Facebook, Google, and Microsoft together underpaid their U.S. corporate income taxes by $277 billion by skirting rules aimed at reducing offshore profit-shifting from 2009 through 2022. With penalties and interest, that's nearly half a trillion dollars of tax avoidance by just six taxpayers.[2] Recall that Maryland automatically piggybacks on its apportioned share.
- Subsidiaries based in some of the world's most notorious tax havens lurk in the organizational charts of many powerful multinationals that set up shop in this state, selling to Maryland customers and benefiting from local police and fire protection. Walmart, for example, has subsidiaries in the Cayman Islands and Singapore; Exxon in the Netherlands and Singapore; CVS in Bermuda, Ireland, Luxembourg, Puerto Rico, and Singapore.[3]
- Finally, a stunning 50 percent of the total foreign profit of U.S.-based multinationals was claimed by these companies to have been earned in just nine infamous foreign tax havens — Bermuda, the British Virgin Islands, the Cayman Islands, Ireland, Luxembourg, the Netherlands, Puerto Rico, Singapore, and Switzerland.[4]

Inadequate Response to the Problem

In the face of all this profit-shifting, Maryland leaves itself wide open to be victimized because, like many other states, its tax law follows the "separate filling" reporting method.

Let's back up for some quick context. Think of a multinational corporation's profits as a pie. No state can tax the entire pie. Each can only tax its fair slice. What's a fair slice? States divide up those portions of a multinational's profit-pie with "apportionment" rules that (in Maryland and many states) look at sales to customers. If 3 percent of the multinational's total global sales are to Maryland customers, then the state gets to tax a 3 percent slice of that profit-pie.

But we were talking about profits, the pie itself. That's what Figure 1 illustrates.

In the **"Separate / Voluntary Victim"** visual (on left in Figure 1), the grey-shaded wedge illustrates the severely incomplete picture of the taxpayer's total profits that Maryland allows itself to apportion and tax. Contrast this to the grey-shaded full circle on the right: that's the complete picture of the taxpayer's total profits. Domestic and offshore profit-shifting arrows show how avoiders victimize Maryland, leaving behind for taxation only a sliver of their profits.

In this illustration, the multinational left behind just a third of its complete profits in the entity that Maryland limits itself to see. So, if Maryland is entitled to a 3 percent apportioned slice — not of the entire profit-pie but just a third of that pie — then Maryland can tax just 1 percent of the

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[2] R. Avi-Yonah *et al.*, "Commensurate with Income: IRS Nonenforcement Has Cost $1 Trillion," Tax Notes Federal, May 22, 2023.

[3] Sources here are each of these multinationals' most recent annual 10-K report to the U.S. Securities and Exchange Commission, exhibit 21.

[4] Javier Garcia-Bernardo, Petr Jansky and Gabriel Zucman, "Did the Tax Cuts and Jobs Act Reduce Profit Shifting by US Multinational Companies?" unpublished working paper, July 19, 2023.

multinational's total profits. The other two-thirds of profits that Maryland allows to be profit-shifted away? That's tax avoidance.

Let's consider another policy option available to states. In contrast to Maryland, a majority of states have resisted the powerful influence of the tax avoidance industry and taken a partial step away from being voluntary victims by adopting a form of partial combined reporting.[5] With "water's edge" combined reporting, a state allows itself to apportion the profits that have been shifted to tax havens or tax shelter vehicles within the United States.

In the **"Domestic / Water's Edge"** visual (center of Figure 1), the grey-shaded Pac-Man-like area shows how many states treat the parent and the domestic tax haven shell company as a single taxpayer, combining their income and apportionment data in a single tax calculation. This has been an important step toward tax fairness.

But this visual also demonstrates that water's edge combined reporting still leaves wide open the massive loophole for piggybacking on offshore (foreign) profit-shifting. These states still start with an inaccurate and incomplete profit pie before they get to take their share for taxation.

The Complete Solution Is Worldwide Combined Reporting

As part of the Fair Share Maryland bill, this committee is now considering closing entirely this massive tax avoidance loophole by adopting Worldwide Combined Reporting (WWCR). This would be a major step forward for tax fairness in the state.

In the **"Complete / Worldwide"** visual (Figure 1, right), the grey-shaded area — a perfect circular pie — shows that the contemplated update to Maryland's corporate income tax reporting methodology would make all profit-shifting (whether it uses domestic tax havens or foreign tax havens) entirely ineffective. WWCR would eradicate corporate income tax avoidance in Maryland.

WWCR eliminates the opportunity for sophisticated avoiders to manipulate the fundamental building blocks of structural tax avoidance (legal entities and the transactions among them) because WWCR ignores these legal fictions and instead taxes based on economic reality. What is that reality? Virtually every multinational operates as a single, unitary business enterprise, where all activity — wherever that activity is conducted and in whatever manipulable legal form — aims for the singular goal of increasing shareholder value.

Put another way: WWCR makes profit-shifting as meaningless as moving your wallet from right pocket to left when the state lawfully taxes its share of all the cash in your pants.

Why You Should Care

Credible revenue estimations project that Maryland tax revenues will increase significantly once you close the massive loophole that allows a small group of the world's largest and most aggressive multinational corporations to cheat the people of Maryland out of funds that properly belong in the public fisc. One may quibble over the precise amounts, but the order of magnitude is clear. And

[5] M. Mazerov, "A Majority of States Have Now Adopted a Key Corporate Tax Reform—Combined Reporting," Center on Budget and Policy Priorities, April 2009.

these funds will enable important public investments in initiatives aimed at producing an inclusive prosperity and financial dignity for all Marylanders.

The problem of unfettered profit-shifting is not limited to reductions in public funds that could have been devoted to projects for the common good. Policy decisions to leave such pervasive tax avoidance unchecked may perpetuate public distrust of a tax system that appears rigged, which in turn may undermine fiscal citizenship and sap popular confidence in government for the common good. Maryland can do better than that.

Every Marylander should be able to expect from their elected official a tax system that is fairly distributed. Every Marylander should be able to expect that Maryland tax will not be optional for aggressive multinational tax abusers. Every Marylander should be able to expect that their elected representatives will ensure that small businesses in the state will compete on a level playing field with huge global corporations.

Why is this so important? Because an unrigged tax system is an essential element of a society where the public can make investments that build inclusive prosperity. And tax justice creates the space for Maryland families to achieve financial dignity.

This Is the Moment

Around the nation and around the world, policymakers are waking up to the evils of multinational profit-shifting and the terrible cost of continued failure to confront their abuse of corporate power. From the Organization for Economic Cooperation and Development to the United Nations to U.S. Treasury Secretary Janet Yellen, strong efforts are being developed to stop this scourge.

And across this nation, more states are waking up to the shovel-ready solution to this problem at the U.S. state level: worldwide combined reporting.

Conclusion

Worldwide combined reporting is complete profit reporting. Require this complete reporting of all profits everywhere, and then calculate Maryland's "apportioned" slice of those profits, and you'll come up with a tax base that satisfies U.S. constitutional requirements,[6] eradicates avoidance of Maryland corporate income tax, and fairly represents economic reality.

"Speak truth to power" (typically legislative power), the old saying goes. Well, you have a high-level veteran of the state tax avoidance industry sitting before you and speaking truth to you about the obscene abuse of corporate power by global tax avoiders right here in Maryland.

The next step is on you. And the time is now. It's time for the General Assembly to "speak *tax* to power" by enacting worldwide combined reporting.

Thank you for the opportunity to submit this testimony.

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[6] The United States Supreme Court has considered the legality of worldwide combined reporting, twice, and each time has ruled definitively that WWCR is both constitutional and fair.

SB 766 - Fair Share for Maryland Act of 2024.pdf

Uploaded by: Donna Edwards

Position: FAV

MARYLAND STATE & D.C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

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President Donna S. Edwards | *Secretary-Treasurer* Gerald W. Jackson

SB 766 - Fair Share for Maryland Act of 2024
Senate Budget & Taxation Committee
February 21, 2024

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to provide testimony in support of SB 766. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 300,000 union members in the state of Maryland, I offer the following comments.

SB 766 reforms our state's unfair tax system and raises $1.6 billion in additional revenue by closing corporate tax loopholes by implementing combined reporting and the throwback rule, ending the LLC loophole while still protecting small businesses, adding a new 7% state income tax bracket for millionaires, taxing capital gains with a 1% surtax, and removing the 2014 exemption on estate taxes for multi-millionaires. These changes would bring in an additional $1.981 billion in new revenue, but the bill is paired with a strong expansion of the Child Tax Credit to $750 per young child and $500 per older children. These proposals combine to raise substantial and sorely needed revenue, while making the state's tax system more equitable for working families and small businesses located in Maryland.

Our state needs additional revenue. State government is still short staffed, undercompensated, and overworked. Estimates provided to the legislature in 2023 assumed nearly 10,000 positions that needed to be filled.[1] Fully hiring to fill the state government will take money and resources. This does not even consider the fact that wages for state workers have lagged behind inflation by 14% since 2010. The Blueprint for Maryland's Future requires $3.8 billion in education spending each year for 10 years in order to meet its requirements.[2] Maryland's Transportation Trust Fund predicts a shortfall of $2.1 billion over the course of its five year consolidated transportation program. This gap is unlikely to be closed with tweaks to vehicle registration fees and changes to gas tax collection. Maryland has a structural revenue problem that needs to be met with a comprehensive and fair proposal.

SB 766 prioritizes raising revenue from those that can afford it most and expands programs for those that need them most. Research from the Institute on Taxation and Economic Policy, found that the Fair Share Plan cuts taxes for more than 1 million Marylanders while still raising revenue. For families with household incomes between $0 and $106k per year they see their state taxes decrease. For families

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[1] Bryan P. Sears, "...Vacant State Government Positions…" Maryland Matters. November 13, 2023.
[2] Maryland State Department of Education. "What Is The Blueprint for Maryland's Future."

earning more than $106k and $340k per year they see no net changes to their state tax share. For earners making more than $340k per year, their net taxes as percent of income increase by 0.1%. For those earning more than $772k, their net taxes as percent of income increase by 0.7%.

The Fair Share Plan is not only essential, but has popular support. Polling conducted in October 2023 by Hart Research Associates among registered voters found that:

- 70 percent of respondents support tax cuts for middle-income and low-income Maryland working families.
- 77 percent support creating a slightly higher tax bracket on the income of millionaires, including 54 percent who strongly favor it.
- 83 percent support expanding the state's child tax credit to reach more low- and moderate-income families with incomes less than $100K.
- 71 percent support closing the loophole that allows large businesses operating as LLCs and other types of partnerships to become exempt from federal or state corporate income taxes.
- Poll respondents strongly embrace "making sure there is enough revenue to fund public education," with 77 percent saying it is important or very important.

Maryland needs the Fair Share Plan. Waiting on important funding and revenue questions until the crisis is here is not an option. We urge a favorable report on SB 766.

Saltzberg Testimony on SB 766 - Fair Share for Mar
Uploaded by: Elise Saltzberg
Position: FAV

Testimony on SB 766 – Fair Share for Maryland Act of 2024

Submitted by – Elise Saltzberg, Saltzberg Consulting
8202 Arodene Road, Pikesville, Maryland 21208
410-486-3603 (landline) 410-236-0758 (cellphone)

Submitted to – Senate Budget and Taxation Committee
Date – February 20, 2024
Position – Favorable

Thank you for the opportunity to submit this testimony re: the Fair Share for Maryland Act.
To me, income inequality is THE issue that all other social and economic issues flow from – healthcare, education, housing – you name it. We need a system that raises revenue in a way that is more progressive than our current system. Economic justice depends on it, which to me means – in the words of Senator Elizabeth Warren – "tax the rich". We need a different tax structure so there is a better balance between who pays and how much. Income tax brackets can be made more progressive, and corporate loopholes can be closed, so that people who have more will pay more and people who have less will pay less.

The Fair Share for Maryland Act does just that. It closes corporate tax loopholes and brings Maryland into alignment with most other states regarding combined reporting. It increases the child tax credit so that Maryland families can better cover their daily living expenses and makes it more affordable to live, work, and go to school in our State.

Now is not the time to balance our state budget through austerity and cuts to much-needed services. Maryland needs to modernize our budget and tax system to make it more progressive and to support future economic growth by eliminating barriers to wider and more equitable participation in our economy.

MD4CS_MOST_MEC_FSPTA_ FAIRSHARE-SEN.pdf
Uploaded by: Ellie Mitchell
Position: FAV

SB 766/HB 1007 – Fair Share for Maryland Act
Budget & Taxation Committee
February 21, 2024

The Maryland Out of School Time Network (MOST) is a statewide organization dedicated to closing opportunity gaps by expanding both the quantity and quality of afterschool and summer learning opportunities for school-aged young people. MOST serves as the backbone organization for the Maryland Coalition for Community Schools. The Maryland Coalition for Community Schools, founded in 2016, advocates for student and family success by leading the charge to expand the Community School Model in Maryland. Free State PTA is a state-level branch of National PTA, representing parents, teachers, students, and community members. Free State PTA works to promote the welfare of children and youth, fostering collaboration between parents, educators, and stakeholders to enhance education and well-being.

The state of Maryland benefits from being one of the wealthiest states in the nation. Recently, our budget balanced with help from the influx of federal funding during the pandemic. Meanwhile, we've committed to transforming our education system through the Blueprint for Maryland's future – a promise that appears to waver with a projected shortfall in the Blueprint Fund of 29 million FY 2027 - rising to over $5.1 billion by FY 2029. And there are other priorities like transportation and school construction that are already experiencing cuts as deficits loom. Our tax system currently offers loopholes that benefit corporations and the wealthy. Taxes never sound good to anyone; however, Senate Bill 766 provides a commonsense approach to reforming our tax system so everyone pays their fair share. Many working families will see their tax burden reduced while the state will generate enough revenue to continue innovating and reforming our education system. Ultimately, our strong economy, world-class schools, and thriving families will continue to attract businesses and residents to the state.

Efforts to reform the tax code and generate revenue take time; waiting just one more year puts us at risk of making painful and dangerous choices. We applaud Senator Hettleman and the co-sponsors of Senate Bill 766 for the political fortitude to take action to address our revenue crisis now instead of punting it into the future. We urge a favorable report for SB766. Free State PTA joins MOST and MD4CS in support of this legislation.

Ellie Mitchell, Executive Director, MOST Network/MD4CS, emitchell@mostnetwork.org

MD4CS_MOST_MEC_FSPTA_ FAIRSHARE-SEN.pdf
Uploaded by: Ellie Mitchell
Position: FAV

SB 766/HB 1007 – Fair Share for Maryland Act
Budget & Taxation Committee
February 21, 2024, 1 p.m.
Position: Favorable

The Maryland Out of School Time Network (MOST) is a statewide organization dedicated to closing opportunity gaps by expanding both the quantity and quality of afterschool and summer learning opportunities for school-aged young people. MOST serves as the backbone organization for the Maryland Coalition for Community Schools. The Maryland Coalition for Community Schools, founded in 2016, advocates for student and family success by leading the charge to expand the Community School Model in Maryland. Free State PTA is a state-level branch of National PTA, representing parents, teachers, students, and community members. Free State PTA works to promote the welfare of children and youth, fostering collaboration between parents, educators, and stakeholders to enhance education and well-being.

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Ellie Mitchell, Executive Director, MOST Network/MD4CS, emitchell@mostnetwork.org

Maryland Out of School Time Network / Maryland Coalition for Community Schools

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SB0766_EmilyBlank_FAV.pdf
Uploaded by: Emily Blank
Position: FAV

Date of Hearing 2/21/2024

Emily C Blank
Brentwood, MD 20722

<u>TESTIMONY ON SB0766 - POSITION: FAVORABLE</u>
Fair Share Plan for Maryland

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

FROM: Emily Blank

OPENING: **My name is Emily Blank. I am a resident of District 47a. I am submitting this testimony in support of SB0766, Fair Share for Maryland Plan.**

I am a member of Oseh Shalom Synagogue in Laurel, MD. I retired from teaching economics at Howard University in May 2023. I also am involved with the Maryland Poor People's Campaign.

As an economist, I know that the income and wealth distribution has become much more unequal in the last 30-40 years. One of the many reasons that rich people stay rich is their ability to pay a relatively small proportion of their income in taxes (often legally). This bill increases the number of tax brackets and therefore makes income taxes more progressive. Also, as a Marylander, I know that our state has a budget shortfall which is bound to require cutting of vital services in our state. The Fair Share Plan is projected to increase tax revenue by $1.6 billion per year, which could only help relieve this shortfall. Remember that people who receive inheritance generally have not worked to earn them, so increased taxes on estates should not interfere with work incentives. Finally, this bill will increase the number of families with children who can receive help from the state. Overall, this bill will increase funding for essential services that Marylanders desperately need-especially families with children, working adults, older citizens, and people with disabilities.

Jewish tradition emphasizes the importance of paying taxes in order to support the common good. Finally, from teaching at Howard University, I learned how large the wealth gap is between Black and White people. Although people of every race use government services, low and moderate income people (of every race) need them more.

To reiterate, I support the Fair Share for Maryland Plan, not just because it will fairly tax wealthy people (who now pay less than their fair share), but because it could bring needed revenue to the State of Maryland.

I respectfully urge this committee to return a favorable report on SB0766.

SB 766 - FAV - B&T - Fair Share for Maryland Act -
Uploaded by: Heather Iliff
Position: FAV

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February 21

<u>Testimony on Senate Bill 388 / House Bill 1007</u>
Fair Share for Maryland Act of 2024
Senate Budget and Taxation Committee | House Ways and Means Committee

<u>Position: Favorable</u>

Maryland Nonprofits urges you to support the Fair Share for Maryland Act of 2024, designed to create a fair tax system, allow for the revenue the state requires to meet its commitments, and provide relief to low-income families through the child tax credit and earned income tax credit.

Maryland Nonprofits represents the interests of our state's 40,000 nonprofit organizations, with more than 1,700 members across the state.

Comptroller Brooke Lierman's recent State of the Economy report of 2023 points out that Maryland has the lowest unemployment rate and highest median household income of any state in the nation. However, child poverty still persists at 12% in Maryland, homelessness has surged including thousands of youth who are unhoused, and evictions have risen 75% from 2022 to 2023. This is not okay in one of the wealthiest states in the wealthiest nation on the planet. It is the job of public policy to address an obvious disconnect between a strong economy and the growth of extreme poverty. Nonprofits stand in this gap, providing safety net services and helping people get on their feet and into the workforce. However, government funding of nonprofit programs to address these needs has never been sufficient. In an environment of rising costs, the gaps are widening. The Fair Share for Maryland Act will enable the state to implement strong policies to address these gaps.

The Comptroller's report also noted that Maryland's economy is not growing at the level seen in other states. More than 180,000 people have dropped out of the labor force since 2019, and that is depressing state tax revenues as well as household well-being. Workforce shortages are standing in the way of businesses expanding, despite high levels of demand.

The United Way of Central Maryland's research reveals that 38% of Maryland households struggle to meet basic needs of food, shelter, health care, transportation and childcare. Expanding the child tax credit and earned income tax credit are proven ways to lift families out of poverty.

Implementing the Fair Share for Maryland Act will both bring relief to families suffering from the ill effects of poverty AND will eliminate barriers to employment to get our economy growing again.

The state's nonprofit sector is a vital partner to governments in addressing barriers to employment, ensuring children grow up with opportunity and not hunger, and bringing people into the workforce through training, mental health and substance use services, housing and rehabilitation programs. Nonprofits help bring down crime rates through providing social services to those most likely to offend, and helping young people get involved in constructive opportunities like STEM, athletics and arts to help them overcome challenges that could put them on the wrong path.

Yet, nonprofits themselves operate on chronic structural deficits as the amount of funding fails to meet the needs or the costs of basic operations. We do our best to make up the gaps with donations but it is far from sufficient to meet the rising costs of food, staffing and transportation. Funders expect nonprofits to be able to offer a meal for $5.00 - $8.00 per person and it is just not possible anymore.

