



TESTIMONY TO THE BUDGET AND TAXATION COMMITTEE

SB0987: Corporate Income Tax- Addition Modification-Direct-to-Consumer Pharmaceutical Advertising

POSITION: Support

BY: Linda Kohn, President

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The League of Women Voters of Maryland is a nonpartisan organization that works to influence public policy through education and advocacy. In 1999 it adopted criteria to evaluate state revenue sources. One guideline measures compatibility of tax policy with social and environmental policy, to ensure that the state's policy and tax structure work towards the same ends, and not at cross purposes.

The League thus supports Senate Bill 987, which would eliminate Maryland tax deductions for costs incurred by drug companies on direct-to-consumer (DTC) prescription drug advertising.

SB 987 is similar to recent bipartisan federal legislation introduced last year. The "No Handouts for Drug Advertisements Act,"¹ (H.R. 3010) would amend the tax code to eliminate the federal tax deduction for DTC prescription drug advertising expenses. At present, drug companies are permitted to deduct the costs for DTC advertising as "ordinary and necessary" business expenses. But this advertising has far from "ordinary and necessary" consequences, as it results in enormous profits for drug companies, while driving up costs for consumers and adversely affecting patient-provider relationships.

Additional tax revenue generated by passage of SB 987 would help fund the crucial Maryland health insurance subsidy programs helping Marylanders afford health insurance, including the State-Based Health Insurance Subsidies Program, and the State-Based Young Adult Insurance Subsidies Program. Maryland's state subsidy programs are even more important now that Congress allowed premium tax credits (the Affordable Care Act program that had helped 190,000 Marylanders buy health insurance through the Health Benefit Exchange) to expire on Dec. 31, 2025.

Other tax revenue would help Maryland pay the multi-million dollar costs associated with creating the IT systems and hiring the additional health navigators needed to implement and administer the new Medicaid work requirement program and more frequent Medicaid eligibility renewals mandated by last year's federal One Big Beautiful Bill Act (H.R. 1).

The additional tax revenue generated by passage of SB 987 will help fund state subsidy programs and the new administrative infrastructure needed to help more Marylanders afford and keep their health insurance. Supporting programs to ensure greater access to affordable, quality health care is a key goal of the League of Women Voters' Health Policy. The League of Women Voters of Maryland and its 2,000 members urge a favorable report on Senate Bill 987.

¹ <https://murphy.house.gov/media/press-releases/murphy-introduces-legislation-eliminate-tax-deduction-drug-advertising>