FUNDING OUR FUTURE

INVESTING IN PUBLIC EDUCATION, FROM CRADLE TO CAREER, BY ENSURING CORPORATIONS PAY THEIR FAIR SHARE

November 2019

ABOUT SEIU LOCAL 500

SEIU LOCAL 500 REPRESENTS OVER 20,000 EDUCATORS, CAREGIVERS AND ADVOCATES ACROSS MARYLAND, VIRGINIA, AND THE DISTRICT OF COLUMBIA. SEIU LOCAL 500 IS PART OF THE SERVICE EMPLOYEES INTERNATIONAL UNION, AN ORGANIZATION OF 2-MILLION MEMBERS UNITED BY THE BELIEF IN THE DIGNITY AND WORTH OF WORKERS AND THE SERVICES THEY PROVIDE AND DEDICATED TO IMPROVING THE LIVES OF WORKERS AND THEIR FAMILIES AND CREATING A MORE JUST AND HUMANE SOCIETY.

NOVEMBER 2019

FORWARD

Every year, more than 70,000 children are born in Maryland. We know that our public investment in education is essential to nurture and develop every one of these children's full potential.

Marylanders have always valued great schools, but right now we're not investing enough in education to live up to our high standards. Thanks to the work of the Commission on Innovation and Excellence in Education (the "Kirwan Commission") we have a great blueprint for making Maryland schools the best in the world and ensuring every Maryland child receives a first class education.

While those of us who care for children in our public schools work to ensure all our students have a healthy learning environment, elected officials have a unique responsibility to provide the resources our kids need and that allow us to do our job effectively.

We are calling on our public officials in 2020 to pass new revenues that:

- Fully fund the Kirwan Commission recommendations and protect other essential state priorities.
- Fix Maryland's upside-down tax code so that profitable corporations and super-rich individuals pay their fair share.
- Maintain strong investments in other public services and the public servants who provide them.

Funding Our Future describes how Maryland's richest residents and wealthy corporations can pay their fair share so our students have the schools they deserve.

We will work tirelessly to ensure that Maryland raises the revenue needed to guarantee that all children receive the education they deserve.

Pia Morrison
President, SEIU Local 500

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INTRODUCTION

No matter where we come from or whether we're black, white, or brown, we all want to live in safe and healthy communities, and we all want our children to have the opportunities and education they need for a strong start in life. From quality childcare in the early years to an enriching K-12 education, to affordable higher education, investment in a high quality and equitable public education system is key to our children's future and the future of our state.

Over the last decade, Maryland has fallen short in meeting this commitment as policymakers have cut education budgets and put our children's future at risk. The Commission on Innovation and Excellence in Education (the Kirwan Commission), created in 2016 to evaluate the status of education in Maryland, has described in detail how the state has short-changed its kids. In fulfilling its mission, the Kirwan Commission has laid out a set of recommendations to create a world-class educational system and the necessary investment to set up our children for success.

Maryland has the resources needed to build the strong, equitable public education system that the Kirwan Commission recommends. However, over the past decade, policy makers have prioritized tax breaks for corporations and the wealthy, allowing them to avoid paying their fair share. Policy makers implemented austerity measures and reduced funding to education and other vital community services, while large

MARYLAND HAS PLENTY OF RESOURCES; THE PROBLEM IS THAT FOR TOO LONG, CORPORATIONS AND THE WEALTHY HAVE GONE WITHOUT PAYING THEIR FAIR SHARE.

corporations and the state's wealthiest residents have amassed hundreds of millions in wealth. These low-road, low-wage corporations and the ultra-wealthy have exploited loopholes in the tax code so that they pay a smaller percentage of their income in taxes than Maryland's hard-working families. Using their enormous power and influence, they win lower and lower tax rates, secure breaks on their taxes, get unnecessary tax incentives, and get politicians to structure the tax system to increase their wealth at the expense of everyone else.

Educators, paraprofessionals, part-time faculty and workers united in SEIU Local 500 know what it takes to provide safe and healthy schools so that all students can thrive. We are committed to ensuring that all workers can join a union to create an economy that works for all of us, not just corporations or the wealthy few, and to hold politicians accountable to fight alongside us.

In many parts of the country, legislators have enacted laws and voters have approved ballot measures in recent years to increase corporate accountability and require greater contributions to the common good. SEIU Local 500, as part of the Maryland Fair Funding Coalition, is seeking to create greater equity in the state's tax structure. A series of progressive revenue reform options would raise billions annually to fund education from cradle to career as well as other critical services that our communities need.

In this report, we provide background information on the status of education in Maryland that highlights the critical need for investment. We then demonstrate how low-road corporations and the wealthiest individuals in the state have more than enough resources to ensure this investment, but fail to pay their fair share. Finally, we propose a series of fiscal policies that, by holding accountable greedy corporations and the wealthiest individuals in the state, can garner the much needed resources to fund the public education system that our kids need and deserve.

THE CRITICAL STATUS OF EDUCATION IN MARYLAND

Despite being one of the nation's highest-income states, Maryland falls far short of providing its youth with a world-class education. The Kirwan Commission decries the present quality of Maryland's schools.[1] Many of the problems that Maryland's educational system faces are due to insufficient public investment and support that affect the entire educational system from cradle to career, with a disproportionate impact on low income families and communities of color. The Kirwan Commission reports that the National Assessment of Educational Progress placed Maryland near or below the middle of the states in reading and math assessments and that Maryland was the only state where all test scores dropped between 2013 and 2015.[2]

Investment vs. Cutbacks

Following passage of the 2002 Bridge to Excellence in Public Schools Act, Maryland increased school funding by $1.3 billion between 2003 and 2008.[3] As a result, the number of school districts in the state that were close to full funding went from four to 23 out of the 24, student achievement increased significantly,[4] and Maryland's ranking in the National Assessment of Educational Progress went from among the bottom half to among the top ten.[5]

Since the Great Recession, however, policymakers have backtracked in the state's investment in education, with a detrimental impact on our kids. Beginning in 2008, scheduled increases in the school funding formula were suspended and then capped through 2015.[6] By that year, the number of districts with fully funded schools had dropped back to only six and test scores had declined.