State government has been on diet of thin gruel for more than a decade and was stretched further by the pandemic. Our partners in state government do not have the staffing they need to carry out their duties. Nonprofits often must wait for months to receive contracts and payments when working with the state, and find that critical functions like environmental health officers, inspectors, permit writers and others are not able to keep up with the demands required of them. Transportation is lacking in all 24 state jurisdictions and is a significant barrier to employment and self-sufficiency. Serious and sustained state investment is needed for a modern transit system as well as other state systems like our technology infrastructure, language access services, and libraries. We cannot make these investments in getting Maryland's economy growing again with self-imposed fiscal austerity.

The Fair Share for Maryland Act provides much-needed relief for working families and provides Maryland with a more stable and sustainable revenue structure to meet community needs and get our economy growing. **We urge a favorable report on Senate Bill 388 / House Bill 1007, the Fair Share for Maryland Act of 2024.**

SB0766_Jeffrey Rubin_FAV.pdf
Uploaded by: Jeffrey Rubin
Position: FAV

February 21, 2024

Jeffrey S. Rubin
Potomac, MD 20854

TESTIMONY ON SB0766 - POSITION: FAVORABLE
Fair Share for Maryland of 2024

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

FROM: Jeffrey S. Rubin

OPENING: **My name is Jeffrey S. Rubin. I am a resident of District 15. I am submitting this testimony in support of SB0766, Fair Share for Maryland of 2024.**

I have been a resident of Maryland for almost forty years and have enjoyed the quality of life here. My family has benefited from the access to good job opportunities, education, libraries, parks, and diverse cultural amenities. But it has become apparent that public investment is necessary to sustain and upgrade these resources if we are to successfully adapt to a changing world. We have a collective responsibility to make the investments required to meet these needs, particularly in the areas of education, transportation infrastructure, and the environment where climate change has become an existential threat.

It is important to find the funds to make these investments now. Because we are facing a structural deficit that is projected to worsen year after year, we do not have time to spare. While some savings may be achieved by cost-saving measures, we cannot rely on this approach to generate the funds necessary to address the challenges. We must identify sources of additional revenue to finance these critical investments. Postponing action today would only make the problem more difficult tomorrow.

SB0766 takes a balanced approach to revenue generation that includes reforms designed to benefit small businesses and people at the lower end of the income spectrum. It would close the corporate tax loophole that has given large multi-state corporations a competitive advantage over smaller local businesses. Similarly, the LLC loophole would be altered in a way to reduce the impact on smaller businesses. The increase in personal income tax would be felt primarily by the wealthiest 5% of households; the largest increase would only impact the top 1% and not exceed 1% of income. Meanwhile, many households earning $100K or less would see a decrease in their taxes. This would reduce poverty and provide an economic stimulus.

In summary, SB0766 would provide revenue that could be used to address our most pressing needs in education, transportation, and the environment, while benefiting our small businesses and residents who are less well off. **I respectfully urge this committee to return a favorable report on SB0766.**

SENATE Fair Share Act JerryKickenson FAV.pdf
Uploaded by: Jerry Kickenson
Position: FAV

February 21, 2024

Jerry Kickenson
Wheaton, MD 20902

TESTIMONY ON SB0766 - POSITION: FAVORABLE
THE FAIR SHARE FOR MARYLAND ACT OF 2024

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

FROM: Jerry Kickenson

My name is Jerry Kickenson. I am a resident of District 18 and I am submitting this testimony on behalf of Jews United for Justice (JUFJ) in support of SB0766, The Fair Share for Maryland Act. Jews United for Justice organizes over 6,000 Jewish Marylanders and allies in support of local campaigns for social, racial, and economic justice.

I have lived in Maryland for over 30 years. My wife and I moved first to Washington, DC for work, and then to Maryland when we had children. We did so because Maryland offered excellent schools, parks, recreation, and diversity. Whether Maryland had higher taxes than other nearby jurisdictions or not was never a factor, since we knew our taxes were going to services and programs that we could appreciate – programs that provided resources and support to those who needed them. However, I did not and still do not appreciate subsidizing tax avoidance by large and out-of-state corporations and the very wealthy, which the Fair Share Act would put an end to.

Classical Jewish legal commentary on tax policy includes a lively debate on whether taxes should be levied based on an equal amount per person, or based on means - the ability to pay. As early as the 14th century, the Tur (Hoshen Mishpat 103) legal commentary concluded that in most cases, taxes should be levied based only on wealth. More modern commentary, such as the 20th century Shuts Tsits Eliezer (2:22), goes further: almost all communal taxes should be assessed progressively - the wealthy pay more both in amount and percentage.

The Fair Share for Maryland Plan will ensure that Maryland's wealthiest residents and big corporate businesses pay their fair share in taxes. It would raise taxes on the largest estates, the highest-income residents, and multi-state corporations while increasing tax credits available to lower-income residents, especially families. It would do so while exempting retirement income, small businesses, and farmers from the tax increases – providing resources and support for Marylanders and small business owners who need it the most

I have been privileged to earn much in my career. If the Fair Share for Maryland Plan was already law, I would be paying higher taxes on my income, and be subject to the estate tax. This is only fair and even benefits me. I can easily afford small tax increases in exchange for funding the reasons I moved to Maryland and why I intend to remain here- education, recreation, diversity, public safety, and so much more.

The Fair Share For Maryland Plan will enable Maryland to fund the Blueprint for Maryland's Future, needed transit and road improvements, and many more state needs while making our tax system fairer. In this time of budget constraints due to reduced revenue, the only responsible action is to implement revenue reform through the Fair Share for Maryland Act. **On behalf of Jews United for Justice, I respectfully urge this committee to return a favorable report on SB0766.**

SB 766, FAV, FCG, OCE, JF LS24.pdf

Uploaded by: Jessica Fitzwater

Position: FAV

SB 766 – Fair Share for Maryland Act of 2024

DATE:	February 21, 2024
COMMITTEE:	Senate Budget and Taxation Committee
POSITION:	Favorable
FROM:	The Office of Frederick County Executive Jessica Fitzwater

As the County Executive of Frederick County, I urge the committee to give SB 766 – Fair Share for Maryland Act of 2024 a favorable report.

As we are facing a projected structural budget deficit we must consider creative ways to raise revenues without impacting our residents who can least afford it. This bill will alter State taxes to ensure working families are not required to pay more than their fair share by creating an equitable tax system.

Currently, one third of the largest corporations in the State pay zero income taxes in a typical year. Likewise, the wealthiest 1% of Marylanders pay a smaller share of their income in taxes than the general population. These inequities have led to our working-class families paying more than their fair share in taxes, further increasing financial burdens. The current unfair taxation system also leads to Maryland leaving millions of dollars on the table each year by failing to close corporate and 1% loopholes.

SB 766 is vital to creating socio-economic equality and increasing State revenues. As inflation has disproportionately impacted our working-class families, it is crucial that we take steps to level the playing field. SB 766 will cut taxes for more than one million Marylanders while also raising State revenue by $1.6 billion each year to support good schools, health care, transportation, and the State workforce. Through the new taxation system established by this bill, economic and racial justice in Maryland will be advanced by creating tax cuts to households with income less than $165,000, with families of color seeing the largest reduction in taxes.

SB 766 provides us with the opportunity to raise revenues and provide relief to those who need it most, while ensuring wealthy Marylanders and large corporations pay their fair share.

Thank you for your consideration of SB 766. I urge you to advance this bill with a favorable report.

Jessica Fitzwater

Jessica Fitzwater, County Executive
Frederick County, MD

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www.FrederickCountyMD.gov

SB 0766_JoShifrin_FAV.pdf
Uploaded by: Jo Shifrin
Position: FAV

SB 0766_JoShifrin_FAV
Hearing Date: February 21, 2024
Jo Shifrin
Bethesda, MD 20817

<u>TESTIMONY ON SB 0766 - POSITION: FAVORABLE</u>
Fair Share for Maryland Act of 2024

TO: Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee
FROM: Jo Shifrin

My name is Jo Shifrin. I am a resident of 16. I am submitting this testimony in support of SB 0766, Fair Share for Maryland Act of 2024.

I have lived in Bethesda for the past 10 years. My support for this legislation comes from my Jewish values: the infinite worth of every human life; equality; caring for the stranger; repairing the world; and so forth. On *Yom Kippur,* the holiest day of the Jewish year, we read from the prophet Isaiah which says God requires us "...to loosen all the bonds that bind men unfairly, to let the oppressed go free, to break every yoke, to share your bread with the hungry…" Jewish tradition teaches that in a just world, all people –regardless of race or income– would have *dei machsoro,* resources sufficient for their needs. But here in Maryland, giant corporations and the very wealthy have so much of the wealth that many Black and brown Marylanders can't afford housing, food, or childcare.

Our state tax system is unfair. For decades, wealthy corporations have manipulated the rules to avoid paying taxes, putting an unjust burden on the poor, working class, and middle class Marylanders, as well as small businesses, to fund the things we care about: schools, health care, libraries, and public safety. In fact, one-third of the largest corporations pay ZERO income taxes in a typical year, and the wealthiest 1% of Marylanders pay a smaller share of their income in taxes than the rest of us.

We can create a fairer tax system, deliver tax cuts to help children who live in poverty, and raise the revenue that the state needs to meet anticipated short falls. The Fair Share for Maryland Act of 2024 will raise $1.6 Billion in revenue each year, cut taxes for more than 1 million Marylanders with family incomes below $80,000/year, ensure the wealthiest 1% of households pay their fair share of taxes, support local, Maryland-based businesses, and advance economic and racial justice.

I respectfully urge this committee to return a favorable report on SB 0766.

SB0766_JoAnne Lyons Wooten_Favorable.pdf
Uploaded by: JoAnne Lyons Wooten
Position: FAV

Date of Hearing 2/21/2024

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Joanne.wooten1@me.com

TESTIMONY ON SB#0766 - POSITION: FAVORABLE
Fair Share Plan for Maryland

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

FROM: JoAnne Lyons Wooten

OPENING: **My name is JoAnne Lyons Wooten. I am a resident of District #24. I am submitting this testimony in support of SB#766, Fair Share for Maryland Plan.**

I am an active member of the Maryland Poor People's Campaign (MD PPC).

Overall, this bill will increase funding for essential services that Marylanders desperately need- especially families with children, working adults, older citizens, and people with disabilities.

As a member of the MD PPC that bases its actions on poverty data, I know that income and wealth distribution has become much more unequal in the last 30-40 years— impacting 36.1% of Marylanders between 2018-2020. One of the many reasons that rich people stay rich is their ability to pay a relatively small proportion of their income in taxes (often legally). This bill increases the number of tax brackets and therefore makes income taxes more progressive. Also, as a Marylander, I know that our state has a budget shortfall which is bound to require cutting of vital services in our state. The Fair Share Plan is projected to increase tax revenue by $1.6 billion per year, which could only help relieve this shortfall. Remember that people who receive inheritance generally have not worked to earn them, so increased taxes on estates should not interfere with work incentives.

My moral tradition emphasizes the importance of paying taxes in order to support the common good. Finally, from my experience standing beside low-wealth and working Maryland residents, I learned how large the wealth gap is between Black and White people. Although people of every race use government services, low- and moderate-income people (of every race) need them more.

To sum up, I support the Fair Share for Maryland Plan, not just because it will fairly tax wealthy people (who now pay less than their fair share), but because it could bring needed revenue to the State of Maryland to support the basic human rights and needs of all Marylanders.

I respectfully urge this committee to return a favorable report on SB#766

-JoAnne Lyons Wooten

SB 766_MD Fair Funding Coalition_FAV.pdf
Uploaded by: Kali Schumitz
Position: FAV

MARYLAND
FAIR FUNDING
COALITION

Testimony in SUPPORT of SB 766 – Fair Share for Maryland Act of 2024
Sen. Guy Guzzone, Chair
Senate Budget and Taxation Committee
February 21, 2024

The Maryland Fair Funding Coalition strongly supports SB 766, the Fair Share for Maryland Act, because it will provide resources that our communities need to thrive and ensure that wealthy corporations and individuals are contributing their fair share to the public services we all benefit from.

In the five years our coalition has been advocating for proposals to close corporate loopholes and ensure the wealthiest Marylanders pay their fair share, our state has left hundreds of millions of dollars in revenue on the table each year that could be supporting schools, transit service, climate response, health care, housing, child care and other critical needs. Instead, the legislature is currently considering proposed cuts to community colleges, weighing waiting lists for much-needed child care scholarships, and facing multi-billion-dollar deficit projections in future years that threaten the Blueprint for Maryland's Future and transportation funding needs.

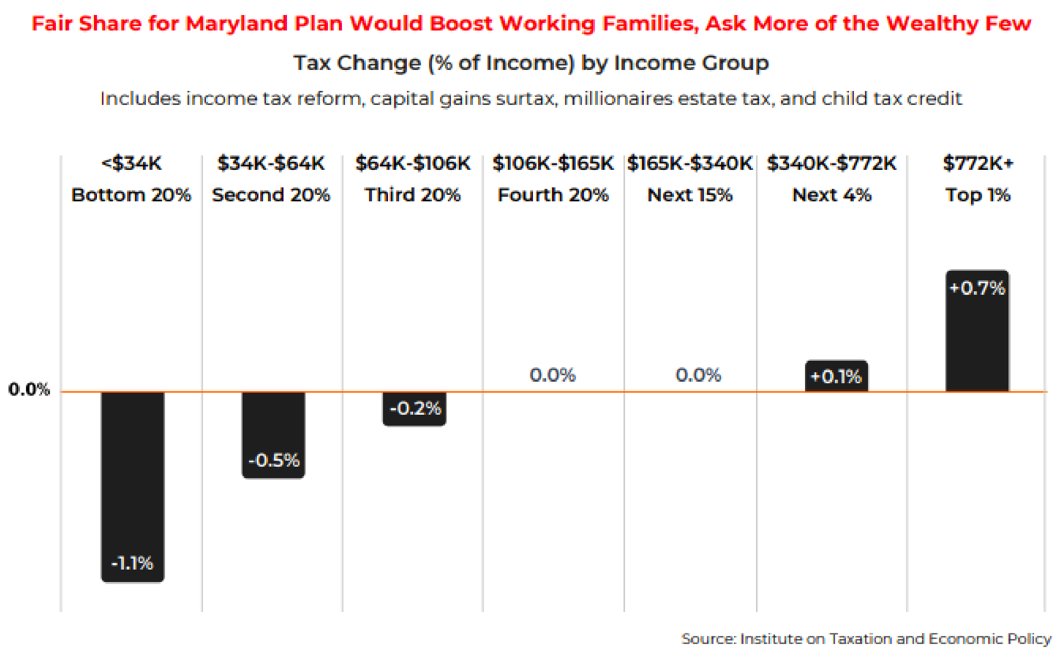
The choice is clear: Maryland must act now to raise revenue and avoid even more severe budget cuts in future years that will harm working families and undermine our state's economy.

The Fair Share for Maryland Act will:

- Raise an estimated $1.6 billion per year in new revenue when fully phased in
- Lower taxes for more than 1.3 million Marylanders by expanding the Child Tax Credit and Earned Income Tax Credit
- Close corporate tax loopholes to ensure wealthy multinational corporations can't avoid paying state taxes
- Balance our upside-down tax system and ensure millionaires pay their fair share by adding upper income tax brackets and adding a surtax on capital gains income

While the fiscal note reflects a much smaller total revenue estimate, it leaves out estimates for several major portions of the bill. The $1.6 billion estimate is based on past fiscal notes for similar proposals as well as modeling from the Institute for Taxation and Economic Policy, which has a well-developed tax model that is able to simulate the impact of changes to Maryland's tax code. Our coalition members are happy to discuss estimates in more detail with members of the committee.

These policies will not only raise much-needed revenue, they also address aspects of our current tax system that are fundamentally unfair. Today, 1/3 of the 150 largest corporations doing business in Maryland pay zero income taxes in a typical year while the small local businesses they compete with are supporting their communities through taxes. And, the wealthiest 1% of Marylanders, those earning more than $700,000 per year, pay a smaller share of their income in state and local taxes than every other income group.



Marylanders recognize that our tax system is unfair and want to change it. Public opinion polling has consistently shown strong support among Marylanders for closing corporate tax loopholes and increasing taxes on millionaires, and the most recent polling on these topics is no exception. An October Hart Research poll found that 79% of Marylanders support proposals to close corporate tax loopholes and 77% favor increasing income taxes on millionaires, among other findings.

The Maryland Fair Funding Coalition represents more than 30 organizations across a broad range of sectors, representing thousands of members throughout the state who are committed to a fair tax system that provides the resources that Marylanders need to thrive. We believe the Fair Share for Maryland Act is vital for the future of our families, our communities, and our economy.

Therefore, we urge a favorable report on SB 766.

sb766- fair share- B&T 2-21-2024.pdf
Uploaded by: Lee Hudson
Position: FAV

Delaware-Maryland Synod
Evangelical Lutheran Church in America
God's work. Our hands.

Testimony prepared for the

Budget and Taxation Committee

on

Senate Bill 766

February 21, 2024

Position: **Favorable**

Mr. Chairman and members of the Committee, thank you for the opportunity to testify in favor of sufficient livelihood all. I am Lee Hudson, assistant to the bishop for public policy in the Delaware-Maryland Synod, Evangelical Lutheran Church in America; a faith community with three synods in every part of the Maryland.

Progressive taxation was advocated by our community in "Sufficient, Sustainable Livelihood for All" (ELCA, 1999).

Maryland is a very wealthy state with a fairly regressive tax code. Those two effects are typically not accidents. **Senate Bill 766** would establish more tiered, that is, progressive tax brackets so that the benefits of the productive economy would result in less inequality.

We urge a favorable report.

Lee Hudson

5699 Meridale Rd. Baltimore, MD 21228 410-230-2860 800-869-5492 fax 410-230-2871

SB0766_LisaFirnberg_FAVORABLE.pdf
Uploaded by: Lisa Firnberg
Position: FAV

February 21, 2024

Lisa Firnberg
Rockville, MD 20854

TESTIMONY ON SB0766/HB1007 - POSITION: FAVORABLE

Fair Share for Maryland Act of 2024

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

FROM: Lisa Firnberg

My name is Lisa Firnberg. I am a resident of District 17. I am submitting this testimony in support of SB0766/HB1007, the Fair Share for Maryland Act of 2024.

I have been a Maryland resident for more than 20 years - this is where I've started my family, am raising my two kids in the public school system, and am building community with the Har Shalom Congregation in Potomac. My husband and I work for Maryland-based companies, and we are committed to the sacred responsibility we have to contribute our fair share to the public funds that make our civil society possible. We are appalled that for too long wealthy corporations and individuals have manipulated and taken advantage of the tax code for their own benefit, leaving too much of the burden for funding the things we care about and all benefit from - our schools, our healthcare system, caring for the environment, our transportation systems - to middle class families and small businesses.

According to the prolific research done by the Maryland Center on Economic Policy, Maryland is leaving millions of dollars on the table by not closing corporate loopholes, and not pursuing a relatively inconsequential tax increase on the wealthiest of Maryland's residents. My family is on the cusp of the income/wealth range that could potentially see a small tax increase under this plan - and I am ok with that! We benefit from innumerable public goods and have the good fortune that such an increase will not materially affect our well being. Those who stand to have their taxes increased under this plan are similarly positioned.

I am proud of Marylanders' ambitions to do big things such as strengthen our public school systems, reduce greenhouse gas emissions, and grow our public transportation network. But these things require immense levels of funding and investment in a future that will benefit everyone. The Fair Share for Maryland Act puts us on a path to actually achieve these goals, not just give them lip service. We cannot do the things we cannot fund.

I respectfully urge this committee to return a favorable report on SB0766/HB1007.

