

MARYLAND FAIR FUNDING COALITION

February 9, 2022

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

The Maryland Fair Funding Coalition is a coalition of more than 30 organizations across the state that are committed to policies that make our tax system more equitable and allow the state to raise sufficient revenue to sustain the essential public services Maryland families and communities need to thrive.

The coalition supports proposals that eliminate loopholes and tax breaks that benefit special interests and fix our upside-down tax code, which allows the wealthiest individuals to pay the smallest share of their income in state and local taxes. Fixing our tax system will ensure that large corporations and wealthy individuals are paying their fair share for the public services we all rely on.

Our coalition supports SB 361, which 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.**