> **As a special education paraeducator in Montgomery County Public Schools, I see firsthand how funding cuts affect our students and those that educate them. Paraeducators like myself often have our hours cut, which makes it more difficult to help our students meet their goals. We must invest in our public schools to support educators and to ensure that all students, no matter where they live or what they look like, can access a quality education.**

Wendy Smith
Special Education Paraeducator,
Brookhaven Elementary
Gaithersburg, MD

Early Childhood Education: A Necessary Investment

Research has shown that the first five years in a child's life are critical, as a child's brain develops most dramatically during that period.[7] The Kirwan Commission recognized the importance of devoting resources to high quality child care and early childhood education so children who come to kindergarten are sufficiently prepared.[8] However, existing resources, such as the Family Support Centers and Early Childhood Care and Family Education Centers,[9] barely scratch the surface of need in the state, depriving hundreds of thousands of children of the opportunity for this critical first start.

Insufficient public investment in these services takes a high economic and emotional toll on working families. In Maryland the need for quality childcare is great, but availability is limited and the cost is high. Median-

MARYLAND SPENDS LESS PER-STUDENT ON PUBLIC HIGHER EDUCATION THAN THE NATIONAL AVERAGE; AND A DECADE AFTER THE RECESSION, PER STUDENT FUNDING IS STILL 3.4% BELOW WHAT IT WAS IN FISCAL YEAR 2008.

income Maryland families on average spend more than a quarter of their earnings on child care for two children. A mere 3.7% of Maryland children under the age of 6 who meet federal income requirements receive child care subsidies, and for those that do receive subsidies, the existing rates fail to cover the true cost of care.[10]

Affordable College for All: Prerequisite for 21st Century Success

The Kirwan Commission reports that by 2022, two-thirds of the jobs in Maryland will require a postsecondary credential of some kind.[11] The Commission recognizes the importance of a post-secondary degree in significantly increasing earnings;[12] and it notes that higher education rates are linked to an increase in civic engagement and quality of life in communities.[13] Despite this critical need, Maryland spends less per-student on public higher education than the national average,[14] and a decade after the recession, per-student funding is still 3.4% below what it was in fiscal year 2008.[15]

The community college system, which represents the most accessible post-secondary option and a pathway to four-year institutions and careers, has been especially hard hit. Maryland has failed to comply with a funding formula enacted in 1996 that would increase funding to community colleges to match 29% of what the state spends on each student at select four-year public institutions.[16] The state has continually postponed the deadline for reaching this benchmark to over a decade after it was intended to be reached. To date, this has cost community colleges $100 million in lost funding.[17]

Short-changing Black, Brown and Low-Income Students

Maryland's school funding formula reinforces economic and racial inequalities as less state and local funding goes to schools whose students have the greatest needs.[18] In fact, Maryland is among only 17 states nationally whose school funding formula prioritizes funding to wealthier school districts,[19] which tend to be predominantly white. Racial and economic disparities are not limited to K-12 education. Maryland has yet to overcome its legacy of segregation in higher education. A federal complaint filed in 2006 charged that Maryland has failed to provide the state's historically black colleges and universities (HBCUs) with the needed resources and programs that would allow them to become competitive with comparable traditionally white institutions. In 2013, a federal judge

ruled that Maryland had violated the constitutional rights of the state's HBCUs students.[20] After thirteen years of litigation, the state government has yet to agree to an equitable settlement.[21]

Quality Staffing Requires Quality Compensation

Throughout its analysis, the Kirwan Commission emphasizes the critical importance of training, recruiting and retaining a high quality and diverse teaching staff that includes not only curriculum enhancements and higher standards, but also higher compensation and a staff that reflects the student population.[22] This is true not only at the preK-12 level, but at the early childhood level as well, where the Commission explicitly lists the need for incentives for training, increased compensation and a career ladder similar to those being created for classroom teachers.[23] Two other sectors of the education workforce also deserve these work enhancements regarding quality training, pay equity and a career ladder. First is all the support staff in and out of the classroom who contribute to the education of our children, and second is the community college faculty that deserve the same pay equity as other highly trained professionals.

"Our higher education system is not working for either workers or students. Teaching is my passion and all I ever wanted to do, but I wonder how long I will be able to stay in this profession. I left grad school with $40,000 in student loan debt and with the low salary in my current position, I have no hope that I will be able to pay it off anytime soon.

And it's not just the student loan that has me worried. Low-wages cause me to stress about how I will be able to afford my rent, make a car payment or even put food on the table. How can I provide the best education possible for my students with these thoughts running through my head? I can't. As someone with an advanced degree, this is just not right. We must invest in higher education in Maryland to support not only the students but the teachers who are providing the foundation for educational success.

Stephen Torres
Adjunct Professor
Howard County
Community College

UNTAXED WEALTH AND ITS COST TO QUALITY EDUCATION

Many of the problems that Maryland's educational system faces are due at least in part to a misplaced policy of cutbacks and underinvestment. The Kirwan Commission has laid out a blueprint on how to turn around the critical state of education in Maryland and provide quality, equitable and affordable education through a public system from cradle through career.

