



FEBRUARY 26, 2026

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

## Position Statement in Support of House Bill 801

*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 801 because it would decouple Maryland from two major corporate tax breaks in H.R. 1 and likely prevent millions in annual revenue loss.**

House Bill 801 decouples Maryland from two major business tax breaks in federal law:

- The so-called “Qualified Small Business Stock” (QSBS) deduction zeroes out taxes on capital gains from certain early-stage corporate investments and mainly benefits wealthy venture capitalists. This tax break was already ballooning in cost even before H.R. 1, and overwhelmingly benefits households with over \$1 million in annual income.
- Bonus depreciation allows companies to deduct the cost of certain investments such as equipment and software purchases on an accelerated schedule – in some cases all at once – rather than over the lifetime of the investment as called for under conventional accounting rules. This allows businesses to push tax payments into the future and functions essentially like a zero-interest loan. Gov. Moore’s budget proposal partially decouples from bonus depreciation under H.R. 1. House Bill 801 would fully decouple.

While a fiscal note is not available for House Bill 801 as of the time of writing, the bill could plausibly increase state revenue by about \$40 million per year, plus more than \$10 million in added local revenue.

### Qualified Small Business Stock Deduction

Congress created the Qualified Small Business Stock deduction in 1993 in hopes of increasing business investment after the 1986 federal tax overhaul temporarily eliminated special treatment of capital gains income.<sup>1</sup> Despite the return of preferential treatment for capital gains, lawmakers subsequently expanded this tax break in 2009, 2010, and most recently, 2025:

- The deduction now exempts 100% of gains on qualifying investments from federal taxation, up from 50% in 1993.
- Investors can now claim a partial deduction after holding a stock for only three years, down from five years originally.

- The “small business” threshold for qualifying investments was increased from \$50 million in asset to \$75 million.

A 2025 analysis from the U.S. Treasury found that the 2009 and 2010 expansions had significantly increased the deduction’s cost, and that 94% of its benefits go to the tiny minority of households with annual income over \$1 million.<sup>ii</sup>

A 2021 investigation by the *New York Times* found that, despite its name, the tax break benefited large businesses like Uber, Lyft, Airbnb, Zoom, Pinterest, and DoorDash.<sup>iii</sup>

While the economic rationale for the QSBS deduction is weak at every level, it makes especially little sense for states, which are constitutionally prohibited from limiting the deduction to in-state investments – meaning that even if the tax break increased business investment, a large portion of benefits would leak out of state. Notably, the largest state that does not allow the QSBS deduction is California, the national epicenter of venture capital.

The Institute on Taxation and Economic Policy estimates that **eliminating QSBS will save the state about \$34 million per year** (\$21 million associated with the pre-2025 deduction, plus \$13 million due to the H.R. 1 expansion), plus an additional \$13 million in local savings.<sup>iv</sup>

### **Bonus Depreciation**

Bonus depreciation originated as a temporary stimulus measure to cushion the economy following the September 11, 2001, attacks and again during the Great Recession, with the intent to encourage businesses to make investments right away while the economy needed the most support.<sup>v</sup> While current federal policies have themselves likely hampered economic growth in Maryland and nationwide, there is no inflation-fighting rationale for including bonus depreciation in H.R. 1 as in past iterations. Moreover, a review of empirical evidence by the Congressional Research Service found that bonus depreciation is relatively ineffective even as a temporary stimulus measure.<sup>vi</sup>

The Bureau of Revenue Estimates’ *60 Day Report* estimated that conformity to bonus depreciation would cost a combined \$22.5 million across FY 2026 and 2027, with a cumulative cost of \$46.7 million by FY 2031.<sup>vii</sup> This year’s *Fiscal Briefing* estimated that Gov. Moore’s partial decoupling measure would save \$10.3 million over FY 2026 and 2027,<sup>viii</sup> suggesting **additional savings of about \$12 million from full decoupling**.

### **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>ix</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 801.**

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## Equity Impact Analysis: House Bill 801

### *Bill summary*

House Bill 801 would decouple Maryland from two provisions of the federal tax code that were expanded under H.R. 1 of 2025, the Qualified Small Business Stock deduction and bonus depreciation.

### *Background*

Congress originally created the QSBS deduction in hopes of spurring business investment after the temporarily elimination of a preferential tax rate for capital gains income. Although the capital gains preference has returned, Congress expanded QSBS in 2009, 2010, and 2025.

Congress originally enacted bonus depreciation as a temporary stimulus measure in 2002 and again in 2009. A review of empirical research by the Congressional Research Service found that bonus depreciation is relatively ineffective.

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

### *Equity Implications*

House Bill 801 would likely make Maryland's tax code more equitable along lines of income, wealth, and race and ethnicity:

- A 2025 analysis from the U.S. Treasury found that 94% of the benefits of the QSBS deduction go to the tiny, disproportionately white minority of households with annual income over \$1 million.
- By their design, both QSBS and bonus depreciation only benefit households that own business equity. Multiple intersecting areas of historical and continuing racist policy have made household wealth in the United States heavily lopsided. 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 801 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 801 would likely **improve racial and economic equity** in Maryland.

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<sup>i</sup> Zahrah Abdulrauf, Gerald Auten, Paul Organ, and Quinton White, "Quantifying the 100% Exclusion of Capital Gains on Small Business Stock," U.S. Treasury Office of Tax Analysis, 2025, <https://home.treasury.gov/system/files/131/WP-127.pdf>

<sup>ii</sup> Abdulrauf et al., 2025

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- iii Jesse Drucker and Maureen Farrell, “A Lavish Tax Dodge for the Ultrawealthy Is Easily Multiplied,” *The New York Times*, 2021, <https://www.nytimes.com/2021/12/28/business/tax-break-qualified-small-business-stock.html>
- iv Sarah Austin and Nick Johnson, “Quite Some BS: Expanded ‘QSBS’ Giveaway in Trump Tax Law Threatens State Revenues and Enriches the Wealthy,” Institute on Taxation and Economic Policy, 2025, <https://itep.org/qsbs-trump-tax-law-threatens-state-revenues-enriches-wealthy/>
- v Jane Gravelle, “Bonus Depreciation: Economic and Budgetary Issues,” Congressional Research Service, 2014, [https://www.congress.gov/crs\\_external\\_products/R/PDF/R43432/R43432.7.pdf](https://www.congress.gov/crs_external_products/R/PDF/R43432/R43432.7.pdf)
- vi Gravelle, 2014
- vii *60 Day Report: One Big Beautiful Bill Act*, Comptroller of Maryland, 2025, [https://mdbre.gov/BRE\\_reports/federalimpact/60-day-report-obbb.pdf](https://mdbre.gov/BRE_reports/federalimpact/60-day-report-obbb.pdf)
- viii Arnold Adja, Anne Braun, Hiram Burch, Jacob Cash, Emily Haskel, Matthew Klein, David Romans, Theresa Tuszynski, Samuel Quist, and Tonya Zimmerman, *2026 Fiscal Briefing*, Department of Legislative Services, 2026, [https://dls.maryland.gov/pubs/prod/RecurRpt/Fiscal\\_Briefing\\_2026.pdf](https://dls.maryland.gov/pubs/prod/RecurRpt/Fiscal_Briefing_2026.pdf)
- ix 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>
- x 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>
- xi *60 Day Report*, 2025