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**SB 987 Corporate Income Tax - Addition Modification - Direct-to-Consumer  
Pharmaceutical Advertising  
Senate Budget and Taxation Committee  
March 11, 2026  
FAVORABLE**

Good afternoon, Chair Guzzone, Vice Chair Rosapepe, and members of the Budget and Taxation Committee. Thank you for the opportunity to submit testimony in support of Senate Bill 987. We thank Senator Lewis Young for sponsoring this legislation.

My name is Sara Westrick, Advocacy Director for AARP Maryland, one of the largest membership-based organizations in the state, with approximately 850,000 members. We represent the interests of Maryland's over 50 population and bring the lived experiences, concerns, and priorities of our members to the discussion table, ensuring that policy decisions reflect the needs of older adults.

SB 987 creates a new corporate income tax requiring certain pharmaceutical companies to add back expenses related to direct-to-consumer (DTC) advertising for prescription drugs when calculating Maryland taxable income.

This policy is both timely and urgently needed, particularly in light of the drastic impacts on Maryland Medicaid from the federal HR1 legislation, which has placed the program under enormous fiscal pressure. As a result of federal reductions and cost-shifting provisions, Maryland is now facing higher administrative burdens, increases in costs with fewer federal dollars available, and greater volatility, with Marylanders likely cycling on and off Medicaid, increasing program churn and downstream costs.

Without new, reliable state revenue sources, Maryland risks losing ground on affordability, access, and continuity of care. To that end, SB 987 offers a fiscally responsible solution that does not burden Maryland families or small businesses. By requiring large pharmaceutical manufacturers and outsourcing facilities to add back their federal tax deduction for direct-to-consumer drug advertising, Maryland can recapture revenue from a sector that spends billions annually on consumer advertising campaigns. This also aligns tax policy with public health priorities, discouraging marketing practices that can drive up unnecessary utilization and overall drug spending. In addition, the bill ensures that the revenue collected is used directly to stabilize the state's health coverage system.

This bill does not tax drug development, manufacturing, or research. It targets only the advertising deductions that currently allow drug companies to reduce their taxable income with expenses that do not directly contribute to innovation or patient care.

Most importantly, the bill dedicates the foreseen revenue to two critical areas: 1) Medicaid Eligibility Operations and 2) Maryland Health Benefit Exchange Subsidy Programs.

SB 987 would invest \$5 million per year into Medicaid eligibility operations, which could be used to improve IT systems and support navigator assistance to help seniors and their caregivers navigate the new administrative requirements. New Medicaid administrative requirements under HR 1 will disproportionately harm older adults starting in 2027, when there will be new work-reporting requirements and six-month redeterminations for adults receiving Medicaid through the Affordable Care Act expansion.

In Maryland, most Medicaid recipients are either working or have valid reasons for not working, such as attending school, serving as a caregiver, or having a disability.<sup>1</sup> However, in states that have already instituted work reporting requirements, eligible recipients have fallen through the cracks and lost their coverage due to the increased bureaucratic hurdles. Older adults ages 50-64 are particularly at risk as they face higher rates of disability and greater health care needs. In addition, family caregivers for seniors will face more paperwork to maintain their own health coverage, putting the well-being of the older adults in their care at risk. SB 987 would help reduce red tape and ensure adequate staffing to help Medicaid recipients navigate the new requirements to they can keep their health coverage.

SB 987 would also help reduce premiums for families who purchase coverage on the individual market and ensure Marylanders can get necessary health care. Congress's termination of the enhanced federal tax credits for private health coverage is already disproportionately harming adults ages 50-64. This age group accounts for about half of individual market enrollees with incomes above 400 percent of the federal poverty level, meaning their premium assistance has been eliminated. Age-based rating also means that costs are much higher for older adults than for younger enrollees in the same income bracket, even for adults who are still eligible for some premium assistance and are under 400% of the federal poverty level. Many enrollees ages 50-64 were already enrolled in one of the lowest-premium plans available to them before the federal cuts to tax credits, which means their ability to downgrade to a lower-cost plan is limited. All of this means that older adults have been losing access to quality, affordable health coverage, often when they need it the most. SB 987 would provide much-needed relief.

In a year when the HR1 bill created extraordinary fiscal and operational challenges for Maryland Medicaid, SB 987 provides the state with a sustainable tool to protect health coverage, support vulnerable populations, and ensure people can access the health care they need.

For all these reasons, AARP Maryland urges the committee to give a favorable report on SB 987.

If you have any questions, please contact Sara Westrick, AARP Maryland Advocacy Director, at [swestrick@aarp.org](mailto:swestrick@aarp.org) or by phone at 410-310-0374.

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<sup>1</sup> Natalie Kean and Gelila Selassie, "Work Requirements Would Cut Medicaid for Older Adults," *Justice in Aging*, June 24, 2025, <https://justiceinaging.org/fact-sheet-work-requirements-would-cut-medicaid-for-older-adults>.