



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

February 22, 2024

TO: The Honorable Vanessa E. Atterbearn
Chair, Ways and Means Committee

FROM: Marc Elrich
County Executive

RE: House Bill 1007, *Fair Share for Maryland Act of 2024*
Support

I am writing to express my strong support for House Bill 1007, *Fair Share for Maryland Act of 2024*. The bill makes a number of changes to Maryland's system of taxation to rebalance the tax burden by assigning greater responsibility to support public services to those who have the financial capacity, relative to those who do not.

For businesses, the legislation closes corporate loopholes through the adoption of combined reporting and the throwback rule, and for LLCs, imposes a tax on the profits of certain pass-through entities. For wealthier individuals, House Bill 1007 establishes three new tax rates above the current top rate of 5.75%, applies a surcharge to capital gains, and reduces the unified credit used to calculate the Maryland estate tax. The bill employs another rebalancing tool by improving upon the State's existing Child Tax Credit and Earned Income Tax Credit.

A majority of states (28) and the District of Columbia already have combined reporting. These states are not just the "usual suspects" and include Texas, Kansas, Kentucky, and West Virginia. These states know that large multi-state corporations base their location decisions on a variety of factors. For example, in our County, Discovery, located in downtown Silver Spring, relocated from Maryland, a no combined reporting state, to New York, a combined reporting state. Clearly, the reasons were multifaceted and were not about taxes.

I urge you to support not just the combined reporting reform reflected in House Bill 1007, but all of the reforms. Among the reasons, here are two. First, Maryland's current tax structure is not equitable - multi-state corporations and LLCs have many tax avoidance options that sole proprietorships and individuals that receive a W2 each year do not have. There is no good

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reason to continue tax structures that favor large corporations over small businesses and residents. We need corporations to pay their fair share and end the overburdening on residents. Further, we need a progressive income tax structure. Our current structure calls into question whether Maryland's system of taxation would meet the spirit of the IRS Taxpayer Bill of Rights that ". . . taxpayers are entitled to a fair and just tax system." Based on the numbers provided by the Maryland Fair Funding Coalition, enacting House Bill 1007 would certainly move Maryland closer to that federal goal. Fortunately, that goal can be met while at the same time, the State can generate significant and necessary new revenue streams to support a quality of life that we have come to expect – but is not for free. An additional \$1.6 billion per year in new revenue can help us make the types of strategic investments that will be necessary to realize the benefits of the Blueprint, build a functioning transportation system, expand access to healthcare, enjoy a wealth of cultural amenities, and grow our economy.

For the reasons outlined above, I respectfully request that you give House Bill 1007 a favorable report.

cc: Members of the Ways and Means Committee