For the Commission's reforms to succeed, we will need to increase our investments in education. Maryland can afford to make these investments if we reset the conversation and prioritize our children and our students once again. For too long policymakers have chosen to allow large corporations and wealthy individuals to avoid contributing their share to our children's future—a choice that hits communities of color and struggling families hardest. This situation is untenable. It's time for us to make sure the powerful few step up and do their part.

INCOME OF TOP PUBLICLY TRADED CORPORATIONS HEADQUARTERED IN MARYLAND

Incomes for Fiscal Year 2018 (in Millions)

COMPANY	INCOME	CEO TOTAL COMPENSATION
Lockheed Martin Corporation	$7,244	$11.7
Discovery, Inc	$3,154	$12.5
Marriott International, Inc.	$2,521	$4.5
T. Rowe Price Group, Inc.	$2,346	$8.6
McCormick & Company, Incorporated	$942	$4.9
Legg Mason	$526	$4.7
Host Hotels & Resorts, Inc.	$813	$3.3
Colfax Corporation	$316	$3.1
Laureate Education, Inc.	$304	$2.5
Under Armour, Inc.	$179	$2.6
TOTAL	**$18,345**	**$58.3**

Profiting without Pitching in

Over the past decade, Maryland's economy has grown, its state GDP increased by 17 percent, adjusted for inflation.[24] The state has nearly 170,000 business establishments;[25] many of which are highly profitable. According to the most recent data from the State Comptroller's Office (2015), over 60,000 corporations with activities in the state of Maryland declared an aggregate national taxable income of $734 billion.[26] The publicly traded corporations headquartered in Maryland generated $25 billion worldwide in annual total earnings before taxes according to their most recent annual filings.[27] Nearly three quarters of that income came from just ten companies.[28] The executives of those ten companies were paid in total $58 million.[29]

Despite the robust economic rebound, highly profitable corporations have not paid their fair share. Information from the State Comptroller's office shows that a third of the largest corporate employers in Maryland paid no state income tax at all during 2015 and 2016.[30] Of the seven largest public corporations headquartered in Maryland based on revenue,[31] three paid no state income taxes in at least one of the past three years despite hundreds of millions in profits:

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DESPITE THE ROBUST ECONOMIC REBOUND, CORPORATE INCOME TAXES HAVE NOT KEPT PACE WITH PROFITABILITY.

- **Marriott International**: With $7 billion in pre-tax cumulative profits in 2016 through 2018,[32] Marriott's financial disclosures indicate not only that the company paid no state income taxes but in fact obtained $287 million in state tax credits over that three year period (this is for all 50 states).[33]
- **Discovery Communications**: Discovery reported $2.1 billion in pre-tax profits in 2016;[34] yet according to its financial disclosures the company paid no state income taxes but in fact obtained $56 million in state tax credits that year (this is for all 50 states).[35]
- **Under Armour**: Under Armour reported $157 million in pre-tax profits in 2017;[36] yet according to its financial disclosures the company paid no state income taxes but in fact obtained $8.3 million in state tax credits (this is for all 50 states).[37]

Furthermore, Maryland has the highest median income in the country[38] and the fourth highest number of millionaires per capita.[39] Over the last 40 years, the top one percent of Marylanders have more than doubled their share of Maryland's economy,[40] yet they pay a smaller share of their income in state and local taxes than the rest of us do.[41] .

"From my family child care near Baltimore, I see the harsh realities of a broken economy. Both parents often working, facing irregular hours and sub-par wages to put food on the table. Quality child care is a necessity but the cost is an enormous burden that only adds to stress levels. Also, child care providers like myself are struggling to take care of our own families – as low wages, a lack of benefits, and limited professional development opportunities cause more and more quality educators to leave this field. Meanwhile, large corporations continue to take a larger piece of the pie at the expense of working families.

Despite the importance of early learning, the system is woefully underfunded to meet the needs of Maryland families. Our children deserve the best start in life and those that educate them deserve respect and support. It's time to invest in early care – the future depends on it.

Crystal Barksdale
Family Child Care Provider
Baltimore, MD

A TAX SYSTEM SKEWED TOWARD CORPORATIONS AND THE WEALTHY

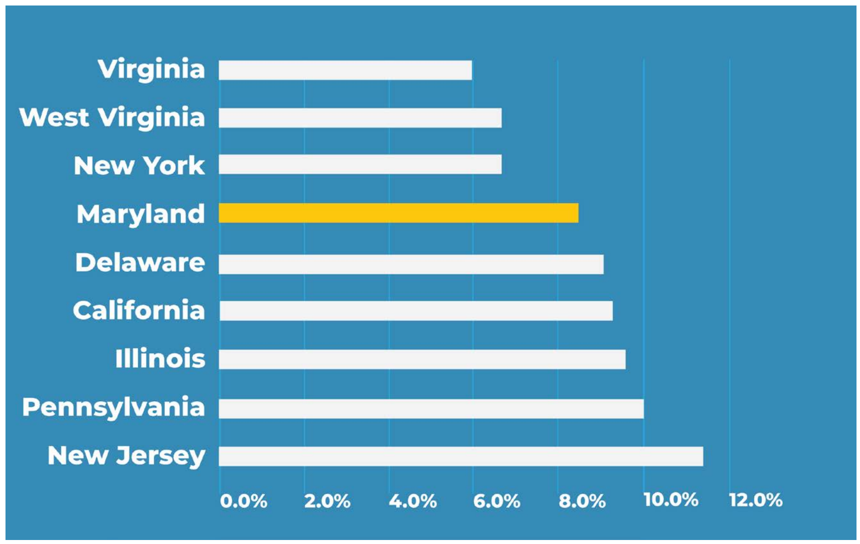
Maryland's tax code favors corporations and the wealthy at the expense of working families. Not only does it allow them to pay a smaller share of their income in taxes than the rest of us, it also further concentrates wealth and power in a few hands. In addition, corporations and the ultra-wealthy make use of multiple loopholes to game the system and further reduce their tax bill.