MD Rise - SB 766 - Fair Share Maryland Act - FAV.p
Uploaded by: Lisa Klingenmaier
Position: FAV

Testimony in Support of Senate Bill 766
Fair Share for Maryland Act of 2024

Senate Budget and Taxation Committee
February 21, 2024

Maryland Rise strongly supports SB 766, which makes Maryland's tax system fairer by closing corporate tax loopholes, fixing the estate tax on millionaires, adding new tax brackets for the top 1% of Marylanders, expanding working family tax credits, and cracking down on tax fraud.

SB 766 will raise much needed revenue – an estimated $1.6 billion a year – so that the state can invest in and expand critical resources and infrastructure that support Maryland families and communities. Maryland is facing a significant budget shortfall in the current and future fiscal years, jeopardizing the funding for important programs and departments, from education to transportation to resources for low-income families. As it is stands, there are harmful proposed cuts and cost-cutting measures in the FY 2025 budget including cuts to community colleges, proposed waitlists for the Child Care Scholarship program, and a rollback in protections for individuals who are victims of EBT card theft. Rather than cutting vital resources to balance the budget and making impossible choices about which priorities to fully fund, the state can instead raise revenue to fund all the priorities in our state's budget and grow our economy for everyone.

Marylanders support closing corporate tax loopholes and passing tax reforms to ensure the top 1% of wealthy households in the state pay their fair share in taxes. A poll conducted by Hart Research in the Fall of 2023 found that Maryland voters were in favor of the key components of the Fair Share Maryland Act. "Closing corporate tax loopholes" was rated as extremely or very important by 77% of those surveyed, and held strong across all demographics.[1] There are similar robust levels of support for many elements of the Fair Share Maryland Act with several scoring 80% or higher in favorability, including expanding tax credits for working families and establishing a slightly higher tax bracket on the income of millionaires.[2] Maryland voters support raising revenue to fund state priorities and programs, and the Fair Share Maryland Act received an overwhelmingly positive response by a 3-to-1 ratio across all voters. The survey also found 64% of Marylanders believe the tax system is unfair, and more than three out of four surveyed said it was important for the state to make sure wealthy individuals pay their fair share. Now is the time – and Maryland voters are ready – to raise the revenue the state needs to fully fund the programs Maryland families rely on.

The Fair Share Maryland Act will tackle the racial wealth gap by reforming our antiquated tax system. The bulk of the tax cuts in the Fair Share Maryland Act go to the bottom 40% of households – those with incomes below $64,300 – with the highest percentage going to Black (average tax cut of $285) and Hispanic (average tax cut of $266) households. The inequities in our tax system, which

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[1] Hart Research. October 2023. *Statewide Survey on Maryland's Budget Situation*. Conducted for the Fair Funding Coalition. https://fairsharemaryland.org/polling/
[2] Ibid.

allow 1/3rd of the largest corporations in Maryland to pay *zero* income taxes in a typical year, fall disproportionately on working families and small businesses. The Fair Share Maryland Act provides much-need reform to Maryland's tax system by closing corporate loopholes and removing the unfair tax burden that has been placed on low- and middle-income taxpayers by making wealthy Marylanders pay their fair share.

Maryland Rise appreciates your consideration and urges the committee to issue a favorable report on SB 766.

Submitted by: Lisa Klingenmaier, Executive Director

Maryland Rise works to promote economic opportunity for all Marylanders.

For more information contact: Lisa Klingenmaier (443-931-8920; lisa@marylandrise.org)

SB 766 Fair Share for Maryland Act of 2024.pdf
Uploaded by: Loraine Arikat
Position: FAV

Testimony for SB 766
Fair Share for Maryland Act of 2024
Presented to the Senate Budget and Taxation Committee
February 21, 2024
Position: **FAVORABLE**

Dear Chair Guzzone and Members of the Committee:

My name is Ricarra Jones and I am the political director of 1199 SEIU United Healthcare Workers East. We represent over 10,000 healthcare workers in Maryland and DC within hospitals, long term care facilities, and clinics. 1199SEIU strongly support the Fair Share for Maryland Act (SB 766) because it will provide resources that Maryland communities need while also ensuring that wealthy corporations and individuals are contributing their fair share to the public services we all benefit from.

The pandemic demonstrated the deep wealth disparities in our state. Our members were working overtime caring for those who were sick, exposing themselves to COVID-19, and still struggling to make ends meet for their families when they went home. The average annual salary for certified nurse assistant is about $35,070 in Maryland. It's wrong that the wealthiest 1% of Marylanders, those earning more than $700,000 per year, pay a smaller share of their income in state and local taxes than those in any other income group. The Fair Share for Maryland Act of 2024 will help address this.

With this bill, the Maryland legislature can close corporate tax loopholes to ensure wealthy multinational corporations can't avoid paying state taxes. It's time that we balance our upside-down tax system and ensure millionaires pay their fair share by adding upper income tax brackets and adding a surtax on capital gains income. When fully phased in, it would raise an estimated $1.6 billion per year in new revenue that could transform the state's ability to provide needed services for the public. This legislation expands the social safety net for children and working families by lowering taxes for more than 1.3 million Marylanders.

For those reasons and more, 1199SEIU asks the committee to make a favorable report on SB 766.

Sincerely,

Ricarra Jones
Political Director of 1199SEIU

Ricarra.jones@1199.org

SB 766 - MoCo_Elrich_FAV (GA 24).pdf
Uploaded by: Marc Elrich
Position: FAV

OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

February 21, 2024

TO: The Honorable Guy Guzzone
Chair, Budget and Taxation Committee

FROM: Marc Elrich
County Executive

RE: Senate Bill 766, *Fair Share for Maryland Act of 2024*
Support

I am writing to express my strong support for Senate Bill 766*, Fair Share for Maryland Act of 2024.* The bill makes a number of changes to Maryland's system of taxation to rebalance the tax burden by assigning greater responsibility to support public services to those who have the financial capacity, relative to those who do not.

For businesses, the legislation closes corporate loopholes through the adoption of combined reporting and the throwback rule, and for LLCs, imposes a tax on the profits of certain pass-through entities. For wealthier individuals, Senate Bill 766 establishes three new tax rates above the current top rate of 5.75%, applies a surcharge to capital gains, and reduces the unified credit used to calculate the Maryland estate tax. The bill employs another rebalancing tool by improving upon the State's existing Child Tax Credit and Earned Income Tax Credit.

A majority of states (28) and the District of Columbia already have combined reporting. These states are not just the "usual suspects" and include Texas, Kansas, Kentucky, and West Virginia. These states know that large multi-state corporations base their location decisions on a variety of factors. For example, in our County, Discovery, located in downtown Silver Spring, relocated from Maryland, a no combined reporting state, to New York, a combined reporting state. Clearly, the reasons were multifaceted and were not about taxes.

I urge you to support not just the combined reporting reform reflected in Senate Bill 766, but all of the reforms. Among the reasons, here are two. First, Maryland's current tax structure is not equitable - multi-state corporations and LLCs have many tax avoidance options that sole proprietorships and individuals that receive a W2 each year do not have. There is no good reason to continue tax structures that favor large corporations over small businesses and residents. We need corporations to pay their fair share and end the overburdening on residents. Further, we need a progressive income tax structure. Our current structure calls into question whether Maryland's system of taxation would meet the spirit of the IRS Taxpayer Bill of Rights that ". . . taxpayers are entitled to a fair and just tax system." Based on the numbers provided by the Maryland Fair Funding Coalition, enacting Senate Bill 766 would certainly move Maryland closer to that federal goal. Fortunately, that goal can be met while at the same time, the State can generate significant and necessary new revenue streams to support a quality of life that we have come to expect – but is not for free. An additional $1.6 billion per year in new revenue can help us make the types of strategic investments that will be necessary to realize the benefits of the Blueprint, build a functioning transportation system, expand access to healthcare, enjoy a wealth of cultural amenities, and grow our economy.

For the reasons outlined above, I respectfully request that you give Senate Bill 766 a favorable report.

cc: Members of the Budget and Taxation Committee

SB 766 PJC FAV.pdf
Uploaded by: Matt Hill
Position: FAV

C. Matthew Hill
Attorney
Public Justice Center
201 North Charles Street, Suite 1200
Baltimore, Maryland 21201
410-625-9409, ext. 229
hillm@publicjustice.org

SB 766 – Fair Share for Maryland Act of 2024
Hearing before the Senate Finance and Taxation Committee, Feb. 21, 2024
Position: SUPPORT (FAV)

Public Justice Center urges you to move favorable on SB 766. The Public Justice Center (PJC) is a nonprofit public interest law firm that advocates for economic and racial justice in Maryland. PJC strongly supports the Fair Share for Maryland Act (SB 766) because it will provide resources that Maryland communities need while also ensuring that wealthy corporations and individuals are contributing their fair share to the public services we all benefit from.

For PJC, the Fair Share Act would mean more funding to support tenants who desperately need affordable housing, fully implementing the General Assembly's promise of a right to counsel in evictions, and eviction prevention funds to stop more families from becoming homeless. Additionally, the Fair Share Act would assist home care workers. Home care workers paid with Medicaid dollars currently earn poverty-level wages, even as thousands of older adults and people with disabilities rely on them to remain in their homes and communities. The Fair Share Act could help Maryland ensure that these home care jobs allow workers to support themselves and their families—with the added benefits of decreasing turnover, increasing quality of care, and improving health outcomes for those who depend on their care

The Fair Share for Maryland Act will:

- Raise an estimated $1.6 billion per year in new revenue when fully phased in
- Lower taxes for more than 1.3 million Marylanders by expanding the Child Tax Credit and Earned Income Tax Credit
- Close corporate tax loopholes to ensure wealthy multinational corporations can't avoid paying state taxes
- Balance our upside-down tax system and ensure millionaires pay their fair share by adding upper income tax brackets and adding a surtax on capital gains income

We can't grow our economy if we are cutting back on things like child care, community colleges, and transit service. Businesses – and the Maryland workers they employ – value these services and it is only fair that the largest corporations pay their share, just like our Maryland small businesses already do.

And, it's wrong that the wealthiest 1% of Marylanders, those earning more than $700,000 per year, pay a smaller share of their income in state and local taxes than those in any other income group. The Fair Share for Maryland Act will help address this.

Public Justice Center **urges the Committee's report of Favorable on SB 766.**

Written Testimony SB 766 – Fair Share for Maryland
Uploaded by: Matthew Girardi
Position: FAV

Amalgamated Transit Union Local 689

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Statement of the Amalgamated Transit Union (ATU) Local 689

SB 766– Fair Share for Maryland Act of 2024
February 21st, 2024

TO: The Honorable Guy Guzzone and Members of the Budget and Taxation Committee
FROM: Matthew Girardi, Political & Communications Director, ATU Local 689

ATU Local 689 supports SB 766 and urges the Senate Budget and Taxation Committee to issue a favorable report. This bill is a necessary, fair, and progressive measure for ensuring fiscal stability in the state of Maryland.

At Local 689, we represent over 15,000 transit workers and retirees throughout the Washington DC Metro Area performing many skilled transportation crafts for the Washington Metropolitan Area Transit Authority (WMATA), MetroAccess, DASH, and DC Streetcar among others. Our union helped turn low-wage, exploitative transit jobs into transit careers. We became an engine for the middle-class of this region.

Even as our region has faced unprecedented challenges over the past few years, transit workers have faithfully stayed on the job and kept our region afloat. They showed up every day even through the worst pandemic in a century and spikes in violence both towards themselves and their riders. They are friends, neighbors, and pillars of the community around this region. However, these frontline heroes are today in danger.

Going into Fiscal Year 2025, Maryland is facing proposed cuts for vital transportation infrastructure including WMATA, commuter bus systems, MTA, and more. The budget, and the Transportation Trust Fund alike are structurally unbalanced, with the problem getting worse the longer the state waits. It would be beyond cruel to have our members repaid for all their hard work with pink slips, frozen wages, or stolen retirements. Likewise, we know that in the state of Maryland, multi-billionaires are still paying less in taxes than our members or even the most vulnerable riders we serve. The Union finds this to be an unacceptable fiscal stance.

The Fair Share for Maryland Act is a smart way to close corporate loopholes, increase taxes on the ultra-rich, and give working families a needed tax cut. Everyone is just starting to get over inflation. This would put money back in the pockets of the working families hit hardest by inflation. Likewise, it would directly raise over $1.6 billion for vital programs be them schools, housing, transportation, and more. In short, it ensures that the state's budget is not balanced on the backs of working class people.

The Union thanks Senators Hettleman, Rosapepe, Washington, and Lewis Young for introducing this worthy measure and urges the committee to issue a favorable report.

Testimony of Montgomery County Young Democrats in

Uploaded by: Michael DeLong

Position: FAV

Testimony of Montgomery County Young Democrats Before Budget and Taxation Committee in Support of SB 766–Fair Wage for Maryland Act of 2024

February 21, 2024

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

The Montgomery County Young Democrats (MCYD) urge your support for HB1007/SB766, the Fair Share for Maryland Act of 2024. This bill would increase taxes for the wealthiest Marylanders, those making over $250,000 a year. It would also eliminate tax breaks for large LLCs (limited liability companies). These changes would bring in more than $1 billion a year for the state. This money would deliver much needed relief for Maryland working families by supporting good schools, roads, public transportation, health care, and other priorities our communities need to thrive.

We are gravely concerned about the impact of the proposed $3.3 billion cuts in funding for transportation projects over a six-year period beginning in fiscal year 2025. Furthermore, we learned that Maryland Community Colleges face a $22.6 million budget cut. As young Democrats, we are greatly concerned about the impacts of these proposed cuts, and worry that without further action, more critical services for young people will be cut in the near future.

At a time when so many Marylanders are struggling to afford basic needs, it is unacceptable for a small group of individuals to accumulate extreme amounts of wealth without paying their fair share. Research from the Maryland Center for Economic Policy shows that the wealthiest 1 percent of households pay a smaller share of their income in state and local taxes than the rest of Marylanders pay. Furthermore, at the national level, the Treasury Department reports that the wealthiest 1 percent of Americans fail to pay as much as $163 billion in owed taxes per year. Maryland must help reverse this trend by leading the way in tackling extreme wealth inequality and poverty.

During the pandemic, we saw how federal funding can help lift our most vulnerable residents. The American Rescue Plan pumped millions of dollars into our local economy, supporting key programs in Montgomery County like the Working Families Income Supplement, the Guaranteed Income Pilot Program, and funding for Elementary and Secondary School Emergency Relief (ESSER). Unfortunately, Montgomery County and Maryland are no longer receiving those funds which has resulted in further inequities in our communities.

As detailed by the Montgomery County Community Action Agency's 2023 Self-Sufficiency Standard, which is a measure of income adequacy based on the costs of basic needs for working families, an individual must work 120.4 hours per week in order to earn a self-sufficiency wage. Many Maryland residents are desperately in need of financial relief in the form of better and more robust social services. If the General Assembly were to pass the Fair Share for Maryland Act, we could restore billions of dollars in revenue to support our state's most vulnerable residents. Funding would go towards Child Tax Credits, the Blueprint for Maryland's Future, Governor Moore's ambitious housing agenda, and much more.

In conclusion, we strongly support the Fair Share for Maryland Act led by Del. Julie Palakovich Carr in the House and Sen. Shelly Hettleman in the Senate. We urge you to vote in favor of SB 766 that will deliver much needed funding to support Maryland residents.

Please contact us at mocoyoungdems@gmail.com with any questions. Thank you for your consideration.

Sincerely,

The Montgomery County Young Democrats

SB766_Mazerov_FAV.pdf
Uploaded by: Michael Mazerov
Position: FAV

Center on Budget and Policy Priorities

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February 21, 2024

Pass-Through Profits Over $1 Million Should Be Taxed at Corporate Rate

Testimony of Michael Mazerov, Senior Fellow, Center on Budget and Policy Priorities, Before the Maryland Senate Budget and Taxation Committee

Chair Guzzone, Vice Chair Rosapepe, and members of the Ways and Means Committee, I'm Michael Mazerov, a Senior Fellow with the State Fiscal Policy division of the Center on Budget and Policy Priorities in Washington, D.C. The Center is a nonpartisan research and policy institute that pursues federal and state policies designed to reduce poverty and inequality and to restore fiscal responsibility in equitable and effective ways. We apply our expertise in budget and tax issues and in programs and policies that help low-income people to help inform debates and achieve better policy outcomes. I appreciate the opportunity to submit testimony in support of the provision of S.B. 766, which proposes to equalize the Maryland tax treatment of corporations and high-profit pass-through entities. That provision is found on pp. 8 of the PDF version of the bill and would add a new Section 10-102.2 to the Maryland tax code.

The provision would tax the profits of pass-through entities above $1 million that are distributed to their owners at the same 8.25 percent rate at which taxable ("C") corporation profits are taxed. The new tax would not apply to sole proprietors. Pass-throughs are businesses that are not subject to the corporate income tax. They are exempt either because they are not corporations — for example, they are partnerships or limited liability companies (LLCs) — or because they are corporations that qualify to be exempt from the corporate income tax under the conditions set forth in Subchapter S of the Internal Revenue Code. They are called pass-throughs because their profits are passed through to the tax returns of their owners and taxed there. The owners of S corporations are almost always individuals, while the owners of partnerships and LLCs can be individuals or other businesses — including taxable corporations and other pass-throughs.

In recent years, many states, including Maryland, changed their tax treatment of pass-throughs to exploit a loophole in federal tax law. The change preserved the original intent of the pass-through treatment — to ensure that the profits of these businesses were subject to only one layer of tax rather than potentially being taxed at both the business level and the individual level when paid out as cash dividends or partnership distributions. The change preserved one level of taxation but moved it back up to the business level. By making this change, states were effectively able to allow pass-through owners to deduct an unlimited amount of state tax in calculating the federal tax due on the profits rather than be subject to the $10,000 limit on this deduction that would otherwise apply to individuals under the cap on state and local tax deductions enacted as part of the 2017 federal tax bill.

Pass-through treatment, that is, exemption from the corporate income tax, was initially intended to benefit small businesses. And initially it *did* benefit those businesses. But now many pass-through businesses are not small. For example, many multi-billion-dollar hedge funds and energy companies are organized as master limited partnerships or other types of pass-throughs.[1]

Moreover, many pass-throughs have much higher profits than many small corporations that *are* subject to the corporate income tax; the IRS reported that in 2020 there were roughly 390,000 taxable corporations with average profits below $1 million, representing 90 percent of all taxable corporations with profits.[2] If this many corporations with profits below $1 million are subject to the standard corporate income tax, surely it is fair to expect pass-throughs with profits above $1 million to pay tax as corporations. Since many pass-throughs get all or most of the non-tax benefits of taxable corporations — most importantly, their owners' liability for the debts of the business are limited to their equity investments — there is no longer any justification for not treating them for tax purposes as corporations.

Accordingly, S.B. 766 proposes to impose the 8.25 percent corporate tax rate on the profits over $1 million that pass-throughs distribute to their owners. Profits plowed back into the business would not be subject to the tax. Even if they were distributed and subject to tax, they would still receive more favorable tax treatment than profits distributed as dividends to regular corporate shareholders, since the first dollar of corporate dividends paid are subject to personal income tax while the first $1 million would not be taxable under the proposal. Moreover, as previously noted, pass-through owners benefit enormously from being able to fully deduct the state taxes due on their profit income — a tax break not available to people who work for wages. And, finally, many pass-through owners benefit from the effective exclusion of 20 percent of their profits from federal income tax, another costly and unwarranted giveaway included in the 2017 federal tax bill.[3]

Maryland would not be alone in making this fully justified and overdue change. California, Massachusetts, and Illinois also levy taxes on the profits of some types of pass-throughs. Kentucky imposes a gross receipts tax. New Hampshire, Tennessee, and Texas tax pass-throughs essentially the same way they tax regular corporations.

