



NFIB-Maryland – 60 West St., Suite 101 – Annapolis, MD 21401 – www.NFIB.com/Maryland

TO: House Ways and Means Committee

FROM: NFIB – Maryland

DATE: February 12, 2020

RE: **OPPOSE HOUSE BILL 507** – Income Tax – Pass-Through-Entity – Additional Tax

On behalf of Maryland’s small businesses, NFIB-Maryland opposes House Bill 507 – legislation that would impose an additional 4% tax on small business owners of pass-through-entities (PTEs) – specifically those that are *not* organized as a sole proprietorship.

PTEs generally consist of the following: sole proprietorship, general partnership, limited partnership, limited liability company, or an S-corporation. Those businesses organized as one of the preceding entities are overwhelmingly small business owners.

These small business owners pay “business taxes” through their personal income tax returns. According to the Tax Foundation, Maryland ranks 45th on their personal income tax rate. Additionally, it is 42nd on property tax rates.

Should the additional 4% be levied on our small business owners, the highest effective tax rate would be 12.95%. That rate would send Maryland to the bottom of the charts when it comes to business friendliness – something this legislature and administration has fought hard to improve in recent years.

If HB507 were to pass it would send a negative message to entrepreneurs and would-be small business owners hoping to create a future for themselves, their employees and their families. It is in essence, pouring cold water on the dream to own and operate your own business.

For these reasons **NFIB opposes HB507** and requests an unfavorable committee report.