



FEBRUARY 22, 2024

Pass Fair Tax Reform for a Healthy, Equitable Maryland Economy

Position Statement in Support of House Bill 1007

Given before the House Ways and Means Committee

No matter what we look like or where we come from, most Marylanders believe in caring for our families and leaving things better for the generations to come. However, the upside-down tax system we have today makes it harder for our communities to thrive. For decades, wealthy corporations have rigged the rules to avoid paying taxes, putting most of the responsibility for funding our schools, health care, roads and transit on working families and small businesses. Now, one-third of the largest corporations in the state pay zero income taxes in a typical year, and the wealthiest 1% of Marylanders pay a smaller share of their income in taxes than the rest of us. This system is as ineffective as it is unfair, falling billions short of the revenue needed in coming years to implement the Blueprint for Maryland’s Future and support other bedrock public services. Lawmakers must choose: ask large corporations and wealthy individuals to pay their fair share, or abandon promises made to Maryland families. **Once fully phased in, Senate Bill is likely to raise about \$1.6 billion per year. For these reasons, the Maryland Center on Economic Policy supports House Bill 1007.**

House Bill 1007 Will Ultimately Raise \$1.6 Billion Per Year		
Provision	Revenue (\$ millions)	Source
Combined Reporting (water’s edge)	\$224.6 in FY29	SB 766 of 2024 Fiscal & Policy Note
Combined Reporting (worldwide)	About \$313	Institute on Taxation and Economic Policy (2019)
Throwback Rule	\$86.7 in FY29	SB 766 of 2024 Fiscal & Policy Note
LLC Loophole	About \$744	HB 357 of 2021 Fiscal & Policy Note , adjusted for rate change
Income Tax Reform	\$439.2 in FY29	SB 766 of 2024 Fiscal & Policy Note
Capital Gains Surtax	Up to \$160.4 in FY29	SB 622 Fiscal & Policy Note (before exemptions)
Millionaires’ Estate Tax	\$91.8 in FY29	SB 622 Fiscal & Policy Note
Child Tax Credit	–\$345.6 in FY29	SB 622 Fiscal & Policy Note
Earned Income Tax Credit	–\$112.8 in FY29	SB 622 Fiscal & Policy Note
Total	About \$1,600	

House Bill 1007 takes several steps to make Maryland's tax code fairer and more effective:

- **Closes corporate tax loopholes** that allow big businesses to artificially shift profits to domestic or offshore tax havens. Most states have already cracked down on domestic tax avoidance by requiring combined reporting, and the worldwide approach provides stronger protection. The bill also eliminates corporate “nowhere income” by adopting the throwback rule.
- **Closes the LLC loophole** that currently allows large businesses to avoid paying *any* corporate income tax by organizing as an LLC or other non-incorporated business form. Requiring the largest LLCs and other “pass-through” businesses to pay an 8.25% tax on profits exceeding \$1 million would raise substantial revenue while continuing to exempt true small businesses.
- **Asks the wealthiest individuals to pay their fair share** by increasing income tax rates starting at \$250,000 for individuals (\$300,000 for married couples), creating a millionaires’ bracket, and partially offsetting special treatment of capital gains in the federal tax code.
- **Fixes the estate tax on multimillionaire heirs** by exempting the first \$2 million in assets, double the exemption used until 2014.
- **Expands tax credits for working families**, including a \$750 child tax credit for qualifying children up to age five and broader earned income tax credit eligibility for workers not claiming dependent children on their taxes.

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 1007.