Large pass-throughs differ little from taxable corporations and should therefore be taxed as such. I therefore urge the committee to retain this provision and favorably report S.B. 766, as the Center also strongly supports its enactment of a corporate tax throwback rule and worldwide combined

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[1] See John D. McKinnon, "More Firms Enjoy Tax-Free Status," *Wall Street Journal*, January 10, 2012.

[2] See: https://www.irs.gov/pub/irs-soi/20co04ccr.xlsx.

[3] This tax break is nominally written as a deduction but is essentially an exclusion. See Chuck Marr and Samantha Jacoby, "The Pass-Through Deduction Is Tilted Heavily to the Wealthy, Is Costly, and Should Expire as Scheduled," Center on Budget and Policy Priorities, June 8, 2023, https://www.cbpp.org/research/federal-tax/the-pass-through-deduction-is-tilted-heavily-to-the-wealthy-is-costly-and.

reporting. I thank the Committee for the opportunity to submit written testimony. I may be reached at mazerov@cbpp.org if Committee members have any questions.

2-21 SB 766 Fair Share for Maryland Act of 2024.p
Uploaded by: Nancy Soreng
Position: FAV

LEAGUE OF WOMEN VOTERS® OF MARYLAND

TESTIMONY TO THE SENATE BUDGET AND TAXATION COMMITTEE

SB 766 – Fair Share for Maryland Act of 2024

POSITION: Favorable

By: Linda Kohn, President

Date: February 21, 2024

Promoting a sound economy and maintaining an equitable and flexible system of taxation are among the League's basic principles. LWVMD's positions include support for: 1) a progressive tax system, and 2) an equitable and efficient fiscal structure. Through study and consensus, LWVMD adopted a position supporting a fiscal system that produces adequate and timely revenues to finance planned expenditures.

The combination of closing tax loopholes, increasing taxes on the wealthy, and enforcing our current tax laws will raise enough revenue to end the cycle of operating under structural fiscal deficits. We are continually forced to cut back on existing programs and never fully implement the educational and criminal justice reforms that research shows would yield better results than our current practices.

We can't grow our economy if we are cutting back on things like child care, community colleges, and transit service. Businesses – and the Maryland workers they employ – value these services. It is only fair that the largest corporations pay their share, just like our Maryland small businesses already do. Polling conducted by Hart Research in October of 2023 found that 64% of Marylanders surveyed believe that our tax system is unfair and three out of four said it is important that wealthy individuals pay their fair share. 79% support closing loopholes that allow many of the largest corporations operating here to shift their profits to tax havens, giving them an unfair advantage over Maryland's small businesses, which are the backbone of our economy. Maryland needs to catch up with the majority of states, which have already closed these loopholes.

One of the great contributors to the wealth gap in our state and in the nation, is the ability pass millions of dollars from one generation to the next with little tax consequence. The Fair Share Plan offers proposes returning the estate tax exemption to $2,000,000. Heirs can still inherit much larger sums than that, but they will need to pay some tax on it.

The Fair Share Plan increases taxes on the very wealthy who pay a smaller share of their income than middle- and lower-income workers. It also expands the child tax credit which is an important tool to achieve of the Governor's of ending child poverty. We often hear that Maryland is a high tax state - yet if you add up all of the taxes and fees charged in Maryland and compare that to the total taxes and fees paid by individuals in other states, Maryland falls right in the middle as the 25th highest out of 50 states and the District of Columbia.[1]

Our leaders in the House and Senate as well as our Governor have bold visions for improving the future of all residents in Maryland. However, if we don't get realistic about how to pay for that future those visions will never be realized.

We urge a favorable report on HB 1007.

[1] Source: Tax Policy Center FY2021 State and Local Finance Data

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SB 766– Fair Share Act.pdf
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Position: FAV

NAACP
Maryland
STATE CONFERENCE

February 21, 2024
Budget and Taxation Committee
Annapolis, Maryland 21401

SB 766 – Fair Share for Maryland Act of 2024

Members of the Committee:

I am writing on behalf of the Maryland State Conference of the NAACP. We support Senate Bill 766, Fair Share for Maryland Act of 2024, which is currently before the Budget and Taxation Committee. We ask that all members of the committee support this very important legislation that alters a certain limit on the unified credit used for determining the estate tax for decedents dying on or after a certain date; altering a certain limitation on the amount of the estate tax for decedents dying on or after a certain date; requiring that certain sales of tangible personal property be included in the numerator of the sales factor used for apportioning a corporation's income to the State under certain circumstances; altering the State income tax rate on Maryland taxable income of certain individuals; etc.

This legislation introduced by Senators Hettleman, Rosapepe, M. Washington and Lewis Young is a great step to close corporate tax loopholes, close the LLC loophole, fix the estate tax on millionaires, tax capital gains like income form work, expand the child tax credit and crack down on tax fraud.

Currently, one-third of the largest corporations in the state pay zero income taxes on a typical year. In contrast, low-income, disenfranchised communities, small businesses and middle class are required to pay income tax regardless of how little they are paid. This practice is unfair and inequitable. The wealth gap has had a huge impact on families of color as the gap was created within a system that perpetuated racist practices that hindered black communities from thriving within the system.

Research shows that with this bill, state revenue will increase by 1.7 billion each year. This money can be used to support the community in a way that is desperately needed, like schools, health care, transportation, and workforce. This bill will also advance economic and racial justice as the current system disproportionately benefits wealthy, white households at the expense of Maryland citizens of color.

Supporting this bill would mean that all Maryland families will see an average tax cut of $149 and up to $285 for black families.

For these reasons, we support SB 766 and strongly urge your support.

In Service,

NaShona Kess, Esq., MLS
Executive Director
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Testimony in support of SB0766.pdf
Uploaded by: Richard KAP Kaplowitz
Position: FAV

SB0766_RichardKaplowitz_FAV

2/21//2024

Richard Keith Kaplowitz
Frederick, MD 21703

TESTIMONY ON SB#/0766 – FAVORABLE

Fair Share for Maryland Act of 2024

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

FROM: Richard Keith Kaplowitz

My name is Richard K. Kaplowitz. I am a resident of District 3. I am submitting this testimony in support of SB#0766, Fair Share for Maryland Act of 2024

My Jewish faith tell me (Proverbs 3:27) “Don’t withhold good from those to whom it is due, when it is in the power of your hand to do it”. Legislators, the power is yours to create income equality in Maryland that will benefit everyone, even those who will now be paying their fair share.

Maryland does not have enough money to pay for vital services and programs. Many wealthy individuals and corporations pay little to no state income taxes. The burden of supporting Maryland then falls on middle- or lower-income individuals and families. This inequality is benefiting the wealthy and corporations at the expense of everyone else in the state.

A study of the benefits of the bill indicates what it should contain and the revenues that will accrue to Maryland when implemented. This bill will require large multi-state corporations to pay their share of state tax through "combined reporting" and revising the "throwback rule" (est. $135.4 million). It will close the pass-through LLC loophole (est. $124 million). It will stop ineffective tax expenditures (est. $617 million). The Fair Share for Maryland Act will restructure personal income tax brackets and rates (est. $689 million).

The budget shortfalls affect every Marylander and the state and local governments abilities to meet the critical needs of our residents in every area – schools, transportation, climate protection, etc. This lack of tax revenue applied to the services these corporations use such as roads, fire and police protection, an educated workforce, etc. forces the state to tax citizens at the lower end of the income scale.

I respectfully urge this committee to return a favorable report and pass SB0766.

MEC Testimony-SB0766-Fair Share for Maryland Act o
Uploaded by: Rick Tyler, Jr.-Chair
Position: FAV

Maryland Education Coalition

Ellie Mitchell & Rick Tyler, Jr. – Co-Chairs

Web site - www.marylandeducationcoalition.org *** **Email** – md.education.coaliton@gmail.com

February 21, 2024

SB0766: Fair Share for Maryland Act of 2024
Senate Budget and Taxation Committee
POSITION - FAVORABLE

The Maryland Education Coalition (MEC) was originally founded over 40 years ago (1980) and is the oldest, most experienced, and diverse public education advocacy coalition in Maryland. MEC advocates for adequate funding, equitable policies, and transparent accountability statewide for all public school students in Maryland.

MEC strongly supports SB0766: Fair Share for Maryland Act of 2024, because it will provide resources that Maryland communities need while also ensuring that wealthy corporations and individuals are contributing their fair share to the public services, we all benefit from. If passed, it is projected to raise an additional $1.6 billion for education, health care and other important public services.

We have consistently encouraged the Governor, General Assembly, and local leaders to constantly seek new and additional ways to raise state and local revenues to support public services and believes that passing this bill is one of several ways to effectively address Maryland's current fiscal restraints currently enjoyed by other states including those surrounding Maryland.

Among the critical needs for Maryland to significantly raise additional revenue is to ensure the Blueprint for Maryland's Future is fully funded in future years. Revenue for the Blueprint for Maryland's Future Closing Fund Balance is projected to have a $429 million deficit by FY 2027 - rising to over $5.1 billion by FY 2029 and the Maryland must reserve all available revenue the promises to Fully Fund the Blueprint as defined in law and backed by the Maryland Constitution , Article VIII – Education, SECTION 1, which says – ***"The General Assembly, …, shall by Law establish throughout the State a thorough and efficient System of Free Public Schools; and shall provide by taxation, or otherwise, for their maintenance".*** This was promised to nearly 900,000 students and their staff.

We hope the Governor and General Assembly remembers that during the 2008-09 recession, tens of millions were cut from State Aid to Education and some of our school systems had to make tens of millions in cuts to academic and student service staff including school counselors, social workers, psychologist, etc. Academic performance progress and the closing of gaps disproportionately impacts large student groups of students with disabilities, Limited English, students of color or from lower income families and progress made since has been delayed an impacted more students due to the pandemic.

The additional revenue that could be raised with the passing of this legislation could also help fund other under-funded public services statewide such as public, early child-care/education, health services, Family/Social/Juvenile Services, major repair, or replacement of aging public facilities systems, etc.

For these reasons, the Maryland Education Coalition supports SB0766: Fair Share for Maryland Act of 2024 and urges a favorable report. Our children and many lower and middle income families cannot afford to wait.

SB 766 - Fair Share for Maryland Act of 2024.pdf
Uploaded by: Robin McKinney
Position: FAV

CASH CAMPAIGN OF MARYLAND

SB 766 – Fair Share for Maryland Act of 2024
Budget and Taxation Committee
February 21, 2024
<u>SUPPORT</u>

Chair Guzzone, Vice-Chair Rosapepe and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 766. This bill will provide resources that Maryland communities need while also ensuring that wealthy corporations and individuals are contributing their fair share to the public services we all benefit from.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than $10,000 annually. More than half earn less than $20,000.**

The Fair Share for Maryland Act will:

- Raise an estimated $1.6 billion per year in new revenue when fully phased in
- Lower taxes for more than 1.3 million Marylanders by expanding the Child Tax Credit and Earned Income Tax Credit
- Close corporate tax loopholes to ensure wealthy multinational corporations can't avoid paying state taxes
- Balance our upside-down tax system and ensure millionaires pay their fair share by adding upper income tax brackets and adding a surtax on capital gains income

SB 766 will help to create stronger households in Maryland by expanding the Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC). The CTC and EITC are used to mitigate costly expenses that negatively impact households' overall well-being. Maryland households have expenses such as childcare, transportation, healthcare, and school materials. SB 766 will help to establish a stronger Maryland CTC and EITC so that more households will receive money that can be directly used to manage some of these daily costs. This will increase households' financial stability and will give more opportunities for them to thrive. Households experiencing poverty suffer from limited access to food, unemployment, unstable housing, inadequate medical care, and utility shutoffs. SB 766 is a crucial step forward in combating poverty and fostering secure Marylanders for future generations.

We need to invest in services like childcare, community colleges, and transportation in order to grow our economy. Businesses – and the Maryland workers they employ – value these services and it is only fair that the largest corporations pay their share, just like our Maryland small businesses already do. SB 766 addresses the inequity in our tax system and the funding needed to cover the tax credits and services that Marylanders need to thrive.

<u>Thus, we encourage you to return a favorable report for SB 766.</u>

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SB766 MSEA.pdf
Uploaded by: Samantha Zwerling
Position: FAV

MARYLAND STATE EDUCATION ASSOCIATION

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FAVORABLE
Senate Bill 766
Fair Share for Maryland Act of 2024

Senate Budget and Taxation Committee
February 21, 2024

Samantha Zwerling
Government Relations

The Maryland State Education Association strongly supports Senate Bill 766, which would enact commonsense and fair tax reforms to raise revenue for state priorities such as public education.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our almost 900,000 students so they can pursue their dreams. MSEA also represents 39 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

MSEA supports passage of an adequate, sustainable, predictable revenue stream that will adequately fund both the operating and construction costs of our public schools. A great public school for every child means our students have updated technology, small manageable classes, safe and modern schools, proper healthcare and nutrition, and have highly qualified and highly effective educators. The Blueprint for Maryland's Future outlines improvements to access to Pre-K and Career Technology Education, as well as expansion of the educator workforce and increased salaries to help deliver individualized instruction and recruit and retain the best workforce in the country.

MSEA believes that this bill would raise the needed revenue to ensure adequate funding for our public schools for years to come. Schools are struggling with addressing the educator shortage while also trying to serve students who need more supports and services. This bill would help the state meet its commitments to those students, staff, and community members.

MSEA strongly urges a favorable report of Senate Bill 766.

SB 766 - Favorable.pdf
Uploaded by: Shamoyia Gardiner
Position: FAV

STRONG SCHOOLS MARYLAND

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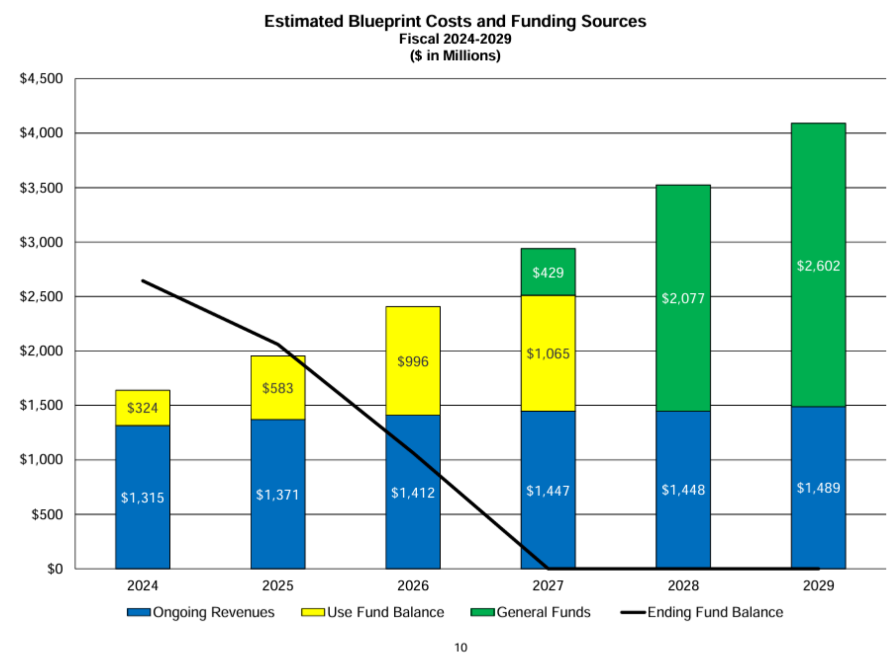
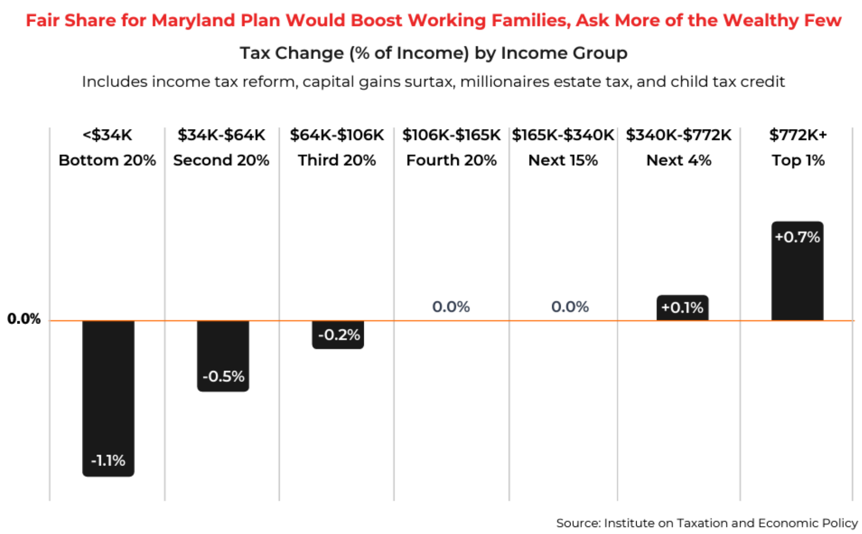
Testimony in SUPPORT of
Senate Bill 766: Fair Share for Maryland Act of 2024

Budget and Taxation Committee
Position: Favorable
February 21, 2024

Prior to the enactment of the Blueprint for Maryland's Future in 2021, Strong Schools Maryland was focused on two things: the passage of the recommendations that became the Blueprint and its full funding. To date, that original mission is only half-met. Even now, three years later, as the Strong Schools Maryland Network has grown and we've collectively turned our attention to implementation, the lack of sustained funding to implement the law blights our success. **We seek to eliminate that blight as we submit this testimony in support of Senate Bill 766, the Fair Share for Maryland Act of 2024**.



One way or another, the General Assembly and Administration must maintain their commitment to fully funding public schools for the duration of the Blueprint's implementation timeline–*and beyond*! Without action from these leaders, the Blueprint Special Fund will be depleted in FY25, just a couple of years from now. Unfortunately, Maryland has a documented history of promising education funding increases in the form of various policy reforms (most recently 2002's Bridge to Excellence law), then failing to fully fund those measures. We don't have to repeat that embarrassing history when we see the pitfalls of the future and are equipped with viable, sustainable solutions..



SB 766 embodies the Fair Share for Maryland Plan, which would generate about $1.7 billion in new state revenue at a time when the state is facing a significant growing structural deficit that threatens the success of all public life in Maryland. We would achieve this by holding large multinational corporations at least as accountable for contributing to the state as we hold small businesses; implementing a sensible individual tax structure that Marylanders pay into according to their ability to pay, rather than the inverse proportions we have in place now.

We know the time to act is now–State Comptroller Lierman has been clear that her office requires several years' lead time in order to secure staff and update departmental infrastructure to conduct the kind of complex auditing this measure would require. There is no good reason to wait to act when we know vital programs like the Blueprint, Child Care Scholarship program, transportation, and so many of our shared priorities are on the line.

For these reasons, we urge a favorable report on Senate Bill 766.

For more information, contact Shamoyia Gardiner at shamoyia@strongschoolsmaryland.org

SB766_Hettleman_FAV.pdf
Uploaded by: Shelly Hettleman
Position: FAV

Shelly Hettleman
Legislative District 11
Baltimore County

Chair
Rules Committee

Budget and Taxation Committee

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THE SENATE OF MARYLAND
Annapolis, Maryland 21401

TESTIMONY OF SENATOR SHELLY HETTLEMAN
SB 766 FAIR SHARE FOR MARYLAND ACT OF 2024

The complexity and breadth of the Maryland tax system reflects the diversity of the State, its industries, and its residents. However, the current system has loopholes which disproportionately benefit few at the expense of the majority. In fact, a significant portion of the state's largest corporations pay little or no income taxes in a typical year.[i] Senate Bill 766 aims to address these shortcomings and to ensure that every resident and business within Maryland pays their fair share, while also receiving equitable benefits.

