

# Billionaires Must Pay their Fair Share

## Position Statement in Support of House Bill 1238

*Given before the House Ways and Means Committee*

Maryland has the ninth-highest concentration of extreme wealth nationwide, and Maryland's ultrawealthy just received a windfall from the Trump administration's signature 2025 megabill, even as that law took health insurance and food assistance from thousands of Marylanders and added to the state's deficit. Asking the ultrarich to pay their fair share would protect the public services we all rely on and build opportunity across our state. For these reasons, the Maryland Center on Economic Policy supports House Bill 1238.

Only seven states and the District of Columbia have higher concentrations of extreme wealth than Maryland, according to the Institute on Taxation and Economic Policy.<sup>i</sup> Meanwhile, ultrawealthy individuals are often able to leverage their assets to support lavish lifestyles while maintaining very low levels of taxable income. A 2021 White House study found that the wealthiest 400 families nationwide pay only 8.2% of their income in federal income taxes, based on an income measure that realistically reflects their resources.<sup>ii</sup> In comparison, Marylanders overall paid 14.0% of their income in federal income taxes in tax year 2022.<sup>iii</sup> As one example, while Jeff Bezos saw his net worth grow by about \$20 billion per year between 2014 and 2018, he paid less than 1% of this amount in federal taxes, according to an analysis by *ProPublica*.<sup>iv</sup>

Tax avoidance by the ultrarich is an important contributor to racial injustice. White households control 92% of assets held by the ultrawealthy nationwide, according to the Institute on Taxation and Economic Policy.<sup>v</sup> Worldwide, less than 1% of billionaires are Black.<sup>vi</sup> Meanwhile, billionaire tax avoidance undermines services from transportation to education and child care that build opportunity for working families of all backgrounds.

House Bill 1238 would push back against this type of egregious but perfectly legal tax avoidance. The bill would levy a graduated one-time tax on Maryland billionaires' net worth, with rates ranging from 3% on assets just over the \$1 billion threshold to 6% on assets in excess of \$5 billion.

**This one-time tax would likely raise well over \$656 million**, according to analysis by the Institute on Taxation and Economic Policy.<sup>vii</sup> This revenue would help reduce the state's structural deficit and offset lost federal funding.

A second provision of the bill, a "fair share" surtax on some billionaires' taxable income, would likely require significant revision to raise meaningful revenue. As introduced, this surtax is calculated based on the state's *narrowest* income measure, but ultrawealthy tax avoidance functions by excluding resources from *all* conventional income measures used in federal and state tax policy. Under reasonable assumptions, the surtax as introduced might cost the most aggressive and successful billionaire tax avoiders a few hundred dollars at most.<sup>viii</sup>

Maryland has multiple options to ensure the ultrawealthy pay their fair share. In addition to the measures in House Bill 1238, the following policies would make a meaningful difference:

- Expand the state’s capital gains surcharge to include other sources of income derived from wealth rather than work, such as dividends, interest, rents, and royalties.
- Strengthen the state’s estate and inheritance taxes, which today allow superrich heirs to inherit fortunes while paying little in taxes.
- Tax unrealized capital gains on assets that have gained value but not been sold. By borrowing against these assets, superrich individuals can finance lavish consumption without generating taxable income.
- End the stepped-up basis loophole that allows heirs to zero out *all* previous capital gains on a decedent’s assets. In combination with the use of unrealized capital gains as collateral, this loophole enables the superrich to pay *zero* on millions in income.
- Look beyond billionaires. Only 1 out of 500 Maryland households has built-up wealth exceeding \$30 million, and this still-tiny group’s combined assets dwarf those of billionaires alone by more than a factor of 20. Taxing this group would generate significantly more revenue to support essential public services.

House Bill 1238 represents an important first step to ensure that the tiny elite with stratospheric wealth contribute to the services we all rely on.

**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 1238.**

## **Equity Impact Analysis: House Bill 1238**

### *Bill summary*

House Bill 1238 levies a one-time net worth tax on billionaires and establishes a surtax on billionaires with extremely low taxable incomes.

### *Background*

Maryland has the ninth-highest concentration of extreme wealth nationwide. Maryland accounts for 1.9% of the United States population, but 2.6% of wealth held by households with net worth over \$30 million.

A 2021 White House study found that the wealthiest 400 families nationwide pay only 8.2% of their income in federal income taxes, based on an income measure that realistically reflects their resources.

### *Equity Implications*

Effectively taxing billionaires would make Maryland’s tax code fairer. Multiple intersecting areas of historical and continuing racist policy have made household wealth in the United States heavily lopsided. White households control 92% of assets held by the ultrawealthy nationwide. Worldwide, less than 1% of billionaires are Black.

Furthermore, revenue gained by enacting House Bill 1238 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 1238 would likely **improve racial and economic equity** in Maryland.

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<sup>i</sup> Carl Davis, Emma Sifre, and Spandan Marasini, “The Geographic Distribution of Extreme Wealth in the U.S.,” Institute on Taxation and Economic Policy, 2022, <https://itep.org/the-geographic-distribution-of-extreme-wealth-in-the-u-s/>  
In this ITEP report, “extreme wealth” refers to assets held by households with net worth exceeding \$30 million.

<sup>ii</sup> Davis et al., 2022

<sup>iii</sup> IRS Historic Table 2: Tax Year 2022

<sup>iv</sup> Jesse Eisinger, Jeff Ernsthause, and Paul Kiel, “The Secret IRS Files: Trove of Never-Before-Seen Records Reveal How the Wealthiest Avoid Income Tax,” *ProPublica*, 2021, <https://www.propublica.org/article/the-secret-irs-files-trove-of-never-before-seen-records-reveal-how-the-wealthiest-avoid-income-tax>

<sup>v</sup> Davis et al., 2022

<sup>vi</sup> “Forbes: These Are the World’s 21 Black Billionaires,” *The Atlanta Journal-Constitution*, 2025, <https://www.ajc.com/life/celebrities/forbes-these-are-the-worlds-15-black-billionaires/PRWODTCBXNHZLLSQTZOHU5Y3B4/>

<sup>vii</sup> Davis et al., 2022

<sup>viii</sup> Maryland residents paid an *average* “effective tax rate” of 4.64% in tax year 2024, as defined under current law. If this were the *median* effective tax rate, a billionaire who managed to reduce their Maryland taxable income to \$10,000 (not including any realized capital gains) would pay \$322.50 in ordinary state income tax and owe \$41.18 in surtax.