



**Testimony in Support of SB 361
Income Tax - Carried Interest - Additional Tax
Senate Budget and Taxation Committee**

FAVORABLE

February 9, 2022

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

On behalf of Strong Future Maryland, we write in support of SB 361. Strong Future Maryland works to advance bold, progressive policy changes to address systemic inequality and promote a sustainable, just and prosperous economic future for all Marylanders. SFM supports fixing our tax system to ensure that large corporations and wealthy individuals are paying their fair share for the public services we all rely on.

SB 361 will close the carried interest loophole that allows wealthy investment fund managers to pay a special, low tax rate on their income.

Like thousands of other Maryland workers, from restaurant servers to salespeople, private equity and hedge fund managers are paid partly on the basis of their performance. Unlike other workers, wealthy fund managers pay a special, low tax rate on this income — the capital gains rate, rather than the standard income tax rate. This special treatment violates core principles of effective tax policy by taxing similar activities at different rates and shifting tax responsibility away from those who can best afford to pay.

SB 361 would offset this special tax break that powerful special interests convinced Congress to enact and ask wealthy fund managers to pay their fair share in Maryland. It would also increase revenue by more than \$40 million annually. This is new revenue that could significantly contribute to the needs of families and small businesses recovering from the pandemic and support core public services in the long term.

For a strong recovery from COVID-19 and to support long-term investments that allow all Maryland families and communities to thrive, it's time to reform Maryland's tax code to make it more effective and more equitable. **Therefore, we urge a favorable report on SB 361.**

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