SB 766 includes several components that will reform the Maryland tax system:

1. Lower the Estate tax unified credit.
2. Close the pass-through business loophole.
3. Implement combined reporting requirements.
4. Incorporate throw-back rules.
5. Reform the capital gains tax framework.
6. Modify personal income tax rates.
7. Modify Maryland's Child Tax Credit and Earned Income Tax Credit

Estate Tax

An estate tax is applied to the value of the estate of a deceased person. At both the state and federal levels, exemption limits have been placed allowing for estates of less than a certain amount to not be taxed. In 2014, Maryland increased this limit gradually to $5 million.[ii] Under this modification, exceptionally wealthy individuals have been able to have a larger portion of their estate be exempt. On average, American households inherit $46,200, though less than a third of households receive any money.[iii]

SB 766 would lower the state's estate tax exemption limit from $5 million to $2 million, ensuring that the very wealthy pay their fair share. Through 2014, Maryland exempted the first $1 million of an estate from taxes which resulted in only the largest 3% of estates being subject to the tax.[ii] Increasing the limit to $2 million acknowledges the economic changes within Maryland over the past decade as well as the reality that the passage of wealth looks different for every family. Nevertheless, taxing inherited wealth, especially to the tune of millions of dollars, is an important component of an equitable tax system.

Pass-through Businesses

Corporations are generally double tax entities, meaning that their income is taxed at the corporate tax rate and the owners or shareholders of the corporation are also taxed for the same income. Conversely, pass-through entities—which include sole proprietorships, LLCs, partnerships, LLPs, and S Corporations—are not double taxed since the profits and losses "pass-through" directly to the owners and shareholders who pay taxes on that income at their personal tax rate.[iv]

SB 766 addresses a growing issue in which corporations use existing loopholes meant to benefit small businesses to avoid having to pay corporate taxes on their income. This "LLC loophole" is targeted by the bill via exempting $1 million of a pass-through entity while taxing income above $1 million. This approach ensures that only the largest and wealthiest businesses rather than the backbone of our economy – small businesses - pay their fair share.

Combined Reporting and The Throwback Rule

Combined reporting is a corporate income tax reporting framework where the taxes of affiliated taxpayers—including parent and subsidiaries companies—are reported as if they conducted business as a single legal entity for state income tax purposes.[v] Another reporting and taxation reform is the implementation of the throwback rule. Under this rule, if a corporation with facilities in Maryland has income which is not taxed by any other state that income is "thrown back" into Maryland and taxed here.

Combined reporting assists with capture "nowhere" income—corporate income which is not generally taxable by states due to lack a sufficient "nexus," such as a physical location, between the state and corporation. This is a prominent issue with companies that are set up in a certain state but do significant business elsewhere. A majority of states and DC have adopted combined reporting to some extent.[vi] Like combined reporting, throwback is meant to address gaps in taxation for multi-state corporations and ensure they truly pay their fair share within the state they are operating. Currently, nineteen states and DC have throwback rules.[vii]

SB766 would implement both structures into Maryland's tax system, ensuring that multi-state companies that call Maryland home or do business here pay their fair share of taxes as they continue to receive the economic benefits of operating within the state.

Capital Gains

Capital Gains tax is paid by an investor on the profit that they make when an investment is sold unless the sale is made upon death of the owner or donated to charity.[viii] About 80% of capital gains go to the wealthiest 5% of taxpayers.[ix] Additionally, for 99% of American households, less than 4% of income comes from capital gains.[x] Comparably, 45% of income comes from capital gains for the top 1% of American households. In Maryland, capital gains are taxed as part of an individual's income taxes, which means that investment income is taxed at the same rate as earned income. This means that prior to selling their capital gains, a significant portion of a wealthy household's income is not being taxed as the same households without capital gains, leading to a lower tax burden for the wealthiest Marylanders.

SB 766 simply imposes a 1% surtax on capital gains, which would help to provide revenue for the state while minimally impacting the vast majority of Marylanders due to exclusions for the sale of certain investments more widely accessible and utilized.

Personal Income Tax and Tax Credits

Currently, Maryland's income tax rate brackets group together households with incomes over $250,000 or over $300,000 depending on filing status. The estimated median household income in Maryland for 2022 was $108,200, making the state one of the wealthiest in the nation.[xi]

However, it should also be noted that Maryland ranks second in the nation in per capita millionaires, which make up nearly 10% of the state's households.[xii]

SB 766 modifies the income tax rate to better reflect the stratifications of Maryland residents and more equitably tax residents. Under the bill, a new 6%, 6.5%, and 7% tax rate will be created with the highest bracket being changed to "in excess of $1,000,000" and "in excess of $1,200,000" based on filing status. While the wealthiest 1% of Marylanders will see an increase meant to have them pay their fair share, this tax rate increase will, on average, be less than 1% of their income.[i]

In addition to changes to tax rate, SB766 modifies and expands both the child tax credit and earned income tax credit to allow more households to save on their taxes, especially those who are low-and-moderate income. Under the change, households with incomes less than $165,000 are estimated to see a tax cut of $149. And those with incomes of up to $250,000 should see no change at all.

Overall benefits

Multiple states have proposed "wealth taxes" with the goal of ensuring that residents of all economic classes pay their fair share.[xiii] This bill combines components from multiple previously introduced bills, as well as introduces new tax reforms with the goal of ensuring equity and prosperity for all residents of Maryland. This bill will increase revenue for the state which will help to address the myriad essential services requiring funding. According to Fair Share Maryland, these actions will result in an estimated $1.58 billion in net revenue for the state.[i] Additionally, SB 766 will result in more than $400 million in EITC and Child Tax Reform.[i]

Under the tax reforms proposed by the Fair Share for Maryland Act, the state, its economy, and its residents will benefit.

I urge a favorable report on SB 766, and I thank you for your consideration.

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[i] *The Fair Share for Maryland Plan to Benefit Working Families*, Fair Share Maryland, https://fairsharemaryland.org/wp-content/uploads/Fair-Share-for-MD_Overview_012324.pdf (last visited Feb 16, 2024).

[ii] Maryland Department of Legislative Services, "Fiscal and Policy Note for House Bill 739, Maryland General Assembly 2014 Legislative Session, http://mgaleg.maryland.gov/2014RS/fnotes/bil_0009/hb0739.pdf

[iii] Eric Reed, *Average American inheritance, by wealth level*, Yahoo! Finance (2024), https://finance.yahoo.com/news/average-american-inheritance-wealth-level-130120356.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuYmluZy5jb20v&guce_referrer_sig=AQAAAAdQuoG4Uz2er_1zKAg2v_T8ztKCbD2GK8xjyM8H7G_502KE21HYnNJMl8qpY6ucdv-ekGb0_mHO4PYCGG3HL6iKcJFOSez-K-Lylc8LpfHtoJmglRAWwc3irba0ecOwXg5P25XLUb4Eh_S31FUuiavnPvn1GBXOgsBedjV1pLZQ (last visited Feb 16, 2024).

[iv] *Pass-through tax deduction law for business owners*, Justia (2023), https://www.justia.com/tax/corporate-tax/business-tax-deductions/pass-through-tax-deduction/ (last visited Feb 16, 2024).

[v] Andrew Griffin, *Understanding combined reporting in Maryland: 5 top questions answered*, Maryland Chamber of Commerce (2023), https://www.mdchamber.org/2021/08/27/understanding-combined-reporting-in-maryland-5-top-questions-answered/ (last visited Feb 16, 2024).

[vi] 28 states plus D.C. require combined reporting for the State Corporate Income Tax, Center on Budget and Policy Priorities (2020), https://www.cbpp.org/28-states-plus-dc-require-combined-reporting-for-the-state-corporate-income-tax (last visited Feb 16, 2024).
[vii] Janelle Fritts, Does your state have a throwback or throwout rule? Tax Foundation (2023), https://taxfoundation.org/data/all/state/state-throwback-rule-state-throwout-rule-2023/ (last visited Feb 16, 2024).
[viii] Jason Fernando, *Capital gains tax: What it is, how it works, and current rates* Investopedia, https://www.investopedia.com/terms/c/capital_gains_tax.asp (last visited Feb 16, 2024).
[ix] Elizabeth McNichol, *State taxes on Capital Gains*, Center on Budget and Policy Priorities (2021), https://www.cbpp.org/research/state-budget-and-tax/state-taxes-on-capital-gains (last visited Feb 16, 2024).
[x] Increasing taxes on capital gains requires trade-offs, Tax Foundation (2019), https://taxfoundation.org/increasing-capital-gains-taxes-requires-trade-offs/ (last visited Feb 16, 2024).
[xi] *Maryland at a glance*, Maryland Economy - Income, https://msa.maryland.gov/msa/mdmanual/01glance/economy/html/income.html (last visited Feb 16, 2024).
[xii] Ali Hassan, *5 states with the most millionaires per capita in the US*, Insider Monkey (2023), https://www.insidermonkey.com/blog/5-states-with-the-most-millionaires-per-capita-in-the-us-1243726/4/ (last visited Feb 16, 2024).
[xiii] David W. Chen, *Vermont becomes latest state to propose wealth taxes* The New York Times (2024), https://www.nytimes.com/2024/01/23/us/wealth-tax-vermont-legislature.html (last visited Feb 16, 2024).

Copy of FairShareTestSB0766.pdf
Uploaded by: Sherry Glazer
Position: FAV

SB0766 SherryGlazer_FAV

Sherry Glazer
Bethesda, MD 20815

TESTIMONY ON SB0766 POSITION: FAVORABLE

Fair Share for Maryland Act of 2024

Hearing before the Budget & Taxation Committee, February 21, 2024

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

FROM: Sherry Glazer

My name is Sherry Glazer and I am a resident of District 16. I am submitting this testimony in support of the Fair Share for Maryland Act, SB0766.

This bill would revamp Maryland's tax laws, making the tax system more equitable and at the same time, raise much needed revenue for the State. Among other things, this revenue could fund the "Blueprint for Maryland's Future", a comprehensive plan to strengthen Maryland schools that was passed by the General Assembly in 2021. A high caliber educational system is essential to giving our young people the tools they need in the 21st century, and also to investing in Maryland's economic future.

I learned first-hand what a difference a good public education can make. I attended public schools during the 1950s and 60s in a lower middle class section of Prince George's County. While my education was fine, it did not compare to the public education my children (now adults) received in an affluent part of Montgomery County. In an equitable education system, all children, regardless of their zip code, would receive the type of world class education that is envisioned in Maryland's "Blueprint". Shelly Hettleman, one of the cosponsors of this bill, told WMAR that this bill could raise $1.6 billion to help fund the "Blueprint".

In addition to raising revenue for educational needs, the Fair Share legislation would reform the tax laws in several other ways. For example, the wealthiest 1% of taxpayers would pay their fair share in taxes, and taxes for the lowest income Marylanders would be cut, boosting working families' incomes and reducing child poverty. The bill would also support local Maryland based businesses by closing corporate loopholes, thereby ensuring a level playing field for the Maryland small businesses and their large corporate competitors. In sum, this bill would create a fairer tax system and would raise the revenue the State desperately needs.

I respectfully urge this committee to return a favorable report on SB0766.

Anne Arundel County _FAV_SB766.pdf
Uploaded by: Steuart Pittman
Position: FAV

ANNE ARUNDEL COUNTY
MARYLAND
County Executive Steuart Pittman

February 21, 2024

Senate Bill 766

Fair Share for Maryland Act of 2024

Senate Budget and Taxation Committee

Position: FAVORABLE

Anne Arundel County **SUPPORTS** Senate Bill 766 – Fair Share for Maryland Act of 2024

Senate Bill 766 takes a significant step in addressing the historic inequities and unfair advantages of Maryland's tax system. For decades, wealthy corporations have been able to use tax loopholes to avoid paying their fair share, while the top 1% of Marylanders pay less in income taxes than everyone else. Keeping the status quo limits our ability to invest in working families, grow small businesses, and effectively tackle the wealth gap. We can do better, and this legislation is a critical piece in our efforts as a state to lift millions of families out of poverty.

As the State tackles a projected budget deficit in the General Fund, and a shortfall in our Consolidated Transportation Plan, it is important that the solutions we consider reflect our values. The 2017 federal tax bill and the 2020 Coronavirus pandemic increased the disparities in wealth between our highest income and lowest income residents. Senate Bill 766 will shift the burden from our most vulnerable and level the playing field by shrinking the advantages of corporate loopholes, cutting taxes for low-income households, ensuring that the bottom 40% of households will see the most benefit, and raising taxes on the wealthiest Marylanders to appropriate levels. Once phased in, this package will raise revenue upwards of $1.6 billion each year. This revenue can be used to fully invest in our communities without placing the burden on hardworking taxpayers.

My administration has taken steps in Anne Arundel County to do what we can to relieve this burden. Three years ago, the General Assembly gave counties the authority to set our local income tax rates on a progressive bracket basis with the Local Tax Relief for Working Families Act of 2021, sponsored by Delegate Palakovich Carr. We proudly used this new authority to cut taxes for all income below $50,000 in our 2023 budget, and raise the tax rate only on the top 2% of earners in our 2024 budget.

As fiscal leaders, we look out for our constituents by ensuring that we generate necessary revenue in order to meet the challenges of today, while mitigating the economic burden on our hardworking taxpayers. Maryland needs a fairer tax system that affirms our mission to leave no one behind, and Anne Arundel County believes that this legislation moves us closer to that goal. For all of these reasons, we respectfully request a **FAVORABLE** report on Senate Bill 766.

Steuart Pittman
County Executive

Ethan Hunt, Director of Government Affairs Phone: 410-222-3687 Email:exhunt23@aacounty.org

SB0766_SusanAllen_FAVORABLE.pdf
Uploaded by: Susan Allen
Position: FAV

Date of Hearing 2/21/2024

Susan Allen
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TESTIMONY ON SB#0766 - POSITION: FAVORABLE
Fair Share Plan for Maryland

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

FROM: Susan Allen

OPENING: **My name is Susan Allen. I am a resident of District 30A. I am submitting this testimony in support of SB#766, Fair Share for Maryland Act of 2024.**

I am an active member of the Maryland Poor People's Campaign (MD PPC). I also belong to Anne Arundel County Acting Together (ACT) and St. Anne's Episcopal Church.

Overall, this bill will increase funding for essential services that Marylanders desperately need-especially families with children, working adults, older citizens, and people with disabilities.

As a member of the MD PPC that bases its actions on poverty data, I know that income and wealth distribution has become much more unequal in the last 30-40 years—impacting 36.1% of Marylanders between 2018-2020. One of the many reasons that rich people stay rich is their ability to pay a relatively small proportion of their income in taxes (often legally). This bill increases the number of tax brackets and therefore makes income taxes more progressive. Also, as a Marylander, I know that our state has a budget shortfall which is bound to require cutting of vital services in our state. The Fair Share Plan is projected to increase tax revenue by $1.6 billion per year, which could only help relieve this shortfall. Remember that people who receive inheritance generally have not worked to earn them, so increased taxes on estates should not interfere with work incentives.

My moral tradition emphasizes the importance of paying taxes in order to support the common good. Finally, from my experience standing beside low-wealth and working Maryland residents, I learned how large the wealth gap is between Black and White people. Although people of every race use government services, low- and moderate-income people (of every race) need them more.

To sum up, I support the Fair Share for Maryland Plan, not just because it will fairly tax wealthy people (who now pay less than their fair share), but because it could bring needed revenue to the State of Maryland to support the basic human rights and needs of all Marylanders.

I respectfully urge this committee to return a favorable report on SB0766.

Susan Allen

Testimony for Fair Share Act SB 766.pdf

Uploaded by: Terrence Cavanagh

Position: FAV

Testimony in Support of SB 766 – Fair Share for Maryland Act of 2024

Terry Cavanagh on behalf of SEIU Local 500

Presented to the Senate Budget & Tax Committee

Favorable

February 21, 2024

SEIU Local 500 strongly supports the Fair Share for Maryland Act (SB 766) because it will provide resources that Maryland communities need while also ensuring that wealthy corporations and individuals are contributing their fair share to the public services we all benefit from.

As a union of over 20,000 workers who serve Marylanders from cradle to career, we not only understand the struggles of working families, we are working families. The Fair Share for Maryland Act's expansion of tax credits for working families will work towards ensuring so many families are not on the cusp of poverty while living paycheck to paycheck. Too many of our families cannot afford an emergency expense of $500. With child tax credits putting more money back into the pockets of working families, we can bring some economic relief to those who need it most.

The Fair Share for Maryland Act will:

- Raise an estimated $1.6 billion per year in new revenue when fully phased in
- Lower taxes for more than 1.3 million Marylanders by expanding the Child Tax Credit and Earned Income Tax Credit
- Close corporate tax loopholes to ensure wealthy multinational corporations can't avoid paying state taxes.
- Balance our upside-down tax system and ensure millionaires pay their fair share by adding upper income tax brackets and adding a surtax on capital gains income.

We can't grow our economy if we are cutting back on things like child care, community colleges, and transit service. Businesses – and the Maryland workers they employ – value these services and it is only fair that the largest corporations pay their share, just like our Maryland small businesses already do.

And, it's wrong that the wealthiest 1% of Marylanders, those earning more than $700,000 per year, pay a smaller share of their income in state and local taxes than those in any other income group. The Fair Share for Maryland Act will help address this.

We ask the committee to make a favorable report on SB 766.

SB0766_ThomasKennedy FAV.pdf

Uploaded by: Thomas Kennedy

Position: FAV

Date of Hearing 2/21/2024

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<u>TESTIMONY ON SB#0766 - POSITION: FAVORABLE</u>
Fair Share Plan for Maryland

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

FROM: Thomas Kennedy

My name is Thomas Kennedy I am a resident of District 18. I am submitting this testimony in support of SB#766, Fair Share for Maryland Plan.

I am a member of St. John's Episcopal Church in Chevy Chase/Bethesda,. I retired from a position as Executive Director of the American Society of Media Photographers in July 2020 after a 50 year career in visual media, primarily as a photo editor. Currently, I am a volunteer with the Maryland Poor People's Campaign.

Immediately after retiring, I started volunteering with my church's efforts to launch a food distribution effort to alleviate food insecurity for county residents being impacted by the loss of jobs due to the pandemic. Within two years, our efforts spun off a nonprofit called Nourishing Bethesda. Today, that nonprroft is continuing to supply food to food insecure people and our numbers continue to climb, notwithstanding trends with COVID-19 itself. Food insecurity is but one manifestation of income inequality that continues to plague our citizens and put them at risk.

I strongly believe income inequality is the result of laws and mechanisms that tilt in favor of individuals and corporations who have developed legal mechanisms to avoid paying their fair share..

This bill increases the number of tax brackets and therefore makes income taxes more progressive. Also, as a Marylander, I know that our state has a budget shortfall which is bound to require cutting of vital services in our state.

I say this have observed the pattern that played out throughout the Hogan administration where elements of the social safety net were routinely pitted against one another under the rationale that "scarcity" prevented doing otherwise.

The Fair Share Plan is projected to increase tax revenue by $1.6 billion per year, which could only help relieve this shortfall. Remember that people who receive inheritance generally have not worked to earn them, so increased taxes on estates should not interfere with work incentives. Finally, this bill will increase the number of families with children who can receive help from the state.

My faith teaches me that our primary directive is to “love our neighbors as ourselves.” I interpret this to mean supporting my neighbor by supporting the services that ensure they have enough to thrive. If others neglect this directive, we are left with the situation where the social safety net is unavailable to those who need help the most. Although people of every race use government services as elements of the social safety net, it is clear that poor and low-wealth working people need them the most; especially in Maryland where despite our wealth as a state, between 2018-2020, 2.1 million Marylanders were poor or low-income, accounting for 36.1% of the state’s population. I consider these people my neighbors, worthy of support from a government that has a fair tax system.

To reiterate, I support the Fair Share for Maryland Plan, not just because it will fairly tax wealthy people (who now pay less than their fair share), but because it could bring needed revenue to the State of Maryland.