Maryland lags behind other states in reforming its tax code to address its rising inequality. In 2017, the Center on Budget and Policy Priorities provided a list of eleven progressive corporate income tax reform options available to states. These include various strategies to close corporate loopholes, decouple from various federal tax breaks, and reform corporate income taxes, tax credits, subsidies, and the minimum tax. Of the eleven options, Maryland has enacted only three, which places it among the bottom 30% of states in terms of holding corporations accountable for paying their fair share (The Center on Budget and Policy Priorities' state-by-state comparison chart can be seen in Appendix A).[42]

Tax Avoidance Strategies Allow Large Corporations to Pay Far Less than the Corporate Tax Rate

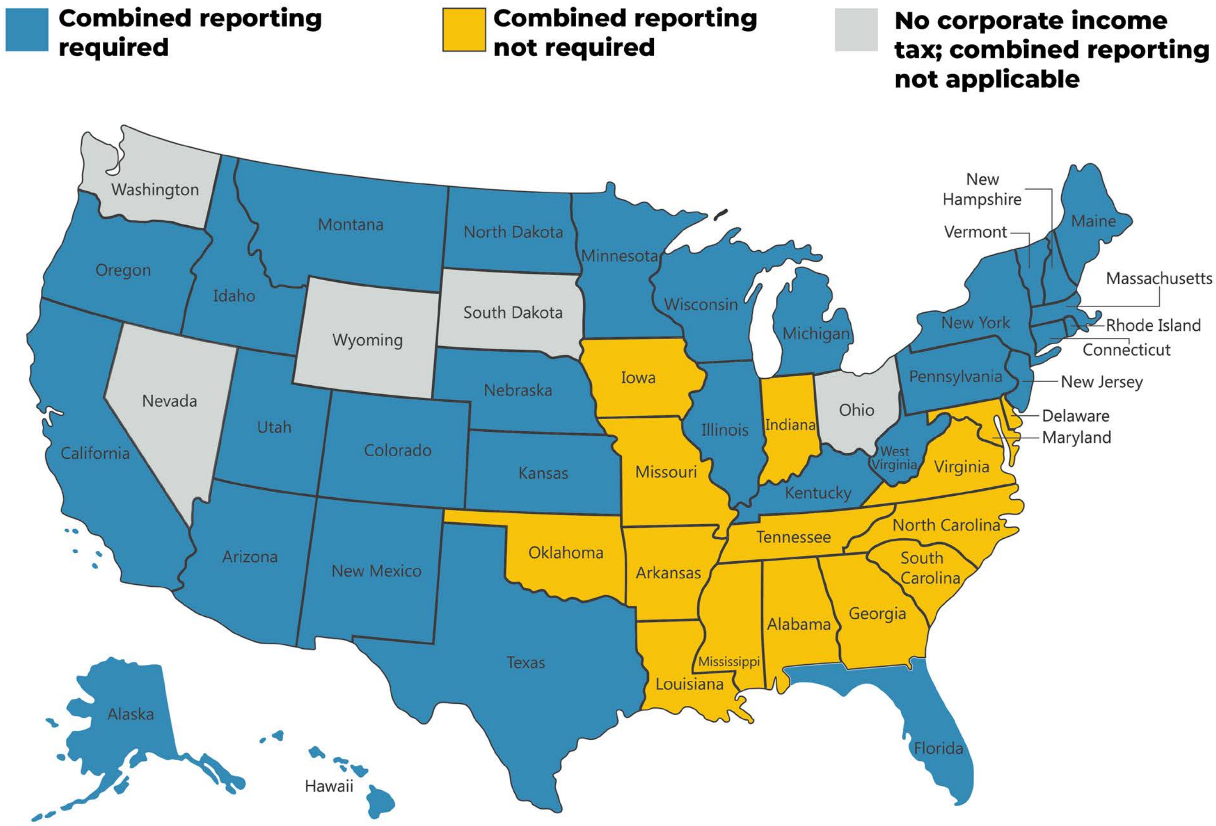
Maryland's corporate income tax rate of 8.25 percent is in the middle of the pack among nearby states and states with similar economies to Maryland's. Some states, such as Virginia and West Virginia, have lower rates; others, such as Delaware and Pennsylvania, have higher rates. Nearby New Jersey currently levies an 11.5 percent tax on large corporations.[43]

CORPORATE INCOME TAX TOP RATE



Moreover statutory tax rates do not convey the whole picture. Many profitable corporations in Maryland are able to exploit loopholes and tax breaks to pay far less than the 8.25 percent statutory rate—and some avoid paying corporate income tax altogether. Delegate Marc Korman and Senator Cory McCray in the Maryland legislature recently introduced legislation to require corporate reporting of corporations' effective, real tax rate,[44] information that would provide a truer picture of the status of corporate tax contributions.

28 STATES PLUS D.C., REQUIRE COMBINED REPORTING FOR THE STATE CORPORATE INCOME TAX



Source: John C. Healy and Michael S. Schadewald, "2018 Multi-state Corporate Tax Guide, Vol. 1," Kentucky HB 487 (2018), effective January 1, 2019; New Jersey AB 4262 (2018), effective July 1, 2019.

Combined Reporting Could Close an Estimated $92 Million Corporate Loophole

One of the most significant areas in which Maryland has not caught up with much of the country is its failure to enact legislation known as "Combined Reporting," which requires corporations to report total profits so that the state can then apportion them to be taxed based on the company's activities within the state. In contrast to more than half the states in the country, Maryland allows multistate corporate groups to artificially report each subsidiary's profits separately, ignoring the reality that they are all owned by the same parent company.[45] This allows large corporations, through accounting manipulations, to move profits out of the state and thus avoid paying Maryland state income taxes. Over the past several years, the Maryland legislature has failed to pass proposed bills to adopt combined reporting for multi-state corporations.

