



POSITION STATEMENT

**TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE
HOUSE BILL 507 -- INCOME TAX - PASS-THROUGH ENTITY - ADDITIONAL TAX**

February 12, 2020

**DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE**

Position: Oppose

House Bill 507 imposes a State tax on income distributed to members of pass-through entities from the pass-through entity's taxable income exceeding \$1,000,000.

The GBC opposes House Bill 507 because the impact falls disproportionately on small businesses that are not registered as corporations, but instead are partnerships, S corporations, limited liability companies, and sole proprietorships. The bill also makes Maryland's tax structure less competitive with surrounding and competitor states who do not impose this tax.

In response to this proposal and a myriad of tax-related legislation pending this session in the Maryland General Assembly, the GBC advocates for the creation of a comprehensive tax commission to study a fair, equitable, and modernized system of taxation. Several bills to create a tax commission are currently pending. The GBC respectfully requests to be a formal member of any commission that may be created by the Maryland General Assembly. Based on need to examine Maryland's tax structure and the urgency for reliable revenue streams that fully fund education reform and other policy priorities, it is the right time for the creation of comprehensive tax commission.

This bill is inconsistent with a key tenet in *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, a report published by the GBC that identifies eight core pillars for a competitive business environment and job growth:

Tax structure that is fair and competitive. Maryland's tax policy must be perceived by business as being competitive and devoid of elements that unreasonably target specific businesses or business sectors.

Additionally, the GBC's *2020 Legislative Priorities* state that an important priority is to "oppose the passage of destabilizing business taxation proposals that would create uncertainty . . . or diminish the economic vitality of our State."

For these reasons, the Greater Baltimore Committee urges an unfavorable report on House Bill 507.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 65-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

111 South Calvert Street • Suite 1700 • Baltimore, Maryland • 21202-6180

(410) 727-2820 • www.gbc.org