I respectfully urge this committee to return a favorable report on SB#766

Thomas Kennedy

SB766 fav Marfy.pdf
Uploaded by: Tyahna Arnold
Position: FAV

Maryland Association of
Resources for Families & Youth

February 21, 2024

Senate Bill 766-Fair Share for Maryland Act
Senate Budget and Taxation Committee

Position: SUPPORT

The Maryland Association of Resources for Families and Youth (MARFY) is an association of private child caring organizations providing foster care, group homes, and other services through more than 200 programs across Maryland. The members of MARFY represent providers who serve Maryland's most vulnerable children who are in out of home placements due to abuse, neglect or severe mental health, and medical needs. We operate group homes, treatment foster care programs and independent living programs, primarily serving the foster care population as well as a juvenile services population.

MARFY writes to express strong support for Senate Bill 766, known as the Fair Share for Maryland Act of 2024. This landmark legislation represents a significant step towards creating a more equitable tax system in Maryland, one that ensures fairness for all residents, supports our most vulnerable populations, and lays a solid foundation for the future prosperity of our state.

If passed, this legislation proposes essential reforms to our tax code that aim to address the growing income inequality in our state and ensure that high-income earners and large corporations contribute their fair share. By modifying the state income tax rates, the bill introduces a progressive tax structure that is more reflective of individuals' ability to pay. It also targets capital gains income, which is predominantly earned by the wealthiest individuals, ensuring that this income does not enjoy preferential tax treatment.

Overall, the Fair Share for Maryland Act of 2024 is a comprehensive and thoughtful piece of legislation that seeks to modernize our tax system making it more equitable and just for all Marylanders. It recognizes the importance of a tax code that supports economic growth while ensuring that the benefits of this growth are shared more broadly among our residents. **It is for these reasons we politely ask for a favorable report on Senate Bill 766.**

For more information call or email:
Therese M. Hessler | 301-503-2576 | therese@ashlargr.com

1500 Union Avenue, Suite 2500, Baltimore, MD 21211
410-727-6367 | www.marylandnonprofits.org

Maryland Association of
Resources for Families & Youth

SB 766- SWASC Testimony - Support.pdf
Uploaded by: UM SWASC
Position: FAV

Social Work Advocates for Social Change
SWASC

For more information, please contact
Olivia Travis or Allie Sirrine
umswasc@gmail.com

TESTIMONY IN SUPPORT OF SB 766

Fair Share for Maryland Act of 2024
Budget and Taxation
February 21, 2024

Social Work Advocates for Social Change strongly supports the Fair Share for Maryland Act (SB 766), which will generate $1.6 billion annually for the state. As social workers, we believe that taxes are contributions to society. SB 766 would establish a just tax system where the wealthiest corporations and individuals pay their fair share to fund critical resources for Maryland communities.

SB 766 would address inequity by balancing our upside-down tax system and ensuring millionaires pay their fair share by adding upper income tax brackets and adding a surtax on capital gains income. According to the Chamber of Commerce, Maryland is the 7th wealthiest state in the United States with more millionaire households than any other state.[1] It is wrong that our top 1%, those earning more than $700,000 per year, pay a smaller share of their income in state and local taxes than those in any other income group.

SB 766 will ensure that the Maryland economy is set up for success. We can't grow our economy if we are cutting back on things like child care, community colleges, and transit service. Businesses–and the Maryland workers they employ–value these services. It is only fair that the largest corporations pay their share, just like our Maryland small businesses already do.

SB 766 will lower taxes for more than 1.3 million Marylanders by expanding the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC), both of which have been proven to reduce poverty, especially child poverty. Research shows that the income from these credits leads to improved school performance and increased work effort in adulthood, benefiting individuals, families, and the state as a whole.[2] **95% of Marylanders will not incur tax increases**, and the bottom 60% making $106,000 or less will receive tax cuts and benefits from the EITC and CTC.

As future social workers, we are guided by a code of ethics in which the primary mission is to enhance human well-being and help meet the basic human needs of all people, with particular attention to the needs and empowerment of people who are vulnerable, oppressed, and living in poverty.

Social Work Advocates for Social Change urges a favorable report on SB 766.

Social Work Advocates for Social Change is a coalition of MSW students at the University of Maryland School of Social Work that seeks to promote equity and justice through public policy, and to engage the communities impacted by public policy in the policymaking process.

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[1] Chamber of Commerce. How rich is each US State? https://www.chamberofcommerce.org/how-rich-is-each-us-state/
[2] Center on Budget and Policy Priorities (May 2016). Chart Book: The Earned Income Tax Credit and Child Tax Credit. https://www.cbpp.org/research/chart-book-the-earned-income-tax-credit-and-child-tax-credit

SB 766_MDCC_Fair Share for Maryland Act of 2024_UN
Uploaded by: Andrew Griffin
Position: UNF

MARYLAND
Chamber of Commerce

LEGISLATIVE POSITION:
UNFAVORABLE
Senate Bill 766
Fair Share for Maryland Act of 2024
Senate Budget & Taxation Committee

Wednesday, February 21, 2024

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 6,800 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and prosperity for Maryland businesses, employees, and families.

Senate Bill 766 would, among other things, mandate that certain corporations compute their Maryland income tax using the worldwide combined reporting method -- a highly complex system of determining taxable income among all countries in which a company does business. SB 766 also mandates adoption of the throwback rule where sales that are not taxed in the destination state are "thrown back" into the state where the sale originated, despite the income not being earned there. Lastly, SB 766 imposes a potential additional 2.75% tax on Maryland pass-through entities (PTEs), our state's smallest businesses. This change would force Maryland PTEs to pay income at the corporate rate instead of the current personal rate.

Worldwide Combined Reporting

Requiring worldwide combined reporting is a bad tax policy choice for Maryland.

- Data collected by the Maryland Comptroller's Office showed that the revenue impact of mandatory combined reporting would be volatile, including revenue losses in some years. These same issues would be exacerbated on a worldwide basis. **States such as Minnesota, Vermont and New Hampshire have recently rejected worldwide combined reporting because of the revenue volatility. Further, this will lead to prolonged litigation and audit activity for Maryland.**
- In 2004, the Maryland General Assembly enacted provisions into the state's tax law that addressed the perceived abuses of "shipping profits outside the state" via intercompany transactions. The Maryland Chamber has supported legislation during the 2024 session to allow the Comptroller's Office to hire outside entities to help with enforcement of this provision.
- The complexity of the worldwide combined reporting system would require significant training of the Comptroller's personnel and would likely require additional staff. There would also be a need for educational outreach to Maryland taxpayers and tax

practitioners. **Again, no state has adopted worldwide combined reporting so achieving an appropriate level of education and expertise will require significant investment.**

- The complexity of the combined reporting system will further add to the cost of compliance by Maryland's businesses and add to the costs of the State's administration of the income tax.
- **Every state that has considered a mandatory worldwide combined reporting scheme has rejected it.** Mandatory worldwide combined reporting threatens to impose significant double taxation on non-U.S. companies, is inconsistent with state, federal and international tax norms, and violates principles of U.S. tax treaties. Mandatory worldwide reporting will create disputes with treaty partners. In the past, some foreign governments have even enacted retaliatory action in response to states seeking to adopt a tax structure without a true water's edge system.
    - New Hampshire and Maine have both carefully studied mandatory worldwide combined reporting and firmly rejected such a policy.
    - Minnesota decided not to adopt mandatory worldwide combined reporting last year.
- **The federal government does not impose worldwide combined reporting.** In 2021, approximately 140 countries, including the U.S., agreed to a minimum 15% corporate global minimum tax, which several countries have begun to implement. The details, mechanics and implementation are still to be worked out, but this should alleviate some of the perceived concerns surrounding tax havens.

Throwback Rule

SB 776 seeks to institute a rule requiring the reapportionment on the sales of tangible personal property to be included in the numerator of the sales factor for property that is delivered or shipped to a purchaser within the state from outside the state or on goods shipped from Maryland to a state where those goods are not taxable. This is commonly referred to as the "throwback rule." The bottom-line objective is to collect corporate income taxes off sales from outside the state on goods that originate in Maryland but are then not taxable in that other state.

The "throwback rule" is seen by some as a magic fix for taxing "nowhere income," and the primary concerns remain that this scheme will create tax inequality and competitive disadvantage for Maryland businesses. In some cases, the "throwback rule" can even result in double taxation. For small, export-oriented Maryland businesses, this would have an outsized effect since they are less likely to have a nexus (e.g., facilities) in other states, meaning a larger portion of their income could become subject to this proposed additional taxation.

Finally, like combined reporting, Maryland's own Business Tax Reform Commission previously considered this issue and ultimately recommended the "throwback rule" not be adopted because it represents a tax on product originators, thereby discouraging investment and business location in Maryland. Again, none of Maryland's neighbors--Pennsylvania, Delaware, Virginia or West Virginia--utilize a throwback rule. It is simply good tax policy that a company's tax liability in one state should not be measured by their tax liability in another state.

Pass-through Entity Tax Increase

As introduced, SB 766 would impose a 2.5% tax increase (the difference between Maryland's highest personal tax rate and the Maryland corporate rate) on Maryland pass-through entities for revenues more than $1,000,000. This change stands to increase the Maryland income tax burden on Maryland's smallest businesses.

SB 766 does not address the disparity that would exist with the accompanying change in the bill to increase Maryland's personal income tax rate to 7% for those making more than $1,000,000. Members of a PTE take income directly as personal income from their business revenues. Because of that, PTEs pay their income tax at a special PTE rate (5.75%) designed to be likened to the personal tax rate. SB 766 would make changes to tax small business owners at 8.25% while only raising the rate on other individuals making the same amount pay at the 7% rate. This discrepancy places a clear burden on Maryland small businesses and disincentivizes the entrepreneurial spirit being championed by the Governor.

Finally, consider that the Tax Cuts and Jobs Act of 2017 created a 20% deduction for PTEs at the federal level, this deduction is set to expire in 2025. The US Chamber has estimated that the collective tax benefit loss of this deduction going away will be upwards of $2.7 billion.[1] The new tax proposed in SB 766 would be in addition to the significant burden being shouldered by Maryland's Main Street businesses when the federal 20% deduction expires.

Maryland businesses continue to struggle with extreme workforce shortages and inflation hovering above the Fed's targeted 2% inflation rate and Maryland continues to lag our regional neighbors in business friendliness and the cost of doing business.[2] Implementing new tax schemes that raise rates on small businesses and are proven unreliable for revenue collection will negatively impact Maryland's ability to compete for business investment, job growth and growing the state's tax base.

For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **SB 766**.

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[1] https://www.uschamber.com/taxes/impact-of-the-20-percent-pass-through-deduction?state=md

[2] https://www.mdchamber.org/advocacy/competitiveness/

2-21-24 CTIA MD SB766 Opposition Testimony.pdf

Uploaded by: Annissa Reed

Position: UNF

February 21, 2024

The Honorable Guy Guzzone
Maryland General Assembly
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401

Dear Chair Guzzone and Members of the Senate Budget and Taxation Committee:

On behalf of CTIA®, the trade association for the wireless communications industry, I write to respectfully oppose Senate Bill 766, legislation that would impose mandatory unitary combined reporting (MUCR) on multistate businesses in Maryland.

Proponents of SB 766 have suggested that MUCR would improve the fairness of the corporate income tax by closing "loopholes." They further argue that MUCR would more accurately determine multistate business income attributable to economic activity in Maryland.

However, there is considerable disagreement among states, businesses, and tax policy experts about the fairest and most accurate way to determine the states' respective shares of income of multistate businesses. One of the major concerns surrounding MUCR is that a state could arbitrarily assign more income than is justified by the level of a corporation's real economic activity in the state. MUCR may reduce the link between income tax liabilities and where income is actually earned because it assumes all corporations in an affiliated unitary group have the same level of profitability, which is not consistent with either economic theory or business experience.

Many academic studies suggest that MUCR can increase revenue volatility and may not generate additional revenue:

- "*An Evaluation of Combined Reporting for Tennessee*" issued by Dr. William Fox:
    - Combined reporting does not significantly increase tax revenue
    - It "probably increases tax revenue, but by a relatively small amount and perhaps only for a short period"
    - Tax revenues in NY and VT decreased the year they adopted combined reporting

- *"Understanding the Revenue Effects of Combined Reporting*" issued by Robert Cline:
    - "Overall revenue effects of adopting combined reporting is very difficult to predict reliably"
    - Tax collections could increase, decrease or remain the same, given the complex relationship among members of a combined group

Switching to MCUR would create significant administrative and compliance burdens for taxpayers and the Comptroller alike:

- There is little agreement among the states as to what specifically constitutes a unitary group and the concept of a “unitary business” is uniquely factual.

- Determining the scope of the unitary group is a complicated, subjective, and costly process that is not required in separate filing states and often results in expensive, time-consuming litigation.

- In addition, due to the factual nature of the inquiry, unitary combined return audits take much longer than separate company return audits and often require more state personnel to effectively complete.

- Combined reporting does not create a level playing field, particularly for smaller businesses with limited compliance resources.

Finally, while many states in the Northeast have adopted MUCR, most of the states around Maryland have not. Delaware, Pennsylvania, and Virginia are all separate reporting states and only West Virginia has adopted combined reporting. Enacting MUCR would not help Maryland’s position in competing with neighboring states for investment and jobs.

For the reasons discussed above, CTIA respectfully requests that the Committee not advance SB 766. However, if the committee does decide to move forward with this legislation, we respectfully request that a provision be added to address the issues created by Financial Accounting Standards Board Statement 109 (ASC 740).

Publicly traded companies book assets for financial reporting purposes under Generally Accepted Accounting Principles (GAAP) rules. However, Internal Revenue Service rules for recording and depreciating the same assets are different. Under ASC 740, a change to MUCR is a significant tax law change that will require companies to analyze the differences between the financial book basis of assets they own versus the income tax basis of those same assets. The cumulative effect of those differences will likely require most companies to record an additional deferred tax liability expense.

One of the most significant differences recognized by many companies occurs as a result of accelerated tax depreciation taken on depreciable assets under I.R.S. rules versus the amount that is deducted for financial book purposes. Since depreciable assets create one of the largest differences required to be accounted for under ASC 740, it is likely that this requirement to reflect the additional expense resulting from the state’s proposed changes would hit capital intensive companies much harder than other companies.

The ASC 740 ramifications of the move to combined reporting should be addressed to avoid companies with significant investments in Maryland being negatively impacted twice by combined reporting changes. Not only could these companies experience an increase in their income tax liability because of these major changes, but they will also have the added financial strain of recognizing additional tax expense for financial reporting purposes.

Specifically, we request that any MUCR legislation provide for a reasonable schedule to allow the future deduction of the additional expenses triggered from any book/tax differences under ASC 740.

Sincerely,

Annissa Reed

Annissa Reed
Director
State and Local Affairs

GBCC SB 766 Fair Share Act OPPOSE.pdf
Uploaded by: Ashlie Bagwell
Position: UNF

GREATER BETHESDA
CHAMBER of COMMERCE
Better business. Stronger community.

Testimony on behalf of the Greater Bethesda Chamber of Commerce

In Opposition to
Senate Bill 766—Fair Share for Maryland Act of 2024
February 21, 2024
Senate Budget and Taxation Committee

The Greater Bethesda Chamber of Commerce (GBCC) was founded in 1926. Since then, the organization has grown to more than 550 businesses located throughout the Greater Bethesda area and beyond. On behalf of these members, we appreciate the opportunity to provide written comments in opposition to Senate Bill 766— Fair Share for Maryland Act of 2024.

Senate Bill 766 is an omnibus bill focusing on revenues that includes a number of proposed policy changes, including but not limited to combined reporting, a decrease in the estate tax exemption and a tax increase on high earners in the State. The Greater Bethesda Chamber of Commerce has been on record in previous years opposing a number of these proposals and, therefore, we are opposed to Senate Bill 766. In a nutshell, we fear such a proposal would drive away Maryland's existing and potential tax base—both commercial and residential—during a time when the focus should be on growing it.

For those reasons, we oppose Senate Bill 766 and urge an unfavorable vote.

SB0766 -- Fair Share for Maryland Act of 2024.pdf

Uploaded by: Brian Levine
Position: UNF

Senate Bill 766 -- *Fair Share for Maryland Act of 2024*
Senate Budget and Taxation Committee
February 21, 2024
Oppose

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, opposes Senate Bill 766 -- *Fair Share for Maryland Act of 2024.*

Senate Bill 766 proposes a myriad of tax increases. These include higher income taxes, increased estate taxes, higher taxes for pass-through entities, a 1% surcharge on capital gains, and changes to the corporate tax structure through combined reporting.

The Montgomery County Chamber is extremely concerned about Senate Bill 766 and the uncompetitive nature of the tax increases it proposes. MCCC opposes increasing Maryland's already high income tax rates. Additionally, instituting a surcharge on capital gains or higher taxes on pass-through entities is uncompetitive as there are no states in the region that levy such taxes. Significant tax increases will harm Maryland's competitiveness and make it more expensive for small businesses to compete.

MCCC also opposes restructuring the corporate income tax to impose combined reporting because of its adverse impact on Maryland's business competitiveness. MCCC cites the recommendations of the Maryland Business Tax Reform Commission (MBTRC), which was created to review and evaluate the State's business tax structure. The Maryland General Assembly explicitly directed the MBTRC to review whether to implement combined reporting. In its 2010 recommendations, the MBTRC recommended against combined reporting in Maryland. The Commission's final report explained its reasoning in rejecting combined reporting due to the following:

- **Complexity** – combined reporting is a complex change for taxpayers, tax preparers, and the Comptroller's Office.

- **Shift of Tax Burden** – combined reporting shifts the tax burden, substantially in some cases, among industries and among taxpayers, resulting in winners and losers.

- **Unnecessary** – many of the tax avoidance measures which combined reporting is intended to prevent have already been addressed by the State through the Delaware holding company add back, the captive real estate investment trust (REIT) legislation, and other measures.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
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301-738-0015 | www.mcccmd.com

- **Increased Volatility** – a Comptroller's study of corporate returns indicated that combined reporting would lead to increased volatility in corporate income tax revenues, already one of the State's most volatile revenue sources.

Later, in 2015, the Maryland Economic Development and Business Climate Commission, also known as the Augustine Commission, issued a report recommending against the adoption of combined reporting. The report stated that combined reporting "…can create revenue volatility and winners and losers among corporate taxpayers." The report added that, "Combined reporting can also lead to additional litigation from taxpayers and create additional administrative costs for both taxpayers and the state."

MCCC continues to advocate for the creation of a commission to examine Maryland's entire tax structure and make recommendations on how to make it more fair, equitable, and economically competitive. This more comprehensive and strategic approach should be adopted, rather than a piecemeal approach to tax policy.

For these reasons, the Montgomery County Chamber of Commerce opposes Senate Bill 766 and respectfully requests and unfavorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

Brian Levine | Vice President of Government Affairs
Montgomery County Chamber of Commerce
51 Monroe Street | Suite 1800
Rockville, Maryland 20850
301-738-0015 | www.mcccmd.com

SB 766 - Fair Share for MD Act of 2024 -UNF- REALT
Uploaded by: Christa McGee
Position: UNF

Senate Bill 766 – Fair Share for Maryland Act of 2024

Position: Oppose

Maryland REALTORS® opposes SB 766, which lowers the estate tax exemption limit from $5,000,000 to $2,000,000 and would increase the amount of state income tax imposed on Maryland residents at a time when many are considering leaving the state due to its unaffordability.

Many aging seniors and individuals with families view the equity associated with the value of their home as their sole investment to pass onto future generations within their family. Maryland's $5,000,000 current estate tax exemption is already lower than the amount exempted by the federal government. Additionally, as property values have increased while the limits have remained the same, more Marylanders have become subjected to the estate tax each year. SB 766 would significantly lower this threshold even further and subject even more Marylanders to the estate tax. As more Maryland residents approach the threshold that would trigger the imposition of the Maryland estate tax the more it is likely that these individuals would relocate to another state. Maryland REALTORS® are concerned with the unintended consequences that would result from a shrinking tax base due to higher earning residents leaving Maryland.

