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**Written Testimony to the House Ways and Means Committee
HB 801 - Income Tax - Addition Modifications - Business Stock Gains, Fines, Penalties,
and Bonus Depreciation
February 26, 2026**

FAVORABLE

Chair Wilkins and Members of the Committee - AFT Maryland asks for a favorable report on HB 801, a bill that represents a critical step to help protect our state's revenue stream.

This bill is about basic fairness. Currently, certain federal tax treatments allow businesses to deduct expenses related to legal settlements or government fines, effectively allowing taxpayers to subsidize corporate misconduct. This legislation closes this loophole by requiring these amounts to be added back to Maryland's taxable income. This ensures that a penalty for breaking the law remains a true penalty and does not become a tax-deductible "cost of doing business".

Decoupling from federal bonus depreciation and expensing rules is needed to create a level playing field between small Maryland-based businesses and massive out-of-state corporations.

While federal "bonus" depreciation is often framed as an investment incentive, in practice, it allows corporations to zero out their tax liability in the short term, shifting the tax burden onto small businesses that lack the capital for immediate equipment purchases. By modifying these depreciation rules, HB 801 promotes a more stable and equitable tax structure that rewards long-term investment rather than short-term maneuvering.

Finally, HB 801 addresses the "Heavy SUV" loophole by aligning the depreciation of luxury heavy vehicles with standard passenger vehicle limits. This prevents a tax system where wealthy individuals and businesses can receive a larger tax break for a luxury vehicle than for a standard work vehicle.

Collectively, the modifications in HB 801 are about transparency and integrity. They ensure that Maryland's tax code reflects Maryland's priorities, rather than automatically following federal shifts that favor the wealthy. We urge a favorable report on HB 801. Thank you.

