



FEBRUARY 26, 2026

# Maryland Should Not Double Down on H.R. 1 Corporate Tax Giveaways

## Position Statement in Support of House Bill 1080

*Given before the House Ways and Means Committee*

Federal legislation passed in 2025 provided \$4.5 trillion in new tax breaks that overwhelmingly benefit investors, large corporations, and ultra-wealthy individuals. At the same time, the legislation is threatening essential food assistance and health care for thousands of Marylanders and straining the state budget. Absent legislative action, the law is expected to add \$588 million to the general fund deficit between FY 2026 and 2031. The Maryland Center on Economic Policy supports House Bill 1080 because it would decouple Maryland from two major business tax breaks in H.R. 1 and may prevent upward of \$90 million in annual revenue loss.

House Bill 1080 decouples from two business tax breaks in the 2025 federal megabill:

**Foreign-derived deduction-eligible income (FDDEI)** is a tax break on profits from intellectual property produced in the United States and sold abroad, previously known as foreign-derived intangible income (FDII):<sup>i</sup>

- While the deduction is intended to encourage exports, it cannot serve this purpose at the state level, since it equally subsidizes qualified profits related to activity in any state. A company can reduce its Maryland tax responsibility with FDDEI produced in California.
- Because Maryland's corporate income tax uses single sales factor apportionment, we already do not tax profits from overseas sales. Conforming to FDDEI allows corporations to double-deduct this income.
- This tax break primarily benefits massive global corporations, especially California-based tech behemoths. Fifteen companies alone claimed \$13.9 billion in federal tax breaks through FDII in 2023, including Alphabet (parent company of Google, \$3.9 billion), Meta (parent company of Facebook, \$2.0 billion), Amazon (\$1.4 billion), and Nvidia (\$1.4 billion).<sup>ii</sup>
- 19 states have already decoupled from FDDEI or its predecessor – a diverse group including California, Pennsylvania, both Carolinas, Massachusetts, Mississippi, and Utah.
- **Maryland may regain about \$93 million each year decoupling from FDDEI**, according to the Institute on Taxation and Economic Policy.<sup>iii</sup>

H.R. 1 makes permanent the **Opportunity Zones** subsidy program established under the 2017 tax overhaul, with modest changes:<sup>iv</sup>

- While the program's stated purpose is to encourage economic development in struggling areas, it functions by deferring and in many cases eliminating investors' capital gains income, among the most concentrated categories of income along lines of income, wealth, and race and ethnicity.

- Multiple empirical analyses have found that Opportunity Zones subsidies have had small or nonexistent impacts in the areas they are ostensibly intended to benefit.<sup>v</sup> This is in line with repeated findings by the Department of Legislative Services that a wide range of Maryland’s tax subsidy programs are ineffective.<sup>vi</sup>
- House Bill 1080 prohibits designation of new Opportunity Zones in Maryland and decouples from expanded tax deductions for certain Opportunity Zone investments.

## What Do We Value?

Sufficient tax revenue is essential for supporting the investments that make Maryland a good place to live, work, and do business – such as schools to train tomorrow’s workforce, roads to bring workers to jobs and goods to market, and courts to enforce contracts.

Lawmakers this year face a stark choice. We face a projected general fund structural deficit of \$2.3 billion in FY 2028, growing to \$4.1 billion within five years. The math is simple: To meet the state’s constitutional balanced budget requirement, we will need to either raise significant new revenue or enact further, deeper cuts into public services like education, child care, and transportation.

These cuts would undermine precisely the investments that make Maryland’s economy strong. Surveys of corporate leaders make clear that taxes are not among their most important considerations when deciding where to locate.<sup>vii</sup> They place more value on factors like access to skilled labor, responsive government, and quality of life, all of which depend on sufficient public investment. Shareholders and executives may wish to pay less in taxes, but the revenue loss would ultimately make Maryland a less attractive place to do business.

Maryland’s corporate tax system already offers generous breaks to many wealthy multinational corporations because we have not closed major loopholes that most other states have addressed. We can’t afford to provide another boost to CEOs and shareholders while so many Maryland families are struggling to afford basics like rent, utilities, and food.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 1080.**

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## Equity Impact Analysis: House Bill 1080

### *Bill summary*

House Bill 1080 would:

- Decouple Maryland from the federal deduction for foreign-derived deduction-eligible income (FDDEI), formerly foreign-derived intangible income
- Prohibit designation of new Opportunity Zones in Maryland
- Decouple from expanded tax deductions for certain Opportunity Zone investments

### *Background*

H.R. 1, the 2025 federal megabill, cut federal taxes for Maryland Households by about \$9.5 billion per year,<sup>viii</sup> and under current law is expected to reduce state revenues by more than \$200 million across FY 2026 and 2027.<sup>ix</sup>

### *Equity Implications*

House Bill 1080 would likely make Maryland’s tax code more equitable along lines of income, wealth, and race and ethnicity. By their design, both provisions affected by the bill only benefit households that either own business equity or have capital gains income. Multiple intersecting areas of historical and continuing racist policy have made household wealth in the United States heavily lopsided.<sup>x</sup> Analysis in recent years shows that the wealthiest 10% of white households nationwide (about 6% of all households) control nearly two-thirds of all built-up wealth.