Rather than lowering the thresholds associated with the estate tax exemption and increasing income taxes among residents as proposed in SB 766, Maryland should prioritize sources of funding and tax incentives that make Maryland more competitive with surrounding states.

For these reasons, Maryland REALTORS® recommend an unfavorable report.

For more information contact lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org

SB0766_UNF_MTC_ Fair Share MD Act 2024.pdf
Uploaded by: Drew Vetter
Position: UNF

MARYLAND TECH COUNCIL

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Shelly Hettleman

FROM: Andrew G. Vetter
Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

DATE: February 21, 2024

RE: **OPPOSE** – Senate Bill 766 – *Fair Share for Maryland Act of 2024*

The Maryland Tech Council (MTC) submits this letter of **opposition** for *Senate Bill 766: Fair Share for Maryland Act of 2024*. We are a community of nearly 800 Maryland member companies that span the full range of the technology sector. Our vision is to propel Maryland to become the number one innovation economy for life sciences and technology in the nation. We bring our members together and build Maryland's innovation economy through advocacy, networking, and education.

This bill makes numerous changes to the Maryland tax code that would result in an increased tax burden on individuals and businesses. Among those changes are a requirement for corporations to base their Maryland income tax pursuant to the "combined reporting" method. The MTC's primary concern with this proposal is that it would put Maryland at a competitive disadvantage. Surrounding states, including Virginia, Pennsylvania, and Delaware – do not have combined reporting. Alternatively, policymakers should be looking for ways to grow our economy. As illustrated by the Comptroller's recent State of the Economy Report, Maryland suffers from stagnant gross domestic product growth, limited labor supply, and net migration outflow. A basic step to reverse this trajectory is to not take additional actions that make it harder to do business in Maryland. The tax proposals contained within this proposal make Maryland less attractive to do business. For these reasons, we urge an unfavorable report.

Opposition Letter - SB766.pdf
Uploaded by: Kim Mayhew
Position: UNF

PotomacEdison
A FirstEnergy Company

Timothy R. Troxell, CEcD
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10802 Bower Avenue
Williamsport, MD 21795

OPPOSE – Senate Bill 0766
HB1007 – Fair Share for Maryland Act of 2024
Budget and Tax Committee
Wednesday, February 21, 2024

Potomac Edison, a subsidiary of FirstEnergy Corp., serves approximately 285,000 customers in all or parts of seven Maryland counties (Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington). FirstEnergy is dedicated to safety, reliability, and operational excellence. Its ten electric distribution companies form one of the nation's largest investor-owned electric systems, serving customers in Ohio, Pennsylvania, New Jersey, New York, West Virginia, and Maryland.

Unfavorable

Potomac Edison / FirstEnergy opposes Senate Bill 0766 – *Fair Share for Maryland Act of 2024*. SB-766 would institute combined tax reporting for businesses, including holding companies, operating a unitary business in the state of Maryland beginning in 2028.

Potomac Edison / FirstEnergy requests an Unfavorable report on SB-766 because of its onerous accounting burdens and negative economic development implications of combined reporting.

SB-766 proposes a dramatic change to Maryland's system of taxing businesses, as this legislation would institute combined income tax reporting for businesses that also have revenue generated in other states, territories, and countries. Combined reporting contributes to revenue and tax volatility from year-to-year and creates complex and burdensome tax reporting and accounting requirements. This needlessly increases costs and severs the link between tax liability and true economic activity in the state. This issue is particularly important for regulated utilities and is why the standalone model is preferred for utility taxation.

Potomac Edison / FirstEnergy is highly regulated in each of the jurisdictions in which we serve customers. The regulatory construct over electric distribution and transmission companies imposes extremely strict accounting measures that are intended to ensure that a utility recovers only its actual operating expenses (including taxes) and not those of affiliates operating in other jurisdictions. This is one of the key reasons New Jersey exempted utilities (subject to federal or state regulation) from their unitary taxation statute. If Maryland were to enact combined reporting without such an exemption, regulated utilities would be unable to recover the additional tax liability in the states where the additional income is derived. This would then lead to unrecoverable costs, and eventually negatively impact customer's rates.

From an economic development standpoint, combined reporting will be a competitive disadvantage for Maryland. Within the mid-Atlantic region, neighboring states - including Virginia, Pennsylvania, and Delaware - do not utilize the mandatory combined reporting method. Maryland's economic development efforts could be thwarted by the adoption of a new taxation system that would harm the attraction and retention of businesses, and the jobs and economic opportunities these businesses provide.

Combined reporting has been exhaustively researched and debated for years among policymakers in Maryland. These discussions have always concluded that combined reporting is not an appropriate or accurate method of computing state taxable income or attributing multistate business income to economic activity in Maryland. **For these reasons, Potomac Edison / FirstEnergy respectfully requests an Unfavorable report on SB-766.**

02-20-24 COST Opposition to SB 766.pdf

Uploaded by: Leonore Heavey

Position: UNF

COST
COUNCIL ON STATE TAXATION

Leonore Heavey
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February 20, 2024

Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice-Chair
Maryland General Assembly
Senate Budget and Taxation Committee

Re: Opposition to Senate Bill 766, "Fair Share" Bill

Dear Chair Guzzone, Vice-Chair Rosapepe, and Members of the Committee:

Thank you for the opportunity to provide testimony on behalf of the Council On State Taxation (COST) in opposition to Senate Bill 766 (S.B. 766), the "Fair Share for Maryland Act of 2024", which would, among other things, repeal Maryland's current corporate income tax system and impose mandatory worldwide unitary combined reporting on Maryland corporate taxpayers. With one narrow exception, no other state or country in the world currently utilizes mandatory worldwide combined reporting to calculate corporate income[1], and Maryland should reject this approach.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of over 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members have operations in Maryland that would be negatively impacted by this legislation.

Worldwide Unitary Combined Reporting

Worldwide combined reporting is not a new concept; nearly a dozen states imposed the filing methodology by the early 1980's. In a series of actions beginning in 1984 and accelerating over the next few years, however, all those states granted taxpayers the right to file (or elect to file) using the water's-edge methodology, a position that has held fast in the states over the last 40 years. Pressure against mandatory worldwide combination had been building through the 1970s and early 1980s among both foreign governments and foreign and domestic multinational business

[1] Alaska is the only state that mandates worldwide combined reporting, but only for oil companies that either explore and produce or own a pipeline interest in the state.

enterprises, threatening to instigate an international tax war. The British and Japanese governments, in particular, threatened retaliatory taxing measures against the U.S. to counter the trend toward mandatory worldwide combined filing.

Although the U.S. Supreme Court upheld the constitutionality of California's imposition of mandatory worldwide combined reporting in 1983, pressure from the international community continued to build, spurring President Ronald Reagan to convene the Worldwide Unitary Taxation Working Group in 1984, led by Treasury Secretary Donald Regan and comprising representatives of the federal government, state governments, and the business community. Although the Working Group found it difficult to reach an agreement on several issues, it did agree on a set of principles designed to guide the formulation of state tax policy. Among those principles was a recommendation that states only enact "water's-edge" unitary combination for both U.S. and foreign-based companies.

As noted, under the water's-edge method, only the income and the apportionment factors derived from operations within the domestic United States (i.e., up to the "water's edge") are used to calculate state corporate income tax liability. That principle has held to the current day. No state has returned to a mandatory combined reporting regime for all business corporations, and even the Multistate Tax Commission's model combined reporting statute includes a water's-edge election.

Global Profit Shifting and State Corporate Tax Revenues

Proponents of mandatory worldwide combined reporting are suggesting that the filing method would recoup tax revenues lost to states through an increased use of profit-shifting by U.S.-based multinational entities. However, significant international initiatives to limit profit-shifting are currently underway on a global basis.

Over the last few decades, many countries lowered their corporate income tax rates to incentivize businesses to locate and expand there. As the disparity between corporate tax rates imposed by various countries grew, policy makers at the international level became concerned with the increased use of global profit shifting – the artificial shifting of income and activity from high-tax jurisdictions to low-tax jurisdictions.

Efforts to combat global profit shifting have been underway at the Organization for Economic Cooperation and Development (OECD) for many years, culminating in its Base Erosion and Profit Shifting (BEPS) project recommending measures to address tax avoidance by multinational entities, improve the coherence of international tax rules, and ensure a more transparent international tax environment. During its deliberations, the OECD considered and rejected the use of mandatory worldwide combined filing. Similarly, the current OECD Pillar 1 and 2 proposals for reforming international taxation steer clear of any consideration of mandatory worldwide combined filing.

Among the solutions that specifically address global profit shifting is a global 15% minimum tax on the income of large multinational entities in every country in which they operate. According to a January 9, 2024, OECD Taxation Working Paper, because the global minimum tax significantly reduces the incentives to shift profits, the global minimum tax will reduce global profit shifting by nearly 50%. More importantly, the percentage of profits in low-tax jurisdictions (those with tax rates below 15%) is expected to fall by two-thirds, with a concomitant increase in global corporate income tax revenues of nearly $200 billion.

Additionally, the U.S. Government adopted sweeping tax reform with the passage of the Tax Cuts and Jobs Act (TCJA) in 2017 that sharply curtailed the incentive to shift profits by implementing a federal rate reduction from 35% to 21%, a tax on global intangible low-taxed income (GILTI), a base-erosion and anti-abuse tax (BEAT) specifically targeting profit shifting, and a 15% alternative minimum tax on financial statement (book) income.

Several economic studies have attempted to quantify the global impact of profit shifting. Not surprisingly, the results of these studies vary dramatically, and each study contains disclaimers regarding the complexity, difficulty, and uncertainty of its conclusions. The process is made even more difficult because of the fluid nature of international taxation, with many nations such as the United States making or considering significant changes to their corporate income tax laws relating to global commerce.

Nevertheless, a recent report by a partisan think tank seized on the high point of these studies and extrapolated that number to individual states through a series of assumptions and estimates. It then presented those numbers to the states as "money left on the table," and there for the taking if the state would only enact the discredited and still-controversial filing method known as mandatory worldwide combined reporting. However, the report relies on highly generalized and problematic global tax data, and it makes no effort to customize its estimate to reflect the laws of particular states or make adjustments to reflect changes in national and international corporate income tax laws. Nor does the report acknowledge the unknown amount of foreign income or losses that would be included in the expanded tax base under the worldwide combined reporting method or the dilutive impact on the apportionment factor for corporate income tax purposes, as foreign sales would now be included in the denominator of the sales factor for all multinational businesses.

Practical Problems with Mandatory Worldwide Combined Reporting

In addition to the foreign policy implications, states have also rejected the worldwide combined reporting approach because of the inequities among taxpayers and imbedded compliance complexities. Compliance burdens will vary from taxpayer group to taxpayer group depending on several group-specific factors, such as the international location of subsidiaries, the composition of the unitary group, merger and acquisition activity, company software systems, and income producing activities. For many multinational corporate groups, often comprising hundreds of subsidiaries, the compliance requirements can be expensive and time-consuming.

Typical hurdles to overcome include: 1) a unitary analysis for each subsidiary to determine the composition of the unitary group; 2) a combined calculation of worldwide apportionable income (in U.S. dollars) for all affiliated entities, many using different international accounting standards, and without the benefit of a federal income number for foreign subsidiaries; 3) application of the state apportionment formula, which, entails several policy choices that can be second-guessed by audit teams; 4) administrative and corporate governance issues to be addressed when combining foreign and domestic subsidiaries; and 5) audit burdens imposed on a company will be equally difficult for state tax administrators who must invest significant resources to manage and evaluate best-guess scenarios when seeking reasonable approximations for the combined return.

Although proponents are quick to point out that many corporate groups elect to file on a worldwide basis, that decision requires an assessment of the administrative burden including compliance costs and availability of the required data. This will differ from company to company and is often dictated by a weighing of compliance costs and tax savings achieved by including foreign-based loss companies in the combined return.

Mandatory Worldwide Combined Reporting Rejected by Other States

In the past six years, three other states have rejected the move to mandatory worldwide combined reporting. In 2017, Indiana decided to forego mandatory worldwide combined reporting, with the observation that, though it might increase tax revenues in the short term, those gains were almost certain to be fleeting and result in no net gain over the longer term[2]. A 2023 Minnesota bill that would have adopted mandatory worldwide combined reporting passed the House but died in the Senate without a hearing or discussion in any Senate committee. In 2023, the New Hampshire Commission on Worldwide Combined Reporting for Unitary Businesses Under the Business Profits Tax rejected mandatory worldwide combined reporting stating that "WWCR is a grossly overbroad remedy for concerns that transfer pricing is misused for tax advantage, as it sweeps all foreign profits into the base, regardless of whether any transfer pricing has been used, or its extent, or its alleged misuse.[3]"

Conclusion

Mandatory worldwide combined reporting is contrary to the approach to taxing corporate profits currently employed by all other states and nations with corporate income taxes. Its adoption would have an unpredictable effect on state revenue, impose significant administrative burdens on both the taxpayer and the State, and most importantly would place Maryland at a huge competitive disadvantage among states and would send a

[2] Office of Fiscal and Management Analysis, Indiana Legislative Services Agency, A Study of Practices Relating to and the Potential Impact of Combined Reporting, Oct. 1, 2016.
[3] Final Report of the Commission on Worldwide Combined Reporting for Unitary Businesses Under the Business Profits Tax RSA 77-A:23-b (HB 102, Chapter 12, Laws of 2022)

warning flag to multinational businesses that the state is a hostile environment for business expansion and relocation.

For these reasons, COST urges members of the committee to vote “no” on S.B. 766.

Respectfully,

Leonore Heavey Patrick Reynolds

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

SB766_Marriott_UNF.pdf
Uploaded by: Marta Harting
Position: UNF

Marriott International, Inc.
Corporate Headquarters
7750 Woodmont Avenue
Bethesda, MD 20814

SENATE BILL 766
STATEMENT OF OPPOSITION
BUDGET AND TAXATION COMMITTEE

February 21, 2024

Marriott International, Inc. is a global lodging leader headquartered in Bethesda, Maryland. Since its founding in the 1920s as a small restaurant chain in Washington, DC, the company has grown to comprise more than 8,000 lodging properties in 129 countries and territories, including over 100 hotels and 10,000 associates here in the State of Maryland.

Marriott opposes Senate Bill 766, as it would create a tax regime that is unpredictable, complex to administer, and a potential deterrent to growth.

This bill proposes a wide range of changes to Maryland's tax laws, however our opposition to SB 766 is specifically attributable to the changes that are proposed under 10-402.1 of the Tax General Article. This section of the bill proposes the adoption of a worldwide combined reporting tax framework here in Maryland and would be highly problematic for businesses across the state.

Tax liability resulting from combined reporting can be unpredictable from one year to the next, making financial forecasting more difficult for a multistate company like Marriott. While Marriott's income from operations in Maryland could be relatively steady from year to year, our Maryland income tax liability could vary dramatically under combined reporting depending on the performance of units in other states with variable travel markets and levels of profitability. This unpredictability can be uniquely problematic for a public company attempting to deliver consistent shareholder value. Further, as noted by numerous analysts, this unpredictability can translate more broadly to variable state corporate income tax revenues year over year.

A combined reporting regime adds administrative complexity when making the fact-specific determination of what constitutes a unitary group each year, and when calculating combined income separately instead of relying on federal combined income. This means additional time spent by companies preparing returns, and new responsibilities for auditors now tasked with examining the operations of a multistate taxpayer and its affiliates – instead of just accounting information and tax returns.

Last, as a matter of tax and economic policy, while it is often said that combined reporting "closes loopholes," that is not the case -- it is simply a different tax calculation system. In the process of transitioning to such a system Maryland would invariably pick winners and losers. There are companies like Marriott with headquarters, deep roots and significant operations in Maryland that will be hurt by combined reporting. We ask that the General Assembly balance these impacts against perceived gains and consider other revenue proposals that might offer more stability and predictability. As written, this proposed transition to combined reporting will hurt Maryland-based companies just as much as companies based elsewhere.

Over the years, the state has convened a multitude of workgroups and commissions tasked with analyzing the merits of a combined reporting tax scheme. Each time the findings have fallen short of justifying such a transition here in Maryland, and that remains the case in 2024. For these reasons we urge an unfavorable report on SB 766.

Thank you for your consideration.

Contact:
Travis Cutler
Director, State Government Affairs

Maryland.pdf
Uploaded by: Meredith Beeson
Position: UNF

GLOBAL BUSINESS ALLIANCE

Investing in America

Foreign Direct Investment Strengthens MARYLAND'S ECONOMY

HIGH QUALITY JOBS

117,800 workers in Maryland are employed as a result of international investment.

MANUFACTURING

28,700 workers in Maryland - **24 percent** of all FDI jobs in the state - are in the **manufacturing sector**.

GLOBALLY CONNECTED

Among all international employers, those from the **United Kingdom**, the **Netherlands** and **Canada** support the largest number of jobs in Maryland.

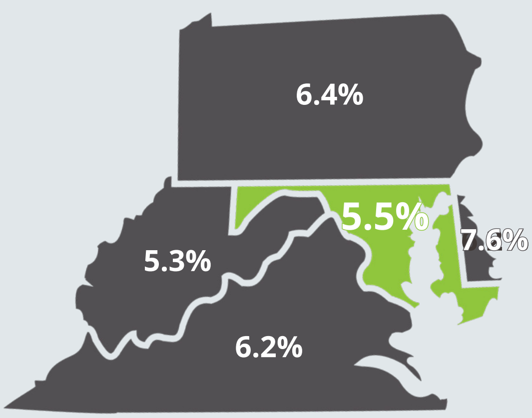
MANY EMPLOYERS

Nearly **830 international employers** have operations in Maryland.

INTERNATIONAL INVESTMENT CONTRIBUTES TO MARYLAND'S ECONOMY

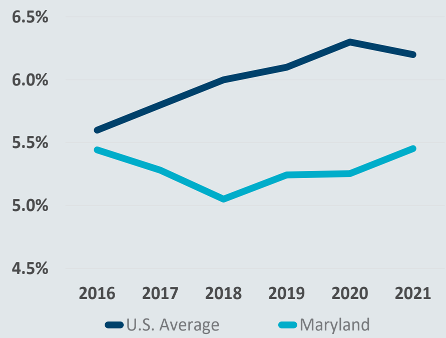
Maryland vs. Its Neighbors

FDI Jobs as a % of Total Employment



Maryland vs. USA

FDI Jobs as a % of Total Employment



Maryland trails the national average in its portion of jobs supported by FDI.

From 2011 to 2021, Maryland's FDI employment...

13%

while the state's overall private-sector employment

6%

DISCOVER THE FULL LIST OF GBA MEMBERS

Nearly 200 international companies comprise GBA's membership, representing a slice of the U.S. economy that provides eight million high-quality jobs that pay an average of seven percent higher compensation than the economy-wide average. Our members are some of the largest international employers in the country. Browse through our membership list using the QR code.

Figures based on the Bureau of Economic Analysis (BEA), Survey of Current Business, *Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2021*, released August 2023, and the Global Business Alliance's *Economic Bedrock Report*, released Fall 2018.

GLOBAL BUSINESS ALLIANCE

Investing in America

Foreign Direct Investment Strengthens AMERICA'S ECONOMY

MANUFACTURING

International companies support **2.8 million** manufacturing jobs, accounting for **23%** of total U.S. manufacturing employment.

INNOVATION

International companies spend more than **$78 billion** on U.S. R&D activities, or **13%** of all R&D performed by U.S. companies.

EXPORTS

U.S. workers of international companies produce **23%** of U.S. exports, shipping **$412 billion** in goods to customers around the world.

SUPPLY CHAINS

For every U.S. job at an international company, **three more** are supported in the U.S. economy.