The absence of combined reporting deprives the state government of revenue that could fund high quality education for our kids. Requiring

COMBINED REPORTING TREATS A PARENT COMPANY AND ITS SUBSIDIARIES AS ONE ENTITY FOR STATE INCOME TAX PURPOSES, THEREBY HELPING PREVENT INCOME SHIFTING.

corporate groups to accurately report the profits of all subsidiaries together through combined reporting would raise an additional $92 million each year, according to state analysts.[46]

The vast majority of the largest multi-state corporations operating in Maryland are already subject to combined reporting in other states where they do business.[47] And many firms known to use income tax accounting shelters are national retail and service-sector companies that of course need to be in Maryland with its high personal income levels.

The Carried Interest Loophole Allows Wealthy Investors to Avoid Billions in Taxes

One of the ways that wealthy Maryland investors game the tax system is through a loophole known as “carried interest,” whereby hedge fund and private equity managers’ fees are characterized as capital gains where the highest taxable rate is set at 20%. In reality, these fees should be characterized as services rendered, and thus taxed as ordinary income, where the highest marginal tax rate is currently 37%. Corporate tax policy law professor Victor Fleischer of University of California-Irvine has estimated that at the national level, that difference in tax rates represents $18 billion per year lost to the federal budget.[48] An analysis by the Maryland Comptroller’s Office estimates that state tax revenues would increase by $60 million annually if carried interest were taxed at the 17% foregone by the federal government.[49]

Millions in Corporate Giveaways at the Expense of Critical Services

Every year, the state of Maryland spends millions on subsidies and tax breaks for corporations. In its official tally, the Maryland Department of Commerce reports that it provided $124 million in incentives in fiscal year 2018 that included $56 million in direct assistance (appropriations) and $76 million in tax credits (foregone revenue).[50] In addition, localities provide millions more in local tax breaks. Over the past 20 years, the state has provided $417 million at a minimum in tax incentives and direct assistance. This amount is of known subsidies and the true cost is most likely much higher. [51]

MANY LARGE CORPORATIONS CONTINUE TO RECEIVE TAX CREDITS AND OTHER BENEFITS WITH LITTLE TO NO ACCOUNTABILITY.

TOP CORPORATE RECIPIENTS OF MARYLAND TAX SUBSIDIES

Company	Subsidy Value (millions)
Amazon.com	$46.00
Northrop Grumman	$36.90
AstraZeneca	$22.40
Bechtel	$21.00
Volvo	$10.70
Marriott International	$9.00
Morgan Stanley	$8.20
Under Armour	$5.90
Bertelsmann	$5.20
Lockheed Martin	$3.10

According to the government, these tax breaks are supposed to enhance investment, create jobs, and create opportunities in impoverished areas of the state. Yet the Department of Legislative Services, charged with evaluating these tax breaks, has reported that many of these programs do not meet their goals.[52] These programs include: the Enterprise Zone Tax Credit,[53] the Biotechnology Investment Incentive Tax Credit,[54] the Businesses that Create New Jobs Tax Credit,[55] and the One Maryland Economic Development Tax Credit.[56] While the Department publishes evaluations of the various tax credit programs, there is little to no public information on the performance of specific corporations. In fact, many large corporations continue to receive tax credits and other benefits with little to no accountability. The Maryland Center on Economic Policy estimates that **elimination of ineffective subsidies would save the state $55 million in 2020**.[57]

Low-Wage Corporations Cost Maryland Hundreds of Millions

Every year, hard-working Maryland families subsidize wealthy corporations by supplementing their employees' wages with public programs such as health insurance, food assistance and cash supports needed to survive. According to a 2015 report from the University of California, Berkeley, Center for Labor Research and Education, the estimated subsidy to Maryland companies in the form of working families' enrollment in health insurance programs and TANF for the years 2009-2011 was $628 million.[58]

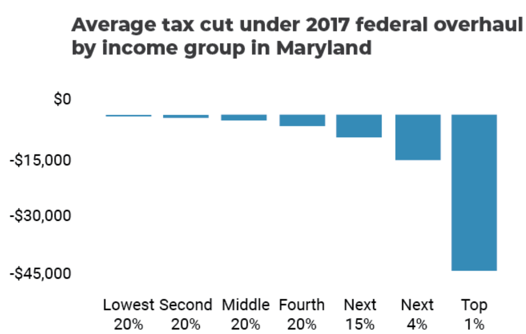
Corporations and the Wealthy Take the Lion's Share of 2017 Tax Cuts

Recent changes in federal tax policy have made our overall tax system—federal, state, and local—even more lopsided. The hastily drafted 2017 federal tax overhaul gave away trillions to wealthy households and large corporations, undermined the federal government's fiscal position, and heightened obstacles to opportunity for people of color nationwide.[59] The richest 5% in the state received 55% of the tax cuts;[60] and in the first year after the tax overhaul, Maryland-based companies together paid an estimated $587 million less in federal taxes.[61]