Furthermore, revenue gained by enacting House Bill 1080 would protect public services that support broadly shared opportunity and enable struggling households to afford necessities, such as public schools, child care assistance, and Medicaid.

### Impact

House Bill 1080 would likely **improve racial and economic equity** in Maryland.

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<sup>i</sup> Carl Davis, “It’s Time for States to Jettison Nonsensical FDDEI Deductions,” Institute on Taxation and Economic Policy, 2026, <https://itep.org/state-corporate-taxes-foreign-derived-deduction-eligible-income-2026/>

<sup>ii</sup> Joe Hughes and Spandan Marasini, “Fifteen Companies Each Avoided More than \$1 Billion in Taxes from a Single Trump Tax Cut,” Institute on Taxation and Economic Policy, 2024, <https://itep.org/corporate-tax-avoidance-trump-tax-cut-fdii/>

<sup>iii</sup> Davis, 2026

<sup>iv</sup> Eli Byerly-Duke, “State Tax Dollars Shouldn’t Subsidize Federal Opportunity Zones,” Institute on Taxation and Economic Policy, 2025, <https://itep.org/state-tax-shouldnt-subsidize-federal-opportunity-zones/>

<sup>v</sup> Kevin Corinth, David Coyne, Naomi Feldman, and Craig Johnson, “The Targeting of Place-Based Policies: The New Markets Tax Credit Versus Opportunity Zones,” National Bureau of Economic Research working paper, 2025, <https://www.nber.org/system/files/chapters/c15066/c15066.pdf>

Naomi Feldman and Kevin Corinth, “The Impact of Opportunity Zones on Commercial Investment and Economic Activity,” Social Science Research Network working paper, 2023, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4086056](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4086056)  
Matthew Freedman, Shantanu Khanna, and David Neumark, “The Impacts of Opportunity Zones on Zone Residents,” University of California, Irvine, 2021, <https://www.brookings.edu/wp-content/uploads/2021/01/Neumark-et-al.pdf>

<sup>vi</sup> Katylee Cannon, Heather MacDonagh, Robert Rehrmann, and Charity Scott, “Evaluation of the One Maryland Economic Development Tax Credit,” Department of Legislative Services, 2022,

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[https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation\\_More\\_Jobs\\_for\\_Marylanders\\_Program.pdf](https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_More_Jobs_for_Marylanders_Program.pdf)

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Victoria Gruber and Ryan Bishop, “Innovation Investment Incentive Tax Credit Evaluation Letter,” Department of Legislative Services, 2023, <https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Review-of-the-Innovation-Investment-Incentive-Tax-Credit.pdf>

Tatiana Hill, Heather MacDonagh, Brett Ogden, and Charity Scott, “Evaluation of the Credit for the Purchase of Cybersecurity Technology or Services,” Department of Legislative Services, 2023,

[https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation\\_Credit\\_for\\_Purchase\\_of\\_Cybersecurity\\_Technology\\_or\\_Services.pdf](https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Credit_for_Purchase_of_Cybersecurity_Technology_or_Services.pdf)

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<sup>vii</sup> Andy Greiner, “39<sup>th</sup> Annual Corporate & 21<sup>st</sup> Annual Consultants Surveys: What Business Leaders and Consultants Are Saying about Site Selection,” *Area Development*, 2025, <https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/q1-2025/39th-annual-corporate-21st-annual-consultants-surveys-what-business-leaders-and-consultants-are-saying-about-site-selection.shtml>

<sup>viii</sup> Steve Wamhoff, Carl Davis, Joe Hughes, and Jessica Vela, “Analysis of Tax Provisions in the Trump Megabill as Signed into Law: National and State Level Estimates,” Institute on Taxation and Economic Policy, 2025, <https://itep.org/tax-provisions-in-trump-megabill-national-and-state-level-estimates/#statedata>

<sup>ix</sup> *60 Day Report*, 2025

<sup>x</sup> Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, “Advancing Racial Equity with State Tax Policy,” Center on Budget and Policy Priorities, 2018, <https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>