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TESTIMONY OF SENATOR SHELLY HETTLEMAN
SB 859 – FAIR SHARE FOR MARYLAND ACT OF 2025

SB 859, the Fair Share for Maryland Act of 2025 is a bill about fairness and ensuring that our tax system reflects the values we hold as Marylanders. For too long, the wealthiest individuals and large corporations have benefited from a system full of loopholes and inequities, while middle and low-income families have shouldered a disproportionate share of the tax burden. We must correct this.

In a year in which Marylanders are grappling with rising costs, economic uncertainty, and the looming reality of budget constraints, it is more critical than ever to adopt a comprehensive, forward-thinking revenue plan that ensures stability without shifting the burden onto working families. Inflation continues to stretch household budgets, federal funding uncertainties put essential state programs at risk, and difficult fiscal decisions lie ahead. The Fair Share for Maryland Act provides a more sustainable and equitable path forward. This bill is designed not just to help meet immediate fiscal needs, but to encourage long-term stability, protect vital services, and prevent the kind of cuts that disproportionately harm middle and low-income Marylanders. At a time when our state must be bold and strategic in its financial decisions, this plan offers the most effective way to safeguard Maryland's future.

Currently, Maryland's current tax system is regressive, meaning that lower and middle-income families pay a higher percentage of their income in taxes than the wealthiest 1%. https://itep.org/whopays/maryland-who-pays-7th-edition/. While Marylanders earning under $100,000 bear a heavy tax burden, multi-millionaires and large corporations benefit from outdated tax policies that allow them to contribute less than their fair share. This bill corrects these inequities by introducing a more progressive tax system that provides sustainable revenue for critical services like education, healthcare, transportation, and public safety. SB 859 does not increase taxes for anyone earning under $250,000 individually or $300,000 jointly—in fact, many working families will see cost reductions. Instead, it restores fairness by making necessary changes, including:

- Creating new tax brackets for individuals earning over $250,000, $500,000, and $1 million, ensuring that Marylanders with the highest incomes contribute more proportionally rather than being taxed at the same rate as those making just above the

current threshold. However, this change does not raise taxes on anyone earning less than $250,000 and simply ensures that higher earners contribute proportionally.
- Imposing a 1% tax on net investment income over $350,000, which captures passive income sources like dividends, royalties, and capital gains that disproportionately benefit the wealthiest Marylanders.
- Changing the millionaire estate tax exemption to $2 million, preventing ultra-wealthy estates from avoiding taxation at the expense of critical state funding.
- Introduces income tax recapture. This change ensures that the wealthiest Marylanders pay the top rate on all their income, not just on the income above a certain threshold, by eliminating the marginal rate structure for top earners.
- Expands the Earned Income Tax Credit (EITC) to provide greater financial relief to low- and moderate-income workers.
- Closes the LLC loophold that allows many large businesses to be exempt from the corporate income tax.
- Returns net operating loss (NOL) cap to pre-2017 level of 50% by limiting the amount of NOL's that can be deducted in any given year, delaying the deductions and spreading them out over a longer period, preventing revenue volatility in our budget.
- Expands the Child Tax Credit to cover all children under 18. Ensures that families making up to $65,000 for joint filers and $45,000 for single filers receive the full child tax credit, with partial benefits extending to $85,000 for joint filers and $65,000 for single filers.
- Requiring combined reporting for corporate income tax, closing loopholes that allow multi-state corporations to shift profits elsewhere and avoid paying Maryland taxes.https://www.cbpp.org/research/state-budget-and-tax/lets-end-corporate-tax-avoidance-in-maryland-by-enacting-worldwide ; https://itep.org/states-could-raise-19-billion-a-year-with-one-policy-change-targeting-corporate-tax-avoidance/
- Imposing a 2.5% Business Transportation Fee (that would go to the Transportation Trust Fund) on corporate and pass-through entity taxable income exceeding $10 million, ensuring that the largest and most profitable companies contribute to infrastructure improvements that benefit all Marylanders.

SB 859 is not about punishing success, rather, it's about ensuring that those who benefit most from our economy contribute fairly to maintaining the services we all rely on. Public education, healthcare, infrastructure, and public safety are not free, and right now, our tax code is failing to generate the revenue needed to sustain them equitably.

We all benefit from a strong, well-funded state. One where schools are of the highest quality, where roads and bridges are safe, where public transit runs reliably, and where families can access healthcare without fear of financial ruin. That requires revenue, and it requires a system where everyone pays their fair share. Economic fairness for all will not push people out of the state. https://itep.org/marylands-tax-reform-likely-wont-cause-millionaire-migration/

With SB 859, Maryland has an opportunity to lead on tax fairness, following the example of states that have successfully implemented progressive tax policies that have strengthened their economies without harming growth.

This bill reflects fiscal responsibility and fairness—it is not about raising taxes on everyday Marylanders, which in reality, will mostly receive net income increases. This bill is primarily about closing unfair loopholes and ensuring the wealthiest pay what they truly owe. To build a stronger, fairer Maryland.