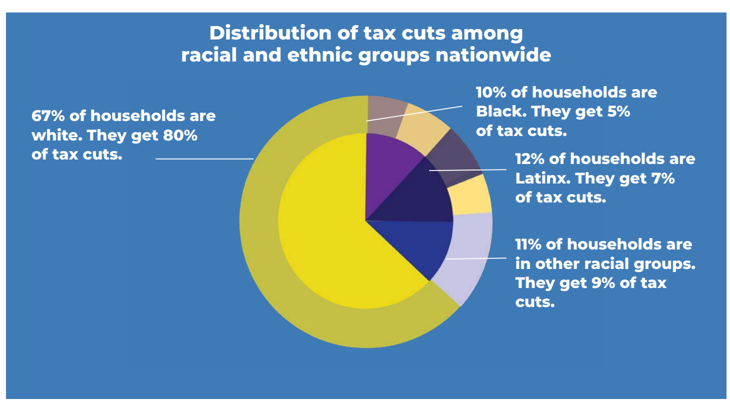
The hundreds of millions in federal taxes that corporations saved have not flowed to working families as the corporate-controlled Congress argued. Preliminary data reveals that wealthy shareholders and corporate CEOs got a windfall while workers got almost nothing. Corporate CEOs, who are primarily among the richest 1%, lined their own pockets and those of their shareholders by artificially boosting their companies' stock prices through the repurchase of company stocks. These repurchases allowed them to decrease the total number of shares in the market, which in turn increased the price of each stock and the value of the stocks held by the CEO and shareholders. In Maryland alone, five of the state's wealthiest companies reported repurchased company stocks in 2018, for a total value of $3.2 billion, while only one has reported providing workers with a wage increase or bonus.[62]

FEDERAL TAX CUT LAW PRIMARILY BENEFITS WEALTHIEST WHITE HOUSEHOLDS

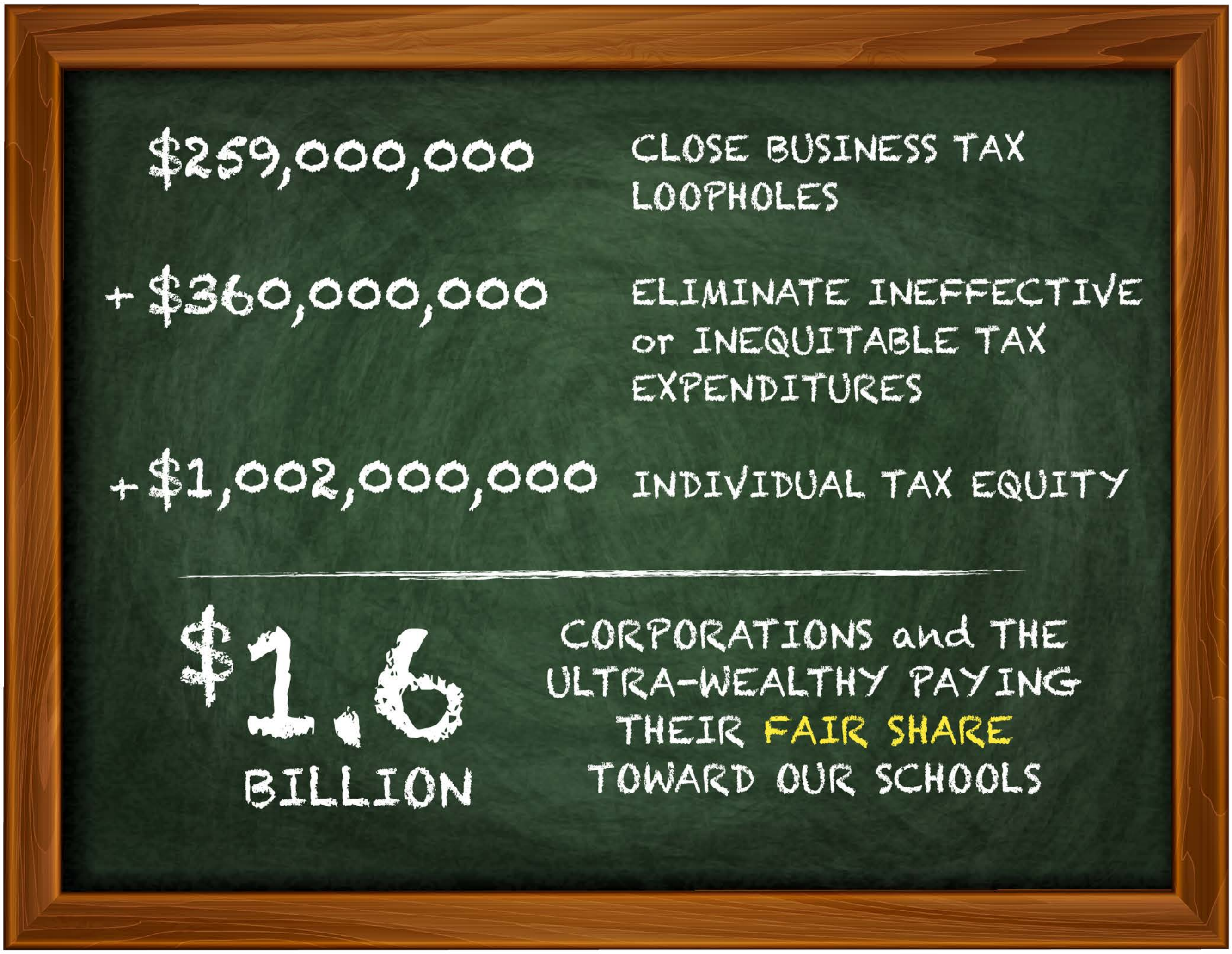
Average tax cut under 2017 federal overhaul by income group in Maryland



Source: Institute on Taxation and Economic Policy, 2017.



Source: Prosperity Now and Institute on Taxation and Economic Policy, 2018.



Maryland can afford to provide a world-class public education system by ensuring that corporations pay their fair share. By closing corporate tax loopholes and reforming inequitable corporate subsidy programs, we can raise billions to ensure the success of all Maryland children from cradle to career.

