

**Written Testimony Submitted to
the Maryland House Ways and Means Committee
Regarding House Bill 880**

February 24, 2026

Chair, Vice-Chair, and Members of the Committee,

Thank you for the opportunity to submit testimony in support of House Bill 880, which would decouple Maryland from federal corporate tax changes on the expanded bonus depreciation and business interest deductions. My name is Miles Trinidad, and I am a state analyst with the Institute on Taxation and Economic Policy (ITEP), a nonpartisan research organization based in Washington, D.C., specializing in state, local, and federal tax policy with a focus on equity sustainability.

The business depreciation rule is one of the most expensive features of the new federal law for states. It allows businesses to write off the full cost of machinery and equipment in the first year they are placed in service, rather than spreading that cost over the useful life of the asset. It also provides a new, temporary 100 percent write-off for manufacturing plants. What this means is that a highly profitable corporation could make it appear that it does not have any taxable profits at all, so long as it is buying up equipment and building factories. In other words, rather than spreading out the deduction over assets' useful lives, bonus depreciation bunches all deductions into year one, creating a massive upfront tax break. Many of the investments subsidized by this tax break will occur outside of Maryland. So conformity would mean Maryland is spending money to subsidize non-Maryland capital investments at the expense of funding for Maryland schools, health care, and other services.

The changes to business interest deductibility loosens the cap on how much interest on loans can be deducted and returns this cap back to the looser limits imposed by the 2017 federal tax law. Returning to this cap is problematic because limits on interest deductibility help prevent corporations from excessively

Maryland should decouple from these provisions to protect its revenue base and ensure that the state's tax policies are designed to best support its own residents and economy.ⁱ

For these reasons, I urge a favorable report on House Bill 880.
Thank you for your consideration.

Miles Trinidad
State Policy Analyst
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ⁱ Nick Johnson and Michael Mazerov. “Why States Shouldn’t Go Along With OBBBA’s Corporate Tax Breaks: A Practical Guide.” October 27, 2025. Available at: <https://itep.org/states-obbba-corporate-tax-breaks-a-practical-guide/>