TAX

International companies pay **24%** of all federal corporate income taxes.

Record Number of FDI Jobs

7.9 MILLION

Nationally, 7.9 million U.S. workers are employed by international companies.

Good-Paying Jobs

$86,859

Across the nation, U.S. workers at international companies earn 7 percent higher compensation than the economy-wide average - making $86,859 annually.

Current Employers Drive Growth

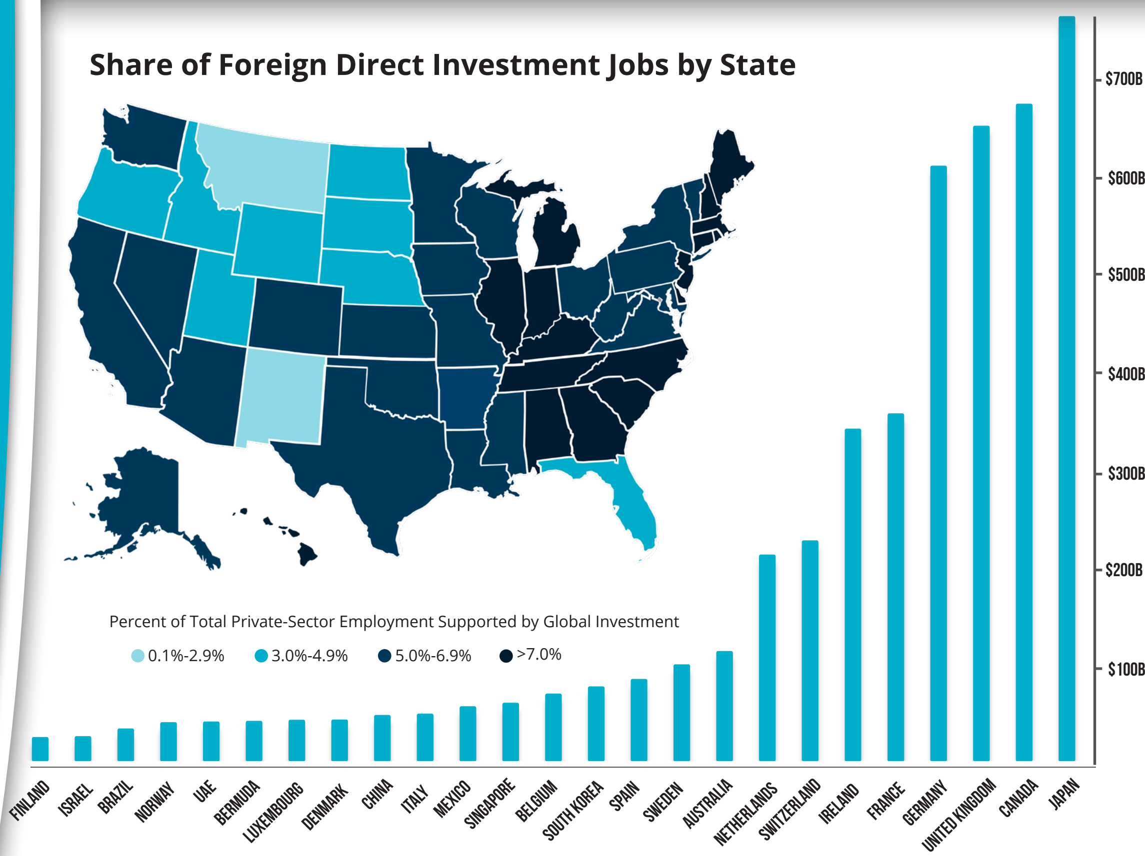
61%

Last year, FDI in the U.S. was driven largely - 61 percent - by reinvesting earnings from current employers, above the historic trend.

From 2016 to 2021, America's FDI employment... 11%

while the country's overall private-sector employment 2%

Share of Foreign Direct Investment Jobs by State



Foreign Direct Investment in America by Country

Figures based on the Bureau of Economic Analysis (BEA), Survey of Current Business, *U.S. International Transactions*, released July 2023; *Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2021*, released August 2023.

MD SB 766_ GBA Letter Final.pdf
Uploaded by: Meredith Beeson
Position: UNF

February 21, 2024

Chair Guy Guzzone
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, MD 21401

Re: GBA Opposes Damaging Worldwide Combined Reporting Provision in SB 766

Dear Chair Guzzone,

On behalf of the Global Business Alliance (GBA), I am writing to express concerns with certain provisions within SB 766 that would impose an untested and widely rejected tax known as mandatory worldwide combined reporting. This approach would make Maryland an international outlier, create revenue volatility for the state and hurt relationships with key trading partners.

GBA represents nearly 200 U.S. companies with a global heritage. Over 800 international companies employ nearly 118,000 Marylanders.[1] Employment at international companies in the state has increased by 13 percent, while Maryland's overall private sector only increased by six percent over the past ten years. Nationally, on average, these firms pay American workers more than $86,000 annually in wages and benefits. See more information on the ways our companies support Maryland's economy.

SB 766 would create an extraterritorial tax system that would impose unfair and inappropriate double taxation on international businesses located in Maryland.[2] Even though over twenty states have implemented combined reporting, **none** has mandated a worldwide combined reporting approach.

In fact, New Hampshire and Maine both recently studied mandatory worldwide combined reporting, only to firmly reject such a policy. To date, every state with combined reporting has opted for a true water's edge methodology. If imposed, mandatory worldwide combining would not only cause erratic revenue but could even reduce corporate tax revenue, endangering the state's funding priorities. See more details enclosed about how revenue may be jeopardized.

[1] Bureau of Economic Analysis (BEA), Survey of Current Business, Activities of U.S. Affiliates of Foreign Multinational Enterprises in 2020, released August 2023.
[2] Mandatory Worldwide Combined Reporting Section 17 10–402.1 in SB 766.

Such a misguided policy would also likely create international disputes with Maryland's top trading partners. In the past, some foreign governments have enacted retaliatory measures in response to states seeking to adopt worldwide combined reporting without a true water's edge protection.

Mandatory worldwide combined reporting, as proposed in SB 766, would adversely affect companies wishing to create jobs. It could also decrease total revenue to the state from existing multinationals. Please see additional information enclosed. For the reasons summarized above, I urge you to reject this misguided tax proposal.

Sincerely,

M. Beeson

Meredith Beeson

Senior Director, State Affairs

Global Business Alliance

Enclosure

cc: Vice Chair Rosapepe, Senator Bailey, Senator Benson, Senator Corderman, Senator Elfreth, Senator Hettleman, Senator Jackson, Senator Jennings, Senator King, Senator McCray, Senator Salling, Senator Zucker and Kimberly Landry, Committee Manager, Senate Budget and Taxation Committee.

Worldwide Reporting Makes Maryland an Outlier

Combined reporting exists in several states, but none mandates an overreaching worldwide approach.

- Under combined reporting, a group of companies files one tax return based on the combined income of an identified "unitary group."
- The typical approach to combined reporting is water's edge, with a minority of states permitting a worldwide option.
- A true water's edge system generally includes only U.S. companies in the combined group, which every state that has imposed combined reporting has done.
- Earlier this year, New Hampshire voted down mandatory worldwide combined reporting after a comprehensive study was completed.

Mandatory worldwide combined reporting creates revenue volatility and will cause litigation.

- Any form of combined reporting may result in increases or decreases in a state's revenue, given that it may increase or reduce a taxpayer's liability, but this volatility is especially true with worldwide combined reporting.
- Revenues collected by the state may decrease:
    - If a non-U.S. company has losses;
    - If a multi-national company's global operations are proportionately less profitable than their domestic operations; or
    - Based upon the use of global data to calculate a group's apportionment of income.
- Without a true water's edge boundary, a myriad of challenges is created for taxpayers and state tax administrators, including access to foreign information, managing cross-border currency conversions, different accounting standards and reporting requirements, and language barriers.
- This is guaranteed to result in significant audit activity and prolonged litigation exposure.

Every state that has considered a mandatory worldwide combined reporting scheme has rejected it.

- Mandatory worldwide combined reporting threatens to impose significant double taxation on non-U.S. companies, is inconsistent with state, federal and international tax norms, and violates principles of U.S. tax treaties.
- Mandatory worldwide reporting will create disputes with treaty partners. In the past, some foreign governments have even enacted retaliatory action in response to states seeking to adopt a tax structure without a true water's edge system.
- Imposing mandatory worldwide reporting will hurt efforts to attract and retain international companies and damage the state's competitiveness.

No other state has imposed mandatory worldwide combined reporting.

- New Hampshire and Maine have both carefully studied mandatory worldwide combined reporting and firmly rejected such a policy.
- Minnesota decided not to adopt mandatory worldwide combined reporting last year.
- Of the small minority of states that even permit worldwide combined reporting, it is only an OPTION, and each provides for a true water's edge designation.

The federal government does not impose worldwide combined reporting.

- The federal government has not had a bill to implement a worldwide combined reporting policy.
- In 2021, approximately 140 countries, including the U.S., agreed to a minimum 15% corporate global minimum tax, which several countries have begun to implement. The details, mechanics and implementation are still to be worked out, but this should alleviate some of the perceived concerns surrounding tax havens.

NFIB_SB766_unfav (2024).pdf
Uploaded by: Mike O'Halloran
Position: UNF

SB766

NFIB-Maryland – 60 West St., Suite 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: Senate Budget and Taxation Committee

FROM: NFIB – Maryland

DATE: February 21, 2024

RE: **OPPOSE SENATE BILL 766** – Fair Share for Maryland Act of 2024

Founded in 1943, NFIB is the voice of small business, advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. With more than 250,000 members nationwide, and nearly 4,000 here in Maryland, we work to protect and promote the ability of our members to grow and operate their business.

On behalf of Maryland's small businesses, NFIB-Maryland strongly opposes Senate Bill 766 – legislation that will alter the rates and rate brackets of the State's income tax law among other changes.

Small business owners, organized as pass-through-entities (PTE) would be negatively impacted under SB766. PTEs generally consist of the following: sole proprietorship, general partnership, limited partnership, limited liability company, or an S-corporation. Those businesses organized as one of the preceding entities are overwhelmingly small business owners.

These small business owners pay "business taxes" through their personal income tax returns. According to the Tax Foundation, Maryland ranks 45th on their State Business Tax Climate Index.

Should the tax brackets be reorganized as called for in SB766, those rates would send Maryland to the bottom of the charts when it comes to business friendliness – something no one in this legislature or administration wants to see.

NFIB strongly supported legislation in 2020 establishing a commission to evaluate the State's current tax systems and make recommendations to ensure Maryland's tax policy is competitive with surrounding jurisdictions and encourages business growth and job creation.

We encourage the General Assembly to revisit the idea of such a commission before passing legislation like SB766 which creates more of a financial web small business owners must work through to ensure they remain competitive and financially viable.

If SB766 were to pass it would send a negative message to entrepreneurs and would-be small business owners hoping to create a future for themselves, their employees and their families.

For these reasons **NFIB opposes SB766** and requests an unfavorable committee report.

SB 766 _jmi_unf.pdf
Uploaded by: William Castelli
Position: UNF

JMI
EQUITY

100 INTERNATIONAL DRIVE SUITE 19100 BALTIMORE, MD 21202 PHONE (410) 951-0200 FAX (410) 637-8360

WWW.JMI.COM

Senate Bill 766 – Fair Share for Maryland Act of 2024.

Position: Unfavorable

JMI Equity is a Maryland based growth equity investment firm which invests in growing software companies seeking to develop into industry leaders. JMI's business activities create both job opportunities and wealth for many Marylanders, including leading pension and endowment funds.

JMI is strongly opposed to the bill's provisions levying a new 8.25% surtax on pass-through entities, like partnerships, whose income exceeds $1 million. To be clear, this tax would not only make the General Partners working at JMI uncompetitive with similar businesses in other states, but it would also levy punitive taxes on JMI's Limited Partners who include prominent Maryland universities, endowments, and healthcare systems.

Pension and endowment plans trust their investments with companies like JMI to generate a greater risk-adjusted return than publicly available investments, like the stock market or U.S. Treasuries. However, if this tax were imposed, there would be no pension fund manager who would invest in a Maryland based investment firm like JMI when 8.25% is taken from the fund's investment gain. The workers and students served by JMI's limited partners would be severely burdened by this tax. It would be financial malpractice for a fund manager to make such an investment.

Maryland would be the only state in the country that imposes an 8.25% tax on the income of all partners – who already are taxed on their income like all other Maryland income earners. A tax like this would force many private equity, finance, accounting, attorneys, and other similar services -- that can easily relocate -- to other states. These companies would not be able to compete for the talent that powers their success.

Finally, such a tax will not realize the projected revenue. Its impact will only drive economic growth and the state tax revenue it generates outside of Maryland thereby putting even more pressure on state budgets. For these reasons, JMI encourages an unfavorable report.

For more information contact Bill Castelli at wcastelli@rwllaw.com

SB 766_Brown Advisory_unf.pdf
Uploaded by: William Castelli
Position: UNF

Senate Bill 766 – Fair Share for Maryland Act of 2024

Position: Unfavorable

Brown Advisory is a private, independent investment and strategic advisory firm based in Baltimore, Maryland. Brown Advisory provides investment solutions to individuals, families and institutions in all 50 U.S. states and in 44 countries and territories around the world.

Brown Advisory is opposed to SB 766 and the punitive taxes it will impose on Brown's traditional investor base and work colleagues. Under this legislation, the 8.25% pass-through entity surtax will make the top combined state and local income tax rate 17.2%. This would be one of the highest in the country exceeding even California and New York City rates (13.3% and 14.7% respectively). And that calculation does not include the increase in top income tax rates included in the bill.

Brown Advisory is also concerned about the unfair impacts the taxes have on businesses based on how they are organized. Brown has been a private, independent and colleague-owned firm since 1998. Our colleagues live in every part of Maryland and each one is an equity owner. Moreover, no one individual owns more than 5% of the company. Because Brown Advisory's equity owners operate as a flow-through entity, the 8.25% surtax will put Brown Advisory at a disadvantage relative to competitors operating in corporate form where ownership is less accessible to employees. Maryland policy should not disadvantage local companies working to diversify ownership and expand equity positions for company workers.

Finally, SB 766 makes the following changes which will hurt many of our clients:

- Increasing the top tax rate for MD state income tax from 5.75% to 7%, and making other bracket modifications
- Adding a 1% surtax on capital gains
- Reducing the estate tax lifetime exclusion amount from $5M to $1M decoupling this rate even further from the federal exclusion

The taxes included in this legislation impact the ability of a firm like Brown Advisory to compete with similar firms nationwide in terms of offering competitive compensation to our colleagues and hurt our investors working to build wealth for retirement, pension funds, and many other worthy goals. Importantly, Brown Advisory's compensation approach allows us to recruit high quality talent from around the country to move to Baltimore and Maryland for high paying jobs, which has enhanced the population and tax base.

For these reasons, Brown Advisory recommends an unfavorable report.

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SB 766 - MACPA Written INFORMATIONAL.pdf
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Position: INFO

SB 766 - Fair Share for Maryland Act of 2024
Senate Budget and Taxation Committee
February 21, 2024
Legislative Position: INFORMATIONAL

Dear Chair Guzzone and members of the Committee,

The Maryland Association of CPAs represents over 8,000 Certified Public Accountants throughout the state. These CPAs work in public practice, private industry, government, non-profit, and education.

We offer the following brief technical information with respect to three components of SB 766. Our subject matter experts would be pleased to discuss these further should you desire additional information.

1. ***For proposed new section 10-102.2***
   Income earned in Maryland by LLCs (Limited Liability Companies) and other "pass-through entities" (PTEs) such as Partnerships and S-Corporations is currently fully taxable in Maryland. It is entirely inaccurate to assert that this income is exempt from federal and state income tax. In some cases, the income is taxed on a "flow-through" basis on the Maryland income tax returns of the entities' members – at the 8.25% corporate income tax rate if the member is a corporation, and at the full Maryland state-plus-local income tax rate (as much as 8.95%) if the member is an individual. In other cases, Maryland has an election for the entity to pay the tax itself at an 8.25% or 8% tax rate. In both cases, Maryland income tax is paid on 100% of the PTE's taxable income, regardless of whether the members received any of that income in cash or not. Additionally, it is misleading to characterize this method of taxing pass-through entities' income as a "loophole". It is not an "unintentional consequence" or a "shortcoming of legislation wording"; rather, it is a deliberate policy adopted into the federal Internal Revenue Code and by the states.

2. ***For proposed new section 10-105(a)(3)***
   Maryland fully taxes capital gain income at the full state-plus-local income tax rate – 8.25% for corporations and up to 8.95% for individuals. Capital gain income is included in total Maryland taxable income the same as all other types of income. Unlike federal income tax, Maryland does not apply a special reduced tax rate to capital gain income. Therefore, it is accurate to assert that capital gain income *is* already taxed by Maryland "the same as income from work," such as W-2 income.

3. ***For proposed new section 10-402.1***
   Combined reporting will require time for proper implementation, and likely funding for additional Comptroller's Office personnel. And, the arithmetic of combined reporting (e.g., it results in some corporations paying more tax and other corporations paying less tax) should be taken into account when forecasting what, if any, additional revenues will be generated resulting from its adoption.

Combined reporting is a complex method for calculating the portion of income that is deemed related to business activities conducted in Maryland and that therefore can be taxed by Maryland. For example, the determination of which related corporations are to be included in the combined group requires more than just a view to common ownership but also an analysis of which corporations together conduct a "unitary business," a Constitutional concept outlined in several decisions of the US Supreme Court. Adoption of this method for corporate income taxation will require time for the Comptroller's Office to program its processing system, develop new forms and related instructions, issue regulations, train staff on the concepts, and inform taxpayers and tax professionals with respect to the new rules. This process is essential for taxpayers to adjust their accounting and reporting systems to gather the intricate business data needed for proper determinations and tax compliance as well as the related financial statement reporting issues. While other states may serve as models, all of this must be tailored specifically to Maryland. The bill's proposed delayed effective date of January 1, 2028 recognizes that there is an implementation period.

The complex nature of a combined reporting regime will likely also require additional funding for the Comptroller's Office to hire at appropriate salaries the additional high-level experienced tax professionals to help implement and manage a combined reporting regime. In the beginning, resources may be available from outside the Comptroller's Office, such as advice from the staff of other states' Departments of Revenue and the Multistate Tax Commission; however, for the long term it will be crucial to establish staff capabilities within the Comptroller's Office.

Combined reporting is all about arithmetic – what numbers go into the numerator and denominator of the fraction, the percentage, that is multiplied against total income to arrive at the amount that is applicable to and taxable by Maryland. The arithmetic shows, and the Comptroller's actual collected data supports the conclusion that some corporate groups will pay more Maryland income tax under combined reporting and that some other corporate groups will pay less Maryland tax. The results may apply to corporations of all sizes, from small to large, and also to corporations that do not engage in intercompany transactions for "income shifting" either internationally or locally. We note that 2004 Maryland legislation established Tax-General Article Section 10-306.1 which removes the tax deductions that previously raised significant concerns and led to audit adjustments. It is advisable that these aspects be considered when evaluating what, if any, additional revenue will be generated by implementing combined reporting.

A shift to combined reporting would have a favorable impact on some businesses, while adversely impacting others in both the tax amount paid and the administrative intricacies of their tax determinations. As CPAs, we serve businesses in both scenarios and, therefore, refrain from endorsing or opposing the adoption of combined reporting in Maryland law. Our primary concerns involve the need for ample time and processes for preparation and implementation of the change, by the Comptroller's Office, tax professionals like CPAs, and the taxpayers. Organizations such as the MACPA will play a vital role in disseminating information about new requirements. Without expressing support or opposition to the proposed change to combined reporting, we respectfully request that you consider the points presented above.

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For more information, please contact MaryBeth Halpern marybeth@macpa.org or Nick Manis nmanis@maniscanning.com.