FUNDING OUR SCHOOLS AND COMMUNITIES BY MAKING CORPORATIONS AND THE WEALTHY PAY THEIR FAIR SHARE

For too long, working families have contributed the largest share of their incomes to support the collective needs of our communities, while corporations and the wealthy find multiple ways to avoid paying their fair share. According to an October 2019 poll among Maryland voters, a majority believe that the state tax system is unfair, that we should eliminate corporate loopholes and ineffective tax breaks, and that the wealthy should pay more.[63] In the same poll, nearly 3/4 of respondents considered investing in education as a critical priority.[64]

Over the past few years, in many parts of the country, the public and their representatives have begun to fight back. In several states, legislators have enacted laws and voters have approved ballot measures to increase corporate accountability and require greater contributions to the common good, as well as ensuring that those individuals and households that hold the lion's share of wealth also contribute their fair share. Here are some examples of recent victories as well as current efforts to ensure more equitable and transparent contributions needed to invest in our communities:

- **Combined Reporting**: The three most recent states to enact combined reporting are Rhode Island in 2014, Connecticut in 2015,[65] and New Mexico in 2019,[66] preventing corporations from using accounting gimmicks to reduce their corporate income tax in the state. Currently 28 states and the District of Columbia have adopted combined reporting.[67]
- **Business Activities Taxes**: This year the state of Oregon enacted a new Corporate Activities Tax that is estimated to generate $1 billion in revenue annually to fund K-12 education.[68] Washington State raised its Business and Occupations Tax rate for large companies in highly profitable industries like banking and big tech.[69]
- **Carried Interest**: Over the past three years, carried interest bills have been introduced in California,[70] Connecticut,[71] Illinois,[72] Massachusetts,[73] Maryland,[74] New Jersey,[75] New York[76] and Rhode Island.[77] In California, the additional revenue would go to education.
- **Taxing the wealthiest**: In 2012, California voters approved a ballot measure that raised the tax rate on the state's wealthiest 5%, with nearly all of the increase coming from the state's top 1%.[78] Revenues from the measure have helped to increase per pupil spending by 14%, and schools were able to hire more teachers and reduce class size.[79]
- **Equitable taxation**: This year both Illinois and Massachusetts have embarked on a multi-year process through legislation and voter approval to make their tax systems more equitable. Illinois is in the process of creating a graduated income tax while Massachusetts is seeking to implement a special tax on incomes over $1 million.[80]

SEIU Local 500, as a member of the Maryland Fair Funding Coalition, is seeking to revise the state's tax structure to create greater equity by increasing the share of contributions from corporations and the state's wealthiest residents. A series of progressive revenue reform options would raise billions annually to fund education from cradle to career in the state as well as other critical services that our communities need. These options include closing business tax loopholes, eliminating certain tax expenditures that primarily benefit corporations and wealthy households, and strengthening the income tax code to make it more equitable (See Appendix B). In all of these proposals we are guided by a set of principles that express our commitment to a Maryland that invests in our children, families and communities; that works for all of Maryland's residents and not just the privileged few; and that is based on a system that is transparent and fair to all taxpayers—black, brown, and white--no matter what their income level or where they're from.

THE MARYLAND FAIR FUNDING COALITION GUIDING PRINCIPLES

- We are committed to raising significant revenue. This means billions, not millions.
- Any revenue conversations must focus on fixing our upside-down tax code so that wealthy corporations and individuals pay their fair share. Placing further costs on working families would only exacerbate existing inequality.
- Additional revenue may not be tied to reducing investments, pay or benefits for public employees, or any public service.
- Funds raised through increased revenue must be directed towards new investments in public programs that best serve Marylanders from cradle to career.

APPENDIX

APPENDIX A:
CORPORATE INCOME TAX OPTIONS AVAILABLE TO STATES IN 2017

✓ Reform Option Available in State	DECOUPLE FROM FEDERAL TAX BREAKS		STATE LOOPHOLE-CLOSING STRATEGIES					OTHER AVAILABLE REFORMS			
	Qualified Production (QPAI)	NOL Carryback	Combined Reporting	Tax Havens in Combined Report	Throwback Rule	Three-factor Formula	Economic Nexus	Substantial Minimum Tax*	Corporate Disclosure	Tax Expenditure Estimates	Enact Corporate Income Tax
Alabama	✓	Enacted	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Alaska	✓	✓	Enacted	Enacted	Enacted	Enacted	✓	Enacted	✓	Enacted	Enacted
Arizona	✓	Enacted	Enacted	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Arkansas	Enacted	Enacted	✓	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
California	Enacted	Enacted	Enacted	✓	Enacted	✓	✓	Enacted	✓	Enacted	Enacted
Colorado	✓	Enacted	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Connecticut	Enacted	Enacted	Enacted	Enacted	✓	✓	✓	Enacted	✓	Enacted	Enacted
Delaware	✓	✓	✓	✓	✓	Enacted	✓	✓	✓	Enacted	Enacted
Dist. of Col.	Enacted	Enacted	Enacted	Enacted	Enacted	✓	✓	✓	✓	Enacted	Enacted
Florida	✓	Enacted	✓	✓	✓	✓	✓	Enacted	✓	Enacted	Enacted
Georgia	Enacted	✓	✓	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Hawaii	Enacted	✓	Enacted	✓	Enacted	Enacted	✓	✓	✓	✓	Enacted
Idaho	✓	✓	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Illinois	Enacted	Enacted	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Indiana	Enacted	✓	✓	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Iowa	✓	Enacted	✓	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Kansas	✓	✓	Enacted	✓	Enacted	Enacted	✓	✓	✓	Enacted	Enacted
Kentucky	✓	Enacted	Enacted	✓	✓	✓	✓	Enacted	✓	Enacted	Enacted
Louisiana	✓	✓	✓	✓	✓	Enacted	✓	✓	✓	Enacted	Enacted
Maine	Enacted	Enacted	Enacted	✓	Enacted	✓	✓	Enacted	✓	Enacted	Enacted
Maryland	Enacted	✓	✓	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Massachusetts	Enacted	Enacted	Enacted	✓	✓	✓	✓	Enacted	✓	Enacted	Enacted
Michigan	Enacted	Enacted	Enacted	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Minnesota	Enacted	Enacted	Enacted	✓	✓	✓	✓	Enacted	✓	Enacted	Enacted
Mississippi	Enacted	✓	✓	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Missouri	✓	✓	✓	✓	Enacted	✓ [single sales election]	✓	✓	✓	Enacted	Enacted
Montana	✓	✓	Enacted	Enacted	Enacted	Enacted	✓	✓	✓	Enacted	Enacted

	DECOUPLE FROM FEDERAL TAX BREAKS		STATE LOOPHOLE-CLOSING STRATEGIES					OTHER AVAILABLE REFORMS			
	Qualified Production (QPAI)	NOL Carryback	Combined Reporting	Tax Havens in Combined Report	Throwback Rule	Three-factor Formula	Economic Nexus	Substantial Minimum Tax*	Corporate Disclosure	Tax Expenditure Estimates	Enact Corporate Income Tax
Nebraska	✓	Enacted	Enacted	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Nevada			No Corporate Income Tax					No Corporate Income Tax			✓
New Hampshire	Enacted	Enacted	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
New Jersey	✓	Enacted	Enacted	✓	✓	✓	✓	Enacted	✓	Enacted	Enacted
New Mexico	✓	Enacted	Enacted	✓	Enacted	✓ [equal weigh for most business]	✓	✓	✓	Enacted	Enacted
New York	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	✓	Enacted	Enacted
North Carolina	Enacted	Enacted	✓	✓	✓	✓	✓	✓	✓	Enacted	Enacted
North Dakota	Enacted	Enacted	Enacted	✓	Enacted	Enacted	✓	✓	✓	✓	Enacted
Ohio			No Corporate Income Tax					No Corporate Income Tax			✓
Oklahoma	✓	✓	✓	✓	Enacted	Enacted	✓	✓	✓	Enacted	Enacted
Oregon	Enacted	Enacted	Enacted	Enacted	Enacted	✓	✓	Enacted	✓	Enacted	Enacted
Pennsylvania	✓	Enacted	✓	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Rhode Island	✓	Enacted	Enacted	Enacted	Enacted	✓	✓	Enacted	✓	Enacted	Enacted
South Carolina	Enacted	Enacted	✓	✓	✓	✓	✓	✓	✓	✓	Enacted
South Dakota			No Corporate Income Tax					No Corporate Income Tax			✓
Tennessee	Enacted	Enacted	✓	✓	✓	✓	✓	✓	✓	Enacted	Enacted
Texas			No Corporate Income Tax					No Corporate Income Tax			✓
Utah	✓	✓	Enacted	✓	Enacted	✓	✓	✓	✓	✓	Enacted
Vermont	✓	Enacted	Enacted	✓	Enacted	✓	✓	Enacted	✓	Enacted	Enacted
Virginia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Enacted
Washington			No Corporate Income Tax					No Corporate Income Tax			✓
West Virginia	Enacted	✓	Enacted	Enacted	Enacted	✓	✓	✓	✓	Enacted	Enacted
Wisconsin	Enacted	Enacted	Enacted	✓	Enacted	✓	✓	✓	✓	Enacted	Enacted
Wyoming			No Corporate Income Tax					No Corporate Income Tax			✓
Total # of States	**10**	**6**	**7**	**15**	**8**	**15**	**19**	**14**	**19**	**4**	**6**

* Some states with check marks have minimum taxes on the books, however, they are $100 or less
Sources: Center on Budget and Policy Priorities (QPAI, Throwback rule), Commerce Clearinghouse State Tax Guide (NOI, carrybacks), RIA All States Tax Handbook 2012 (Three factor formula, Minimum Tax), Virginia Joint Legislative Audit and Review Commission (Economic Nexus), ITEP tabulation and tracking (Combined reporting and Tax Expenditure Reporting). Table from the Institute on Taxation & Economic Policy, 2017.

APPENDIX B:
REVENUE REFORM OPTIONS

Close Business Tax Loopholes	$259 Million
Combined Reporting: Require large, multi-state corporations to pay their fair share in corporate taxes for profits generated in Maryland. **Throwback Rule**: Require large, multi-state corporations to pay their fair share in corporate taxes for profits generated related to sales in Maryland. **Close the pass-through/LLC loophole**: Reduce special treatment of pass-through businesses in state tax code (with exemption for sole proprietorships, first $1 million profits of all companies)	
Eliminate Ineffective or Inequitable Tax Expenditures	**$360 Million**
Ineffective subsidy programs: Enterprise Zone, Biotechnology Investment Incentive, Businesses that Create New Jobs, One Maryland Economic Development several other programs to sunset as scheduled **Exemption from the inheritance tax** of property passed to children, grandchildren, or siblings **Decouple 529 Tax Benefit**: Prohibit tax deduction for contributions made to the Maryland College Investment Plan used for private elementary or secondary education expenses.	
Individual tax equity	**$1002 Million**
Restructure personal income tax brackets and rates: Lower income tax rates on income earners below median, raise rates on income earners above median. **Restore millionaire tax at 7%**. **Capital gains surtax**: Apply 1% surtax to partially offset federal special treatment **Carried Interest**: Apply a 19% state income surtax. **Estate Tax Giveaway Reversal**: Reset estate tax exemption limit at